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Operator: Welcome to the Larsen & Toubro Ltd. Q2 and H1 FY27 earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and 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 you, Mr. P. Ramakrishnan.

P. Ramakrishnan: Thank you, Sagar. Good evening, ladies and gentlemen. A warm welcome to all of you to the Q2 FY27 earnings call of Larsen & Toubro. The earnings presentation was uploaded onto the stock exchange almost an hour ago. I hope you had a chance to have a quick look at the numbers.

As per past practice, I will first walk you through the important highlights for Q2 FY27 in the next 20 to 25 minutes, after which we will take 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, let me provide the disclaimer from our end. The presentation that we uploaded to the stock exchange and the website a while ago, 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 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.

India's economy has remained resilient despite a difficult global backdrop, supported by domestic demand and investment activity. Policy measures remain focused on maintaining macroeconomic stability. However, the outlook continues to be influenced by the trajectory of external developments, which are likely to remain important factors shaping growth outcomes. The recent re-escalation of the conflict in West Asia and the resulting volatility in oil prices have contributed to increased uncertainty in the global economic environment. More broadly, volatility in energy markets, logistics and trade disruptions, rising input and financing costs, and the continued uncertainty surrounding a resolution to the West Asia conflict remain relevant considerations for the operating environment.

Having covered the macroeconomic landscape, let me now turn to a few developments and achievements for L&T.

First is Hydrocarbons. The L&T Hydrocarbon business has been selected as one of the four contractors under a six-year EPC framework agreement with Petroleum Development of Oman. The agreement positions the company to participate in major EPC opportunities under PDO's capital investment program. The framework further strengthens our presence in Oman's hydrocarbon sector and provides a platform to pursue future project opportunities.

The next one is Data Centers. The data center business of the company is being reorganized under Vyoma AI Limited, a wholly owned subsidiary. While this subsidiary will house the co-location business, the AI compute operations are being developed through its wholly owned subsidiary, L&T

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N Compute Private Limited. L&T N Compute is establishing an AI factory at its Chennai campus with a planned capacity of over 10,000 NVIDIA B300 GPUs. It has entered into a long-term deployment agreement with Together AI for a significant portion of the GPU capacity. Commissioning is targeted for January 2027.

I will move on to the Semiconductor business. This business is housed in a wholly owned subsidiary called L&T Semiconductor Technologies. This subsidiary continues to strengthen its semiconductor platform through product innovation and strategic partnerships. The company unveiled 40 semiconductor products and platforms across power, compute, connectivity, and analog technologies, including its first 1,200-volt silicon carbide MOSFET platform. Silicon carbide expands the company's presence in high-efficiency power semiconductors, serving applications such as electric mobility, renewable energy, industrial systems, and data centers. During the period, the company partnered with {? Azure Moto ?} Technologies to advance SiC and power semiconductor solutions, and with Tata Electronics to support indigenous manufacturing of semiconductor products for domestic and global markets.

I will move on to the Electronics business. The Electronic Products and Systems business continued to expand its capabilities across power electronics, industrial automation, and mobility. During the period, the business secured an initial BESS order and commenced capacity expansion at the Kanchipuram facility to support the assembly and integration of battery energy storage system solutions. The business also progressed product development and commercialization initiatives in industrial automation. In mobility, it achieved production readiness for EV traction motors, with commercial production scheduled to commence in Q3 FY27, while continuing to advance opportunities in ADAS and e-powertrain systems with leading automotive OEMs.

I will move on to the Development Projects segment. As previously communicated, the company signed a share purchase agreement in Q1 of the current financial year with Hyderabad Metro Rail Limited, a wholly owned enterprise of the Government of Telangana, for the divestment of its entire stake in L&T Metro Rail (Hyderabad) Limited. The expected completion date for this transaction has been revised from September 30 to December 31, 2026.

I now move on to the group performance for the quarter ended September 30, 2026. We recorded our highest-ever quarterly order inflow at Rs.1.48 trillion, registering a growth of 28% year-on-year, led by the receipt of ultra-mega and mega orders across offshore and onshore hydrocarbons, and carbon-lite businesses within the Energy Conventional segment. Within the Projects, Product, and Manufacturing, or PPM, portfolio, order inflows reached a record high of Rs.1.26 trillion, registering a robust 32% year-on-year growth. The growth was broad-based across both domestic and international markets, with order inflows rising 49% and 24%, respectively. International orders accounted for 62% of the portfolio mix, compared with 66% in the corresponding quarter of the previous year.

Turning to the prospects pipeline, the prospects pipeline for the PPM core business for the balance six months of the current financial year remains healthy at approximately Rs.10.3 trillion, which is almost at the same level as last year. The broad composition of this overall prospects pipeline is as follows: Infrastructure Utilities has a share of Rs.5.84 trillion as compared to Rs.5.81 trillion last year; Energy Conventional order prospects are Rs.2.07 trillion vis-à-vis Rs.3.35 trillion last year; Energy

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Green order prospects are Rs.2.04 trillion as compared to Rs.0.93 trillion last year; and Manufacturing and Products order prospects are Rs.0.33 trillion vis-à-vis Rs.0.29 trillion last year.

Moving on to the order book, the total order book, including the Realty segment, stood at Rs.8.54 trillion as of September 2026 and was up 28% vis-à-vis September 2025. In terms of portfolio composition, 42% of our total order book is from Infrastructure Utilities, 34% from Energy Conventional, 17% from Energy Green, 5% from Manufacturing and Products, and 2% from Realty. In terms of the geographic mix, 46% of this order book is domestic, while 54% is international, reflecting the increasing share of international orders secured over the past year. The average execution period for this order book is 33 months.

The total domestic PPM order book stood at Rs.3.72 trillion. The share of private-sector orders increased to 39% from 30% as of September 2025, driven by order wins across carbon-lite solutions, residential and commercial buildings, factories, and the metals and minerals business, along with select awards in heavy civil infrastructure, transmission lines, and airports. Within the public-sector portfolio, the combined share of central and state government orders declined to 30% of the domestic order book, comprising 11% from the central government and 19% from state governments, as compared with 38% a year ago. PSU exposure remains largely stable at 31%.

Of the international order book of Rs.4.62 trillion, the Middle East accounts for 73% of the portfolio, underpinned by our long-standing presence in the region. Europe contributes 13%, reflecting the growth in our offshore wind business over the past few quarters. The balance 14% is distributed across other international markets, including Central Asia, ASEAN, and the SAARC regions, providing further geographic diversification.

With respect to additional details on the order book, 7% of the total order book is funded via bilateral and multilateral agencies. In addition, as of September 2026, slow-moving orders constituted around 1% of the overall order book. During the quarter, orders were deleted for less than Rs.10 crore.

Turning to revenues, supported by strong execution progress across energy-related projects, comprising both conventional and solar, and healthy growth in the financial services segment, group revenues rose to Rs.787 billion, registering a robust 16% growth. International revenue contributed 58% of total revenues during the quarter. Revenues from the PPM portfolio stood at Rs.584 billion, reporting robust growth of 20% year-on-year. The performance was driven by strong execution across the energy portfolio, supported by the progression of recently secured ultra-mega projects and the continued conversion of the expanded order book into revenues, despite continuing logistics and supply chain challenges during the quarter.

Moving on to EBITDA margin, our group-level EBITDA margin, excluding other income, for Q2 FY27 was 8.7% as compared to 10% in Q2 of the previous year. The EBITDA margin was primarily impacted by lower margins across the group's portfolio and a change in the revenue mix. When I refer to the revenue mix, I am referring to a higher share of the PPM portfolio in the overall revenue mix. Our PPM manufacturing business EBITDA margin for Q2 FY27 was 7% and declined by 30 basis points compared to the corresponding quarter of the previous year. The decline in PPM margin was primarily due to cost pressures in WET projects, that is, water and effluent treatment, increased supply chain costs, and a higher proportion of projects yet to reach the margin

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recognition threshold.

Our group PAT for Q2 FY27 stood at Rs.52 billion, registering strong growth of 33% year-on-year. The growth was primarily driven by a significant pickup in activity levels across the Projects, Products, and Manufacturing portfolio, coupled with higher treasury income, supported by the release of funds through improved working capital management within the PPM portfolio. Detailed insights on the group's performance, the P&L composition, and key drivers of variances across the business segments and functional heads are provided in the earnings presentation. You may refer to it for further details.

Moving on to working capital, our focus on working capital efficiency and the changing underlying nature of the order book continued to yield positive results during the quarter. The NWC percentage improved to a record low of 1.7% as of September 2026, as compared to 4.1% as of March 2026. The improvement in NWC percentage was supported by a reduction [cut off]

Management: in the gross working capital percentage from 51.7% as of March 2026 to 48% as of September 2026, along with customer advances received against the recently secured large orders.

Our group-level collections, excluding financial services, for Q2 FY27 stood at Rs.740 billion as compared to Rs.600 billion in Q2 of the previous year. Cash flow from operations, excluding financial services, increased to Rs.128 billion during the quarter as compared to Rs.48 billion in the quarter of the previous year. Our group cash flows, excluding the financial services business, have been provided in the annexures alongside reported cash flows to enhance clarity on cash flow movements. Finally, the trailing 12-month ROE for Q2 FY27 stood at 16.7 vis-à-vis 17.2 in Q2 of the previous year. As this metric has been calculated on a trailing 12-month basis, it continues to reflect the impact of the one-time labor code provision, which was recognized in Q3 of the previous year.

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 the Infrastructure and Utilities segment. Following a robust Q1, order inflows for this segment stood at Rs.355 billion during the quarter, declining by 13% year-on-year. The major orders were secured in the airports and power transmission and distribution businesses in India and the UAE, along with orders in ferrous metal plants, data centers, and central and state government-funded public buildings. Private-sector orders contributed meaningfully at 59% of domestic order inflows, the same as the previous year, reflecting the continued strength in privately funded capex. The segment order book stood at Rs.3.61 trillion as of September 2026, providing strong revenue visibility with an average execution cycle of approximately 29 months.

As I mentioned earlier, the Infrastructure and Utilities prospects pipeline for the remaining six months is approximately Rs.5.84 trillion. The pipeline comprises domestic prospects of Rs.4.59 trillion and international prospects of Rs.1.25 trillion. The sub-segment breakup of the total order prospects is as follows: transportation infrastructure, 24%; heavy civil infrastructure, 19%; buildings and factories, around 18%; power transmission and distribution, 17%; metals and minerals, 14%; and water and effluent treatment, 9%.

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Revenues for the quarter grew by 6% year-on-year, driven by a pickup in execution momentum across domestic private-sector projects, supported by strong activity in the residential, commercial, factories, transportation infrastructure, and minerals and metals businesses. The international business witnessed steady execution in select core civil infrastructure projects as the business continued its selective expansion in this space, while the Middle East-focused power transmission and distribution business saw a marginal moderation in activity levels.

The EBITDA margin for the Infrastructure and Utilities segment was 5.7% in Q2 of the current year as compared with 6.2% in Q2 of the previous year. The margin for this segment has been impacted by continuing cost pressures in the water and effluent treatment portfolio and a higher proportion of jobs yet to cross the margin recognition threshold.

Moving on to the Energy Conventional segment, which comprises the hydrocarbon, CarbonLite solutions, and modification, revamp, and upgrade of process plants businesses. The segment witnessed robust order inflows of Rs.784 billion during the quarter, more than doubling on a year-on-year basis. The hydrocarbon business witnessed strong traction in the Middle East as well as India, particularly in the offshore business, while the CarbonLite solutions business secured a mega order from NTPC for the main plant package of the 2x800 megawatt Lara Stage 3 thermal power project. The order book of the Energy Conventional segment stood at Rs.2.87 trillion as of September 2026, with the hydrocarbon order book at Rs.2.13 trillion and CarbonLite solutions at Rs.0.71 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 six months of FY27 stands at approximately Rs.2.07 trillion, comprising hydrocarbon prospects of Rs.1.67 trillion and CarbonLite solutions prospects of Rs.0.40 trillion.

Q2 FY27 revenues for the segment stood at Rs.173 billion, registering strong growth of 29% on a year-on-year basis. The growth was driven by sustained execution momentum in off-site activities in the hydrocarbon business and increasing execution intensity in the CarbonLite portfolio, with BTG orders secured in recent quarters now translating into higher revenue recognition.

Hydrocarbon margins improved from 6.7% to 7.5% during the quarter. CarbonLite solutions and MRU margins, however, declined from the elevated levels seen in the corresponding quarter of the previous year, which benefited from favorable customer price variation claims. Segment margins were further impacted by certain large CarbonLite solutions projects remaining below margin recognition thresholds. Consequently, the overall segment margin stood at 7.4%, down 80 basis points on a year-on-year basis.

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 growth platforms in onshore wind and the developed-market-focused offshore wind business. Order inflows in this segment stood at Rs.66 billion during the quarter, declining 45% year-on-year, primarily due to the deferral of certain solar projects in the Middle East. The order book in this segment was Rs.1,436 billion, comprising solar projects of Rs.703 billion, onshore wind projects of Rs.168 billion, and offshore wind projects of Rs.565 billion. The prospects pipeline for this segment is Rs.2.04 trillion,

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comprising solar EPC prospects of Rs.1.47 trillion, onshore wind prospects of Rs.0.19 trillion, and offshore wind prospects, primarily in Europe, of Rs.0.38 trillion.

Segment revenue for Q2 FY27 stood at Rs.115 billion, registering strong growth of 43% year-on-year, aided by the commencement of large-value projects in solar and the ramp-up of offshore wind projects. With the first set of offshore wind orders having been secured late last year, the segment is now transitioning from order booking to execution, driving higher revenue recognition as project activity gains momentum. The margin for the segment was largely stable for the quarter.

Moving on to the Manufacturing and Products segment, segment order inflows during the quarter were aided by the receipt of export orders in the precision engineering and systems business. The order book of the segment was Rs.429 billion as of September 2026, with the precision engineering order book at Rs.218 billion, the heavy engineering segment order book at Rs.81 billion, the Electronic Products and Systems order book, which currently includes defense-related electronics as well, at Rs.65 billion, and the construction equipment and industrial product and design and development order book at Rs.65 billion. Our order prospects pipeline for the remaining six months in this segment is around Rs.325 billion, comprising Rs.284 billion of precision engineering and electronic prospects, while the remaining Rs.40 billion is from the heavy engineering business.

Segment revenue of Rs.45 billion registered growth of 34% year-on-year and reflects the strong execution momentum in the precision engineering and Electronic Products and Systems businesses. Margin improvement in the segment primarily reflects execution cost savings and an improved job mix.

Moving on to the next segment, Technology Platforms and Services, which comprises the two listed entities, LTIM and LTTS, as well as the new businesses of digital platforms, data centers, semiconductor design, and a small portion of the divested Smart World and Communications portfolio. Segment revenues stood at Rs.148 billion for Q2 FY27, registering growth of 11% year-on-year, led by growth in both LTIM and LTTS. The salary hike and adverse foreign exchange variation in LTIM impacted segment margin, partly offset by a one-time gain on the Smart World and Communications divestment by LTTS.

I will not dwell too much on this segment, as both companies in the segment are listed entities and detailed fact sheets are available in the public domain.

Now we move on to L&T Finance Limited. Here again, detailed results are available in the public domain, but very briefly, Q2 witnessed robust growth in retail disbursements and improved collection efficiency as well as asset quality. Return on assets remained healthy at 2.6% for Q2 FY27.

Moving to the Realty segment, which is now being reported as a separate segment following its segregation from the erstwhile Projects and Manufacturing portfolio. Order inflows for Q2 FY27, which mainly represent L&T's share of pre-sales, stood at Rs.13 billion. The segment order book, representing unrecognized revenue, stood at Rs.184 billion as of September 2026. Revenue and margin primarily reflect the lower handovers of Realty units and the sales mix—residential units, sorry.

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Supported by the strength of our order book, healthy prospects pipeline, and continued focus on execution, let me now turn to the guidance that we have provided for the current financial year.

I will start with order inflows. Group order inflows recorded robust 22% year-on-year growth in H1 of the current year, with growth across domestic and international markets, notwithstanding bid deferments, particularly in the Middle East solar business. The prospects pipeline for the remaining six months remains healthy at Rs.10 trillion, with a marginal bias toward domestic opportunities, providing confidence in sustaining order inflow momentum for the next six months of the current financial year. Given the strength of the opportunity pipeline across the key sectors, we are confident of achieving our order inflow guidance of 10% to 12% for FY27.

Coming to revenues, domestic execution continues to gain traction across the residential, commercial, precision engineering, and CarbonLite solutions businesses. In the Middle East, despite ongoing logistics disruptions, project execution continues to progress well. Working closely with our clients, our teams continue to implement alternative logistics arrangements and execution plans to mitigate the impact of these challenges. In addition, the offshore wind business, which is now in its full year of execution, is also expected to meaningfully contribute to growth relative to FY26. Considering the overall operating environment, we are confident of achieving our FY27 revenue growth guidance in the 10% to 12% band.

Moving on to the margin for the P&M portfolio, in line with our revenue growth guidance, we are reasonably confident of meeting our EBITDA margin target of 7.8% for FY27.

Closing with working capital, collections remain on track across the key markets, including international markets. As mentioned earlier, group net working capital stood at a record low of 1.7% as of September 2026, supported by significant working capital improvements in the Energy Green and Hydrocarbon segments. Based on the current trajectory and improved volume of execution, we now expect group net working capital to close below our earlier guidance of 10% for the year.

With this, I have given an overall synopsis of the performance for the quarter and the way we view the next six months. We can now move into the question-and-answer session. Thank you.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and then one on their touchtone phone. If you wish to remove yourself from the question queue, you may press star and then two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Your first question comes from the line of Aditya Bhartia with Investec. Please go ahead.

Aditya Bhartia - Investec: Hi, good evening, sir. I wanted to understand a bit more about the solar business. We are seeing deferrals in project awards, but at the same time we are seeing very strong execution in international green projects. What is really happening there, and do you anticipate these projects getting bunched up and ordering picking up in the second half of the fiscal year?

Management: Mr. Sharma is here. He will answer this question.

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Mr. Sharma: Hi. The solar business has a very strong presence in the Middle East and, of course, also some presence domestically. There was some delay in the first two quarters in terms of awards, but now we see that we have bid for many jobs and bidding activity has picked up quite significantly. We hope to pick up momentum in Q3 and Q4, the second half. Of course, under that division we also have the offshore wind business. There we had a very good run. We picked up additional contracts under the framework. That project business is now doing well. That is where we stand.

Management: Aditya, just to add to what Mr. Sharma just said, the first half for solar was a little subdued insofar as ordering is concerned. As I discussed when I spoke about the order prospects of the various segments, the prospects continue to remain strong. Hopefully, I think the ordering momentum for this segment outside India will regain traction in the second half.

Aditya Bhartia – Investec: Sure. But in terms of execution, we have not seen any major slowdown. Given that there were many logistics challenges with some of these solar projects as well, we have not seen any impact on margins either.

Management: Let me put it like this. Wherever we have been able to supply to the site, we have tried to do so despite all the logistics challenges. So far, we have done well. Now, it {? needs to be seen ?}, depending on the situation, how things develop over the next six months or so.

Aditya Bhartia – Investec: Sure. Sir, my second question was on margins in the CarbonLite business and the way the CarbonLite business gets recorded. Given that a part of the business is being done through MHI JVs, earlier we used to split certain orders, with margins in certain orders being largely recorded in the MHI JVs and only a small part being recorded in the main consolidated books. How is it being carried on right now? Is it fair to assume that the bulk of the margins from here on would be recorded through line-by-line consolidation as opposed to a single-line MHI JV consolidation?

Management: The projects have been secured by the Larsen & Toubro entity only. This, in turn, has been subcontracted, with some portions going to the JV companies. The EPC margins will continue to reside in the parent CarbonLite segment.

Aditya Bhartia – Investec: Understood. But higher equipment-related margins are likely to be recorded in the JVs.

Management: I would say it will be a combination in both. However, since BTG as an opportunity is in EPC, the EPC margins will be taken at the segment level. There will be some portion of margins due to efficiency and fuller-scale capacity utilization, and the JV companies are also expected to be profitable on this particular order.

Aditya Bhartia – Investec: Perfect, sir. That is helpful. Thank you.

Operator: Thank you. Your next question comes from the line of Mohit Pandey with Citi. Please go ahead.

Mohit Pandey – Citi: Good evening, sir. My first question is on the Energy Green segment. Could you give us some color on whether the growth was driven more by the offshore wind ramp-up or by Middle Eastern solar execution? Also, how does the supply chain here in Middle Eastern solar differ

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from that for the infrastructure segments, where growth has been slower?

Management: The segment revenues for the quarter that I discussed were driven more by solar. Offshore wind has just started. Offshore wind will pick up execution in the following quarters.

Mohit Pandey – Citi: Understood, sir. On the second part, how does the logistics and supply chain differ? Any broad color vis-à-vis the Middle Eastern infrastructure projects?

Mr. Sharma: This is Sharma. Logistics are more relevant for the renewable business in the Middle East and, to some extent, for power transmission, and less so for hydrocarbons. At this point in time, the infrastructure projects are at a very early stage, so they have not been impacted by logistics to that extent. On the renewable side, it is taking a little longer for us to get the materials and there is an extra cost. We are in discussions with customers. In some cases, we are delaying the material dispatch, and in some cases, we are incurring the cost and agreeing to get it reimbursed by the customer. A combination of these situations is occurring.

With some delays here, we expect some deferment of revenue in the renewable business. However, we will try to make it up with other projects in the domestic market and in other countries. If not, there could be some shortfall in that particular business.

Mohit Pandey – Citi: On the hydrocarbon order book, what percentage of the order book would still be in the relatively early stage of execution, meaning being executed from our India facility? Would it be 70% to 80%?

Mr. Sharma: We picked up quite a few large orders in hydrocarbons, between onshore and offshore, in the last 2 to 3 quarters. I would say maybe—I have not done the math, but maybe [trails off]

Management: A major part of the order book [crosstalk]

Mr. Sharma: 60%, 60% [overlap]

Management: [overlap] all will be under new [crosstalk]

Mr. Sharma: 60% could be under the new—

Management: New ones.

Mr. Sharma: It will start, I mean, it will achieve that threshold maybe in the [crosstalk]

Management: In the next, in Q4 [crosstalk]

Mr. Sharma: quarters, yes, Q4 and beyond.

Mohit Pandey – Citi: Understood, sir. My last question is on precision engineering. Our presentation mentions that we won some export orders. Is it possible to give us some color around these? This year there have been large DAC approvals. Are there any key projects you would like to highlight where we could be in the fray?

Management: This is an order from Vietnam.

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Mr. Sharma: Mm.

Mohit Pandey – Citi: Understood, sir. With regard to the DAC approvals that we have seen this year, are there any key projects that we might be in the fray for?

Mr. Sharma: On defense, new orders, new orders basically we get this [trails off]

Management: There is a possibility. The prospects pipeline looks more reassuring, and hopefully some order inflow conversion should be happening in this segment.

Mr. Sharma: Third quarter.

Management: Possibly, most likely by the end of this year.

Mohit Pandey – Citi: Understood. Thank you very much, and I wish you all the best.

Management: Thank you.

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

Puneet Gulati – HSBC: Thank you very much, and I must say, great performance on all fronts. On the order inflow side, could you help us understand how you are managing the risk and what the certainty is regarding the order execution timeline and cost? Some color would be very useful.

Management: Will you take it?

Mr. Sharma: Yes, go ahead and start.

Management: Let me put it like this. In the first six months, especially on the international side, a majority of the order inflows outside offshore wind was largely led by the hydrocarbon segment. We have seen some project deferments insofar as solar is concerned, but as far as hydrocarbons are concerned, especially in the Middle East, we have seen bidding activity remain quite robust, and we have also benefited from many of the orders that we have secured. Competitive intensity continues to be present. It is quite strong. However, the fact is that a major part of the international orders is coming primarily from the hydrocarbon segment.

Despite the fluid situation in the Middle East, this segment continues to witness bidding. I would also like to emphasize that, as Mr. Sharma can allude to, execution momentum has not, until now, been disturbed. That momentum continues to be reasonably strong.

Mr. Sharma: Solar will also see a pickup in order inflow momentum in the [crosstalk]

Management: Correct.

Mr. Sharma: —second half.

Management: Solar will pick up order inflow momentum. As I mentioned in response to the earlier question, that is a second-half story.

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Puneet Gulati – HSBC: In terms of costs, you are not seeing any escalation when you are bidding for the project? How are you factoring it in?

Mr. Sharma: There is cost escalation in logistics and insurance, as we have been saying. However, we are very hopeful that a good part of it will be compensated by the customer. We have had good discussions with them, and there is good traction. There could be a timing issue regarding when we recognize the cost and when we get compensated. We will have to see how it develops.

Puneet Gulati – HSBC: And on working capital, it is extremely good at 1.7%. How should one think about this? You guided for less than 10%, but—

Management: Feel good about it. [laughs]

Mr. Sharma: What should we feel? [laughs] You should feel great about it! [laughs] This is something where we are breaking the record every quarter. I hope that we break the record again. [laughs]

Management: Puneet, as far as the PPM portfolio is concerned, it has been at a favorable negative 4% as of September. At the group level, I did say that we are going to be below the guidance of 10%.

One of the important points that I also discussed when I gave the working capital closing remarks on the guidance is that, given that the volume of operations and the target revenue we are discussing is quite a tall or steep ask for the next six months, we do believe that this could result in some toning down or moderation of the overall working capital trend. It is quite possible that we may be better than what we have given, but we are going to be below 10%. We started the year at 10%; now we will be below 10% for the full year.

Puneet Gulati – HSBC: Understood. Lastly, regarding your commitment to capex on the AI side, you talked about buying 10,000 NVIDIA chips. Is there a plan for how much you want to commit to data centers and AI over the next 1 to 2 years, and also on the semiconductor side?

Management: As it stands now, as far as the 10,000 GPUs are concerned, this is close to approximately US\$750 million of investment. This is being invested in our current 30-megawatt data center near Chennai. We plan to put up another 50-megawatt AI data center adjoining the 30-megawatt facility in Sriperumbudur, Chennai. It looks like over the next 2 years we may be putting up AI data center capacity of 30 plus 50 plus another 30, so more than 100 megawatts is what we are looking for over the next 1.5 to 2 years.

Puneet Gulati – HSBC: Including the chip cost?

Mr. Sharma: Yes.

Management: Yes, correct. As I said, when I refer to this 100 megawatts, I am referring to an AI data center, of which 30 megawatts is already set up and the structure is in place. We may only have to invest in the AI chips. For the balance 70-odd megawatts, it is a combination of investing in a new data center, which includes the civil component, along with the related investment in the prevailing GPU series, whatever is prevalent at that time. In the near term, over 1.5 to 2 years, the total will be 100 megawatts of AI capacity.

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Puneet Gulati – HSBC: Understood. So, for 30 megawatts you spend \$750 million just for the chips. For another 70 megawatts, should we think of at least \$1.8 billion, somewhere close to that?

Management: It depends on the chip value, Puneet, so it is not right to mention that. However, the additional 70 megawatts will also have the construction cost of those data centers.

Puneet Gulati – HSBC: Understood. And the semiconductor side?

Management: As far as the semiconductor side is concerned, given the various products that they have developed, the semiconductor business should now be getting into business in terms of starting to sell the designs along with the chips in the very near future. Until now, investment was focused more on creating intellectual property across the various domains on which they are focused. In the next 1 or 2 quarters, this business will also see revenue traction.

Puneet Gulati – HSBC: Understood, sir. That is all from my side. Thank you very much.

Management: Thank you.

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

Sumit Kishore – Axis Capital: Good evening. Phenomenally strong execution and working capital performance. In your commentary, you mentioned that PPM net working capital to sales was negative 4% as of the September quarter. How should we look at the domestic PPM working capital—

Sumit Kishore – Axis Capital: —situation here, which traditionally used to be 15% or more on net working capital to sales? When you mentioned collections, this is still 46% of your order book and a significant percentage of your revenue, so is something changing dramatically there as well?

Management: When I was speaking about Infrastructure Utilities and the CarbonLite business, these were largely domestic orders. In Infrastructure Utilities, we are seeing a higher share of private-sector orders. As far as CarbonLite is concerned, some of the recent orders have come from the private sector.

The earlier 15% of domestic working capital is moving more favorably; it is not below 10%, it is around 12% to 13%. However, because of the composition of private-sector investment or private-sector orders, and the ramp-up in residential, commercial buildings, factories, and all these types of prospects converting into a higher share of orders, domestic working capital intensity is also moving favorably.

If I take negative 4% as the overall PPM portfolio, the international portfolio would obviously be more negative than 4% to compensate for the 10% to 12% working capital intensity. It should be around negative 8% or 9%.

Sumit Kishore – Axis Capital: So, negative 8% or 9% means there are a lot of advances, or are they paying you before you do the work?

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Management: Yes, and more importantly, that is why I said that net working capital is not the only measure. Gross working capital has also improved favorably from 52% to 48%, September over March. That is equally important, because otherwise one can always think that, since we have been securing a good amount of orders over the last six months, orders are usually backed by an advance from the client. That is obviously there, but the fact is that billing milestones have been quite frequent and payments have also been coming on time.

Sumit Kishore – Axis Capital: When we read the news flow, the Strait of Hormuz is shut, Bab-el-Mandeb has its problems, and there are logistics and supply chain issues. Procuring solar modules does not seem to be proving that challenging for you, and execution is going fine. In hydrocarbons, is the entire supply chain localized? Do you have a local fabrication facility? What is the impact? Middle East revenues have grown 13% year-on-year in this environment. Could you give a slightly more detailed explanation of what the challenges really are, if you have already found an alternate supply chain and your margins are also not impacted?

Management: Yes, go ahead.

Management: I will take the first part, Sumit. The revenue upturn, as I also mentioned during the July call, is occurring because a major part of the execution for the international projects is happening in off-site locations, which means that we are doing the work in the fabrication yard. The fabrication yards, whether in Kattupalli in Chennai or in Sohar in Oman, have helped us ensure that the revenue pace does not decline.

Given the logistics constraints, and also given that moving consignments from other parts of the globe into the Middle East is a challenge, the revenue uptick is being maintained. As we discussed, Q2 PPM revenue growth has been 20%, but we are still maintaining our full-year revenue guidance of 10% to 12%. This is primarily because we also have to take into account supply chain disruptions in logistics, which are going to impact some of the actual equipment or fabricated items being moved to sites in the Middle East.

Sumit Kishore – Axis Capital: Okay. Good.

Operator: Sumit, do you have any further questions?

Sumit Kishore – Axis Capital: So, basically, the margin impact is also not there because customers are paying the additional logistics cost that you are incurring, and hydrocarbon margins have improved by 80 basis points year-on-year in Q2. Is the stage of execution also advancing on the margins that we were waiting for in hydrocarbons?

Management: More or less, your understanding is correct.

Management: The only thing, Sumit, is that last year, I am sure you are aware, we had some challenges in one of the hydrocarbon projects. That has tapered off. That is obviously one reason why margins are also moving up.

Sumit Kishore – Axis Capital: Thank you.

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Operator: Thank you. Your next question comes from the line of Rahul Gajare with Macquarie Capital. Please go ahead.

Rahul Gajare – Macquarie Capital: Good evening, sir. Regarding the six-year EPC framework agreement that you have with PDO, can you throw some light on the quantum and the mix of the opportunity? The reason I am asking this is that for the last 5 years, the budgets of Oman have been flat at a range of \$30 billion to \$32 billion. Given that there are four selected players, is it fair to expect that margins will be better than those of the overall hydrocarbon business?

Management: This framework agreement with PDO covers a period of 6 years, and we believe that the order prospects we may target, based on what PDO will be spending, are in the range of US\$6 billion to US\$7 billion over the next 4 or 5 years. Apart from us, three other companies have secured these projects. One is an Egyptian EPC company, one is Chinese, and the other is Korean. We believe that this gives us a passport to bid for those jobs. However, with competitive intensity present, it depends on how well we are placed. At least it gives us the right to bid for opportunities that I mentioned—US\$6 billion to US\$7 billion over the next 3 to 4 years for hydrocarbons from Oman.

Management: We will not bid if they do not offer differentiated margins. [laughs]

Rahul Gajare – Macquarie Capital: [laughs] Okay, sir. The second question is on the Realty business. Can you talk about your portfolio, the land bank, and how you intend to ramp up over the next 3 to 4 years? I think the annual report mentions a 71 million square feet potential development portfolio. Is there any change to this number?

Management: There is no change from what we communicated last time, Rahul. It is based on what we indicated during the May call, when we discussed the plan for this business as part of our {? Lakshya L26 ?} strategy. Those numbers remain unchanged. We are still targeting that kind of portfolio. We continue to look at good opportunities for buying real estate and then entering into a combination of residential and commercial developments. The plan is ongoing. There is no change in terms of development or investment.

Rahul Gajare – Macquarie Capital: My last question is on defense. We have seen very good traction in precision engineering, both on revenue and order intake. I want to know where the AMCA project stands in terms of bidding, what has happened, and whether there is any particular project that you are looking forward to, given the very strong traction we have seen in DAC approvals from the government over the last 2 years.

Management: I will take that in sequence. The AMCA project is coming up for bid by the end of the month.

Rahul Gajare – Macquarie Capital: October end, you mean?

Management: This October end.

Rahul Gajare – Macquarie Capital: Okay.

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Management: By the end of this week, it is coming up for bidding. As far as opportunities are concerned, we see a move—

Rahul Gajare – Macquarie Capital: Okay.

Management: As far as opportunities from the Ministry of Defence, or defense in India, are concerned, I think we will probably see a larger share of marine opportunities as compared to land. As far as land is concerned, as you are aware, L&T has been working on different land-based platforms. Depending on the localization content that we demonstrate to the customer, many of these large orders are expected in the pipeline, but it is too early to comment on the timelines.

To put it simply, AMCA is scheduled for a month-end bid. Defense opportunities for Larsen & Toubro seem to be more robust than ever before, largely led by the marine side and land-based armored systems.

Rahul Gajare – Macquarie Capital: My last question is about the revenue uptick in hydrocarbons. Because of the disturbance and logistical arrangements or inventory availability in the solar business, is infrastructure-related or power-renewable-related execution being slightly impacted?

Management: We have three main businesses in the Middle East. One is hydrocarbons, the second is power transmission and distribution, and the third is renewable energy, or solar. The least impact is on hydrocarbons because, as PR mentioned earlier, either the projects are so advanced that we have almost everything secured already, locally or already available at the sites, or the work is being done in yards that are not affected by these logistics issues.

The second is power transmission and distribution. There is some impact, but we are managing that and we do not expect much impact to come through in that business in the second half either. The area where we have a significant impact is the renewable business because, as you said, renewable solar modules and everything have to come from China. We are calibrating that in consultation with the customer, and there is a possibility that some of these materials may be delayed because the cost is very high and the customer is not agreeing to the delay. Because of that, there could be some deferment in revenue.

Rahul Gajare – Macquarie Capital: Okay. Thank you very much, sir.

Operator: Thank you. Ladies and gentlemen, to ensure that management is able to address questions from all participants in the conference, we request you to limit yourself to one question per participant and rejoin the queue for any further follow-up questions. Thank you. We have our next question coming from the line of Atul Tiwari with JP Morgan. Please go ahead.

Atul Tiwari – JP Morgan: Sir, just one question. What is the degree of dependence on the Strait of Hormuz for the hydrocarbon business, especially for transporting large platforms? It remains contested right now, and if it remains contested, is there an alternative, or how will you manage that situation?

Management: Some of the work that we have done in our yards in Oman and other places has to cross the Strait of Hormuz. It is not that nothing is moving through the Strait of Hormuz. Even oil barrels are moving through the Strait of Hormuz. Seventy percent of pre-war barrels are still moving

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through the Strait of Hormuz, although it is not publicly declared. We were successful in moving one large consignment, and now we are exploring the possibility of moving the balance. We are quite hopeful. It may involve some delay, but we are still optimistic that we will be able to move through the Strait of Hormuz.

Atul Tiwari – JP Morgan: Good to hear, sir. Thank you.

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

Amit Anwani – PL Capital: Thank you, sir. My question pertains to infrastructure margins, which were impacted by 50 basis points, and you highlighted that there was an impact from the water and effluent business. I wanted to understand whether more impact is expected, and if we normalize for that, how infrastructure margins are shaping up. Based on the current order book, what sense should we make of infrastructure margins in the medium to long term? The other businesses have stabilized or are picking up, but infrastructure remains a concern on the margin front.

Management: Infrastructure margins have actually been moving northward. As I said in response to a previous question, the share of private-sector ordering is increasing, especially in the minerals and metals and buildings and factories segments. The LI basis would be in transportation infrastructure and heavy civil.

Infrastructure margins are what they are primarily because of the WET, or Water & Effluent Treatment, business that we are executing. If I were to take Water & Effluent Treatment out of this portfolio, the margins would have been better by almost 40 to 50 basis points. This is what has caused the softness in the entire Infrastructure and Utilities segment.

We are ensuring that we also get paid, which is a very important point. Given that some of the projects are now receiving funding, funding has started to resume. However, time overruns and cost overruns, given that these are long-dated projects, mean that our ability to convert them into actionable claims on customers will take time. Until then, this segment will face some degree of execution pressure and margin pressure. This is what is bringing down margins, and I did tell you the amount of margin we are losing because of the difficulty in execution in this segment.

Amit Anwani – PL Capital: Quickly, if I can squeeze in a question on the development assets where you highlighted green ammonia, data centers [cut off]

Amit Anwani – PL Capital: and other assets. I was thinking, based on your strategy over the past 4 to 5 years, you highlighted that you wanted to do only EPC, and the other development assets had caused some difficulties. What is the rationale for entering development assets in these new areas? Is there a better risk profile? What is the strategy for entering these development assets in green ammonia, data centers, and other areas?

P. Ramakrishnan: Amit, one clarification. The data center investment is coming under our TPS segment. It is not under the Development Projects segment. That is one point.

Secondly, when we discussed the Development Projects segment earlier, it used to comprise assets such as Hydel and Nabha Power, Hyderabad Metro, and so on. We had IDPL and other such

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assets. Now, where we are looking to invest in green hydrogen and green ammonia, do not expect L&T to make sizeable investments in the absence of a take-or-pay arrangement.

Management: Market risk is not there.

P. Ramakrishnan: Yes. When we had invested in Hyderabad Metro, the investment amount was quite high and the exposure was quite high, but we did not have visibility of the revenue stream. Consequently, the return stream was also not visible.

Here again, we will invest only in the quantum of investments that we have already communicated. We communicated this in May when we covered the {? Lakshya ?} 31 blueprint. The important point here is that returns are assured under a long-term take-or-pay arrangement.

Therefore, this is not going to be dilutive of the L&T ROE that we had last year. Last year's L&T ROE had the negative impact of the Development Projects portfolio, specifically the Hyderabad Metro and Nabha Power. Those types of return-dilutive investments may not be there.

Amit Anwani – PL Capital: Thank you, sir. Thank you very much.

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

Aditya Mongia – Kotak Securities: Thank you for the opportunity. I will go ahead with my questions. There is a divergence between the strength of growth in EBITDA at the core level, which is solid at 15% to 16% year-on-year, and the growth reported in the overall EBITDA of the company. I understand the nuances of the entities and so on, but there is a fairly large difference, and this has happened for the second time. On the other hand, other income is moving in a direction that magnifies the effect. Could you give us some sense of how to think through this divergence that is happening right now?

P. Ramakrishnan: If you see the earnings factsheet, after EBITDA we also have other income. Some part of the other income is allocated to the segments while we declare the {? PBM ?} margin, because amounts specifically relating to the segments are loaded into the {? PBM ?} EBITDA. What you see in the financial EBITDA is based on functional or nature classification. However, some part of our other income, specifically attributed to segments, is loaded into those segments while we give the segment EBITDA or the {? PBM ?} EBITDA, or whatever we are discussing for Infrastructure Utilities and other segments. What you see in the P&L is the EBITDA at the nature level. That is the first point.

The second point is that, insofar as the nature level is concerned, EBITDA has dropped from 10% to 8.7%. This is also a question of some timing-mismatch costs that we have incurred at the corporate segment level itself. That is also partly attributed to the drop in EBITDA from 10% to 8.7%.

To keep it very simple, of the decline from 10% to 8.7%, you can take around 80 basis points as arising from segment-related margin compression, which is getting compensated through other income. The balance of 40 to 50 basis points is due to the timing mismatch of costs that we have booked in corporate.

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Management: To supplement that, I think you also have to see it in the context of what is happening in the external world. We are operating in an extremely difficult and challenging environment. You cannot take the EBITDA margin at that stage and try to extrapolate it. It should be appreciated that, despite this extremely challenging environment, we are maintaining the EBITDA margin. That is the first point.

You do not have to scrutinize the divergence between growth in EBITDA margin and growth in revenue too closely. Any revenue growth is always positive because it gives us an opportunity to see upside. We have to look at it in a very different light.

Aditya Mongia – Kotak Securities: I understand that part. The second part is on cash flows, which have been fairly strong. The core business is generating more than Rs.10,000 crores in the first half. Since this is higher than the expectation you had indicated, how should we think about the way this is being used by L&T? Does it mean that you will allocate more of this to working capital and grow the core business faster? Or should we expect whatever quantum of capex has been classified in the newer businesses to start seeing meaningful outflow?

P. Ramakrishnan: At the group level, if you look at our overall balance sheet, our cash and cash equivalents, along with temporary surplus, put together are almost touching Rs.1 lakh crore. Of course, this includes the day-to-day cash balance as well. We are sitting on a really good amount of surplus, which will be partially used for investments under our Lakshya 31 plan, either through a combination of data centers, green energy, or our share of equity. All these businesses will have their due levels of leverage. It is not that the entire amount will be invested at a gross level.

The one thing I would like to add, Aditya, is that we have taken a lot of effort to improve working capital discipline for the core business, and we do not want to let that go. We will execute in line with progress at the customer level itself, which means timely payments by customers within the terms of the contract will also enable us to ensure that execution happens. We do not want to again get onto a path of showing revenue while, at the same time, compromising on cash.

Aditya Mongia – Kotak Securities: Understood. I will get back into the queue. Thank you for your responses, sir.

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

P. Ramakrishnan: Thank you, ladies and gentlemen, for your patient hearing. It was a pleasure to interact with all of you. Good luck and good night, and I wish you all the very best. Thank you.

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

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.