

Larsen & Toubro

28 January 2026

Operator: Ladies and gentlemen, good day and welcome to the Q3 FY26 earnings conference call hosted by Larsen & Toubro. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star and then zero on your touchtone phone. I now hand the conference over to Mr. P. Ramakrishnan from Larsen & Toubro. Thank you, and over to you, Mr. Ramakrishnan.

Management: Thank you, Darwin. Good evening, ladies and gentlemen. A warm welcome to all of you to the Q3 and nine months FY26 earnings call of Larsen & Toubro. The earnings presentation was uploaded onto the stock exchange and on our website around 6:45 PM. Hope you had a chance to take a quick look at the numbers and the presentation details as well. I will first walk you through the important highlights for Q3 FY26 in the next 20 to 25 minutes or so, following which we will take questions. Please note that when the Q&A session starts, I will also have with me our Deputy Managing Director and President, Mr. Subrahmanian Sharma.

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

I will start with a brief overview of the economic conditions in India and the Middle East, which are key markets for the company, especially for its projects and manufacturing businesses. The Indian economy continues to demonstrate resilience, supported by steady growth conditions and easing inflationary pressures. The Q2 GDP growth reached 8.2%, a six-quarter high, and underpinned by robust performance in the projects, manufacturing, and services sectors. The full year real GDP growth for FY26 is projected at 7.3%. The inflation dynamics have also improved with CPI easing materially. The RBI now anticipates CPI inflation at 2.9% for Q4 FY26.

The continued emphasis on capital outlays remains likely, with indications of calibrated reallocations towards strategic sectors such as defense. Additional funding support for urban redevelopment and infrastructure modernization is anticipated, reflecting the government's broader focus on strengthening urban capacity and service delivery. Private capex in India through 2025 remains supported by residential and commercial real estate activity, increasing investments into digital infrastructure, data centers, and the power sector, including renewables as well. Semiconductors are emerging as a new age capex theme supported by policy initiatives and announced project pipelines. Within manufacturing, capex continues in sectors such as cement, broadly reflecting domestic demand and capacity requirements. Capex in iron and steel and other base metals continues to be influenced by capacity expansion and modernization plans, and a supportive medium-term demand outlook.

The global economy is entering calendar 2026 with growth expected to remain moderate at roughly the 3% range. The United States is anticipated to continue outperforming other major

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Larsen & Toubro

28 January 2026

advanced economies, supported by relatively accommodative financial conditions, though some moderation in momentum is likely as fiscal support gradually tapers off. The growth in the Euro area and Japan is expected to remain measured.

Turning to the GCC region, the growth is expected to remain relatively buoyant in 2026, with real GDP expansion projected in the 4–4.5% range. In Saudi Arabia and the UAE, capital deployment remains oriented towards priority transformation agendas, including large scale investments in digital and AI enabling infrastructures such as data centers and cloud capacity, alongside ongoing urban development and infrastructure initiatives. The region is also seeing sustained investment momentum in gas and renewable energy projects, reflecting long-term energy diversification goals.

Having covered the macro landscape, let me now share a few important highlights for the quarter with respect to L&T.; Number one, L&T; Realty. The parent, Larsen & Toubro, has initiated a transfer of its realty business undertaking to L&T; Realty Properties Limited, a wholly owned subsidiary, through a slump sale under a scheme of arrangement, subject to regulatory approvals. This marks the start of a phased consolidation of all real estate assets into a unified platform, positioning L&T; Realty for greater scale, agility, and financial strength to capitalize on India's real estate growth.

Point number two: the Precision Engineering and Systems business of the company entered a strategic partnership with General Atomics Aeronautical Systems to manufacture medium altitude long endurance remotely piloted aircraft systems (RPAS) in India. Under this partnership, L&T; will participate in the upcoming 87 MALE RPAS program of the Ministry of Defense, where L&T; will be the prime bidder and General Atomics the technology partner.

Point number three: the heavy engineering business of the company has signed a memorandum of understanding with the US-based nuclear energy solutions provider, Holtec International's Asia arm, to offer design and build solutions for heat transfer equipment. This collaboration is intended to provide advanced solutions for nuclear and thermal power plants worldwide, with a particular emphasis on heat transfer technologies for conventional power plant islands and balance of plants systems.

Number four, Data Center business: the data center business has announced the rebranding of its business as Larsen & Toubro Vyoma. The brand will spearhead L&T;'s expansion into hyperscale data centers across key Indian metros, including Mumbai, Chennai, and Bangalore, with facilities designed to support high-performance computing and advanced data storage requirements.

Point number five: the company has earned the coveted honor of being the only Indian corporate featured among the top 200 environmental firms globally in the latest list of top environmental firms published by the New York-based Engineering News-Record. Lastly, the company's MSCI ESG rating was upgraded from BBB to A in November 2025.

I will now cover the various financial performance parameters for Q3 FY26. We witnessed our highest ever quarterly order inflows in Q3 FY26 of 1,356 billion rupees, recording a 17% growth year-on-year, led by a strong ordering momentum witnessed across both India and overseas markets. Out of the total order inflows in Q3 of 1,356 billion rupees, the projects and manufacturing order inflow constituted 1,164 billion rupees, up by 18% on a year-on-year basis. Of this 1,164 billion rupees of order inflows of the projects and manufacturing segment, the domestic orders were at

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Larsen & Toubro

28 January 2026

620 billion rupees, up 30%, and international orders constituted the balance 544 billion rupees, up 7%.

The group revenues grew 10% year-on-year, led by steady progress across most of the businesses. The project execution levels remained broadly in line with expectations, barring a few sector-specific challenges. The projects and manufacturing portfolio margin improved by 50 basis points year-on-year to 8.1%. As of December 31, 2025, the net working capital to revenue ratio improved to 8.2%, reflecting an improvement of 450 basis points on a year-on-year basis. Our recurring PAT at 44 billion rupees reported a strong growth of 31% year-on-year. The reported PAT for Q3 FY26 was at 32 billion rupees, down by 4% year-on-year, owing to a one-time impact of 11.9 billion rupees arising from the new labor code legislation. Our return on equity as on December 31, 2025, is at 16.5%, up 40 basis points year-on-year. The return on equity includes an impact of almost 110 basis points arising from this one-time provision on account of the labor code.

Now I move on to the individual performance parameters. During the quarter, our group order inflows stood at 1.36 trillion rupees, registering a year-on-year growth of 17%, driven by the sustained traction across our key businesses. Within this, the projects and manufacturing portfolio crossed the 1 trillion rupees order inflow mark for the first time, with order inflows of 1.16 trillion rupees, up 18% year-on-year, underscoring a broad-based demand environment across both domestic and international markets. The growth in the projects and manufacturing portfolio was driven primarily by strong domestic inflows, which grew 30%, and international inflows, which were up 7.7% year-on-year. The increase in domestic order inflows was led by hydrocarbon, carbon light solutions, and the buildings and factories businesses. The growth in international orders was supported by the renewables and power transmission and distribution sub-segments. During the current quarter, international orders accounted for 47% of the projects and manufacturing portfolio compared to 52% in the corresponding quarter of the previous year.

Now moving on to the prospect pipeline. Our prospect pipeline is at 5.92 trillion rupees for the near term, versus 5.51 trillion rupees at the same time last year, representing an increase of 7% on a year-on-year basis. The increase in the prospect pipeline is mainly led by carbon light solutions and the precision engineering and systems businesses. The broad breakup of the overall prospect pipeline for the near term is as follows: Infrastructure, 4.02 trillion rupees, which is almost in line with the previous year figure of 4 trillion rupees. Hydrocarbon segment, 1.26 trillion rupees, vis-à-vis 1.44 trillion rupees last year. Carbon light solutions, 0.40 trillion rupees, vis-à-vis less than 0.01 trillion rupees last year. The Hi-tech Manufacturing segment is at 0.42 trillion rupees as compared to 0.07 trillion rupees last year.

Moving on to the order book. The order book is at 7.33 trillion rupees as on December 31, 2025, and up 30% as compared to December 31, 2024. In terms of composition, approximately 92% of the total order book is from the infrastructure and the energy segments. While in terms of geographic mix, 51% of the order book is from the domestic market and 49% relates to international jobs. The breakdown of the domestic order book of 3.76 trillion rupees as of December 31, 2025, comprises central government jobs with a share of 12%, state government and local authority share at 22%, PSU or state-owned corporations at 30%, and the private sector at 36%. It is worth mentioning here that the private sector share has risen meaningfully from 21% in March 2025 to 36% in December 2025, supported by strong traction in the thermal power sector, storage systems, residential and

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commercial real estate, and emerging opportunities for building capacities in the ferrous and non-ferrous space. Out of the international order book of 3.57 trillion rupees, around 75% is from the Middle East. With respect to additional details on the order book, around 10% of the total order book is funded via bilateral and multilateral agencies. In addition, as of December 31, 2025, slow-moving orders constitute roughly 3% of the overall order book, while 10 billion rupees worth of orders were deleted during the quarter. Further details are available in the accompanying presentation slides.

Management: Our group revenues for Q3 FY26 stood at 714 billion rupees, registering a year-on-year growth of 10%, with international revenues constituting 54% of the total group revenues during the quarter. The growth in the hi-tech manufacturing, energy projects, and the IT and technology services businesses drove the overall revenue growth. The revenues from the projects and manufacturing business for Q3 FY26 is 523 billion rupees, a year-on-year growth of 11% over the corresponding quarter of the previous year.

Moving on to EBITDA margin, our group level EBITDA margin excluding other income for Q3 FY26 is 10.4% as compared to 9.7% in Q3 of the previous year. The improvement in EBITDA margin is primarily driven by operational efficiencies across businesses. The EBITDA margin in the projects and manufacturing business portfolio for Q3 FY26 is at 8.1% and has shown an improvement of almost 50 basis points from 7.6% in Q3 of the previous year. This progress is in line with our assessment at the start of the financial year. The details will be covered when I elaborate on the performance of each of the segments.

Our recurring PAT for Q3 FY26 stood at 44 billion rupees, which was up by 31% on a year-on-year basis. The increase in recurring PAT is reflective of improved activity levels, operational efficiencies, and efficient treasury management. Reported PAT for Q3 FY26 is at 32 billion rupees, down by 4% over Q3 of last year due to this one-time material increase in provision for employee benefits on account of the new labor code legislation. The group performance P&L; construct, along with the reasons for major variances under the respective function, is provided in the presentation.

Coming on to working capital, our net working capital to sales ratio has improved from 12.7% in December 2024 to 8.2% in December 2025, mainly due to an improvement in the gross working capital to sales backed by strong customer collections during the last 12 months. Our group level collections, excluding the financial services segment, for Q3 FY26 is 642 billion rupees, vis-à-vis 591 billion rupees in Q3 of the previous year. With continued focus on customer collections, our cash flow from operations, excluding financial services, in Q3 FY26 was at 79 billion rupees as compared to 21 billion rupees in Q3 of the previous year. Our group cash flows, excluding financial services, have been given in an Excel sheet, alongside the reported cash flows for the entire group to enhance clarity on the cash flow movements.

Finally, the trailing 12-month return on equity for Q3 FY26 is 16.5% as compared to 16.1% in Q3 of the previous year, an improvement of 40 basis points. The trailing 12-month return on equity, excluding the impact of this one-time labor code provision, stood at 17.6%, broadly in line with the target of 18% that we set for ourselves during this year for the Lakshya plan.

Very briefly, I will now comment on the performance of each business segment before we give our final comments on our outlook for FY26. We start with the infrastructure segment. The

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infrastructure order inflow grew 26% in Q3 FY26 on a year-on-year basis, driven by strong domestic private sector demand spanning residential and commercial buildings, semiconductor fab plants, data centers, minerals and metals, solar PV plants, and transmission lines. These together account for nearly 55% of the domestic orders for the quarter. The order book of this segment is at 4.24 trillion rupees as of December 31, 2025. The book-to-bill for infrastructure is around 26 months.

As I mentioned earlier, our order prospects pipeline for infrastructure for the near term is 4.02 trillion rupees, similar levels as compared to December 31, 2024. This infrastructure prospect pipeline of 4.02 trillion rupees comprises domestic prospects of 2.61 trillion rupees and international prospects of 1.41 trillion rupees. The sub-segment breakup of the total order prospects in infrastructure comprises transportation infrastructure share at 19%, heavy civil infrastructure share of 19%, water and effluent treatment share of 18%, buildings and factories at 15%, power transmission and distribution 11%, renewables 9%, and minerals and metals 9%. The revenue for the quarter for the infrastructure segment registered a modest growth of 5% on a year-on-year basis. The domestic market saw subdued progress due to a slowdown mainly in the water and effluent treatment projects business. However, the execution momentum remains strong in the international portfolio. Our EBITDA margin in the segment was at 6.1% in Q3 FY26 as compared to 5.5% in Q3 FY25, with the uptick largely driven by stages of completion across projects.

Moving on to the next segment, which is energy projects, primarily comprising hydrocarbon and the carbon light solutions business. The order inflows in this segment were robust at 460 billion rupees in Q3 FY26, compared to 388 billion rupees in Q3 of the previous year, supported by ultra mega orders across both hydrocarbon and carbon light solutions. During the quarter, the hydrocarbon offshore green business secured an ultra mega order to supply offshore HVDC converter stations to a leading European renewable energy operator. In the carbon light solutions business, we have received a letter of intent for an ultra mega order from a major Indian private sector utility operator. The order book of this energy segment is at 2.48 trillion rupees as of December 31, 2025, with the hydrocarbon order book at 1.83 trillion rupees and the carbon light solutions order book at 0.65 trillion rupees. We have an order prospects pipeline of 1.66 trillion rupees for this energy segment for the near term, comprising hydrocarbon prospects of 1.26 trillion rupees and carbon light solutions prospects of 0.40 trillion rupees. The carbon light solutions order prospects are largely domestic, whereas the hydrocarbon prospects are largely from outside of India.

The revenue for Q3 FY26 for the energy segment stood at 127 billion rupees, reflecting a steady 15% growth and underscoring execution progress on a larger order book. The energy segment margin in Q3 FY26 is at 5.9% as compared to 8.3% in Q3 of last year. The margin decline in the hydrocarbon business is primarily due to cost overruns in a few competitively priced domestic and international projects. As highlighted in previous earnings calls, these projects are in their terminal execution phase and are expected to conclude over the next few quarters, during which margins will remain soft. This is already factored into our projects and manufacturing margin guidance for FY26. The carbon light solutions margin is reflective of a significant share of revenues from jobs which are yet to cross the margin recognition threshold.

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Larsen & Toubro

28 January 2026

Moving on to the hi-tech manufacturing segment comprising the precision engineering systems and heavy engineering businesses. The order inflows in heavy engineering moderated due to project deferrals. In the precision engineering systems business, the decline in order inflows was primarily on account of a high base in the previous year. The order book of this segment is 379 billion rupees as of December 31, 2025, with the precision engineering systems order book at 316 billion rupees and heavy engineering order book at 63 billion rupees. Our order prospects pipeline for the near term in this segment is 237 billion rupees, comprising 190 billion rupees of precision engineering prospects and the remaining 46 billion rupees from the heavy engineering business. The segment revenue at approximately 33 billion rupees registered a strong growth of 34% year-on-year, driven by execution ramp-up in the precision engineering systems business. During the quarter, favorable job mix and operational efficiencies in the heavy engineering aided segment margin improvement.

Moving on to the next segment, which is the IT and technology services segment. This comprises largely of the two listed entities LTIMindtree and L&T; Technology Services, as well as our newly incubated businesses of digital platforms, data centers, and semiconductor design. The revenues for this segment are 135 billion rupees in Q3 FY26, registering a growth of 12% on a year-on-year basis. Operational efficiencies and the foreign exchange tailwinds drove the segment margin improvement. I will not dwell too much on this segment as both the companies in this segment are listed subsidiaries and their detailed fact sheets are already available in the public domain.

We move on to L&T; Finance Limited, which forms part of the financial services segment. Here again, the detailed results are already available in the public domain, but very briefly, the Q3 business had the highest ever quarterly retail disbursement and improved collections, collection efficiency, and asset quality. The financial services business has achieved 98% retailization of its loan book in December 2025. The return on assets remains healthy at 2.31% for Q3 FY26 and adequate capital is available in the balance sheet to pursue growth in the medium term.

Moving on to the development projects segment, this segment includes the L&T; Hyderabad Metro and the power development business comprising the 1,400 megawatt coal-based power plant at Nabha in Punjab. Within L&T; Hyderabad Metro, the higher average fares following the May 2025 fare hike contributed to the revenue growth and margin improvement, with the average fare per passenger rising from 38 rupees in Q3 FY25 to 47 rupees in Q3 FY26. The average daily ridership during the quarter stood at 4.14 lakh passengers as compared to 4.45 lakh passengers in the same period of last year. As a result of this, L&T; Hyderabad Metro reported a net loss of 1.85 billion rupees in Q3 FY26 as compared to a net loss of 2.03 billion rupees in Q3 of the previous year. As mentioned in the previous earnings calls, L&T; has reached an in-principle understanding with the Government of Telangana for the acquisition of its entire stake in L&T; Hyderabad Metro. Under the proposed terms, the Government of Telangana will pay 2,000 crore rupees towards L&T;'s equity investment and assume the Metro's entire debt of around 13,000 crore rupees. The decline in revenues of Nabha Power was mainly on account of lower power demand while the margin improved due to cost efficiencies.

I move on to the last segment, which is others. This segment largely comprises of L&T; Realty, industrial valves, construction equipment, mining machinery, and rubber processing machinery. The segment witnessed robust order inflows during the quarter, with L&T; Realty recording its

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highest ever pre-sales in a quarter of approximately 60 billion rupees. During this quarter, L&T; Realty had a successful launch of its L&T; Green Reserve Noida project, which recorded pre-sales of more than 40 billion rupees in its first week of launch. The segment revenue at 25.9 billion rupees recorded a 55% year-on-year growth, primarily driven by higher handover of residential units in the realty business, which also led to segment margin improvement.

Before we conclude, let me cover the guidance on the various parameters for FY26. On order inflows, our nine months order inflow has seen a strong growth of 30% year-on-year based on a strong capex momentum. Basis the nine months performance and the healthy prospects pipeline for the near term, we will be exceeding the 10% order inflow guidance for FY26. On revenue, the group revenue grew by 12% in the nine months of FY26 and is broadly in line with our estimates. We expect the customary ramp-up in project execution during Q4 and are reasonably confident of achieving our full year revenue growth guidance of 15%. On margins, our projects and manufacturing EBITDA at 7.9% for nine months of the current year is in line with the target that we have set for ourselves at 8.5% for the full year FY26. Lastly, on working capital, we had earlier guided to net working capital to revenue of 12% by March 2026. However, with stronger collection intensity and improved contractual terms, our net working capital to revenue has improved sharply to 8.2% as of December 31, 2025, and we expect to close the year with a revised target of around 10%. With this I complete my remarks. Now we can take questions. As I indicated to you earlier, our Deputy Managing Director and President, Mr. Subrahmanian Sharma, will also be on the call. It would be good if you can put all the strategic questions before the call and take advantage of his presence. Any bookkeeping questions, you can take towards the later part or you can connect independently with me or the IR team. 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 one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to please use headsets while asking a question. Ladies and gentlemen, we will wait for a moment while our question queue assembles. Our first question comes from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar – ICICI Securities: Good evening, sir, and congratulations on another stellar quarter. My first question is regarding the Kuwait prospects. At the beginning of the fiscal, we were very positive on the Kuwait prospects. We understand a few orders have got cancelled. My question is, are we still positive for the next fiscal for Kuwait or the coming quarters? The second related question is, even if this project comes back, do you think prices will be similar to the previous bids?

Management: First of all, I have clarified in our earlier communication that these Kuwait orders were not part of our order book. So nothing changes in terms of what is there for our Q4 order inflow prospect pipeline. Having said that, it is a bit of a disappointment that some of the projects where we had participated in the competitive bidding and we were L1 have been cancelled. The simple reason is that the budgets they had for each of these projects were far below our bids. We always knew when we were bidding that we were far above the budget. Something went wrong in their system and they were trying to get additional funds, but that was becoming difficult for them. So they have cancelled it, but these projects cannot be cancelled indefinitely because they are strategically important projects. They are very important for maintaining and meeting targets. They

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will come back; work has already started on it. There will be some minor adjustments, but they will come back, and I am very positive that all of these tenders will be out this calendar year and they will get awarded. Since we have demonstrated our competitiveness in the previous bidding, I am positive that we will maintain our competitiveness in the forthcoming bid also. So nothing really lost, except some time.

Mohit Kumar - ICICI Securities: Understood. My second question is on the revenue growth guidance. I think at the beginning of the year, we had given a 15% revenue growth guidance and given that the nine-month revenue growth is slightly around 10-12%, do you think we are still holding on to that 15% revenue growth guidance?

Management: Mohit, while I was concluding my presentation, I gave an update on the revenue guidance itself. Q4 has always been the busiest quarter for the projects and manufacturing business portfolio. So we continue to retain our guidance of 15% for the full year and we are reasonably confident that in Q4, the way we have planned, the execution momentum will be at a fast forward pace both for infrastructure and all the segments in the projects and manufacturing space. That is baked in.

Mohit Kumar - ICICI Securities: Understood. Sir, thank you and all the best.

Management: Thank you.

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

Sumit Kishore - Axis Capital: Good evening. Exceptionally strong performance on order inflows and the working capital improvement is also quite remarkable. My first question is with oil hovering around \$60 to \$65, what is your outlook on Middle East projects if oil prices remain at these levels? If they persist, do you foresee any projects getting pushed out? The second part of the question is if you can comment on the execution that we have seen in the quarter, specifically in hydrocarbons, which has a large order backlog. 11% for the quarter appeared a bit low. I know one shouldn't focus only on quarterly numbers, but it still appeared a bit low. How long can the margin pressures in hydrocarbons specifically persist? While you have called out that it will be soft in the second half of the fiscal, how long can this persist based on your evaluation of the hydrocarbon order backlog? Thank you.

Management: I was talking about oil prices. Globally, whatever is happening, I think it is good that oil prices have held their price range around \$60 to \$65, which is a positive development in my view. From every conversation I am having with the senior executives of all these national oil companies, everyone believes that oil will be range-bound in that \$60 to \$65 range. As such, the capital allocation for the projects which are of interest to us will remain unaffected. If at all there is a drop in oil prices, it will have an impact on some non-essential projects, but projects which are important for maintaining and enhancing production are pretty much on track. So I do not see any impact of oil prices. As such, it is stable and even if there is a slight drop, I do not expect any significant impact on the pipeline of opportunities. That is one part. Second thing is that regarding margins, it is a portfolio of projects; sometimes some projects face challenges. I expect the hydrocarbon business to come back to full strength maybe two or three quarters from now.

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Larsen & Toubro

28 January 2026

Management: Sumit, just to add, I did emphasize that the margin guidance of 8.5% for P&M; remains. We have had a good nine months despite the fact that hydrocarbon margins moved southward this year. As I stated earlier, and as Mr. Sharma also reiterated, we expect some of these stressed projects to get closed in the near term and margins should move northward hopefully after a few quarters.

Sumit Kishore – Axis Capital: That is very clear. My second question is in relation to the subdued performance in the domestic infrastructure segment in terms of growth, mainly dragged down by water as you pointed out. Any clarity on what is happening in water? How long can this drag continue for the domestic infrastructure business on growth? The next hydel project is not going to get awarded anytime soon. What is the outlook for the domestic infrastructure business?

Management: I did mention that the order prospect pipeline is only for the balance period of the year. So as it stands now, the prospect pipeline for infrastructure for another three or four months is still at the same level. More importantly, it comprises domestic prospects of 2.61 trillion rupees. We are now slowly looking at a higher share of private sector prospects. Of course, there are certain large projects of the government which should get announced maybe after the budget session is over. We are fairly certain that this year has been a good mix of both public and private order inflow on the domestic side, and that is something we believe should continue into the near term. As far as water is concerned, certain projects under the central plan have faced headwinds in terms of fund allocation, and to that extent, we have calibrated our execution momentum in this segment to the extent of funds that we receive. Had this fund allocation been normalized, the growth of revenue in the infrastructure segment would have been higher.

Sumit Kishore – Axis Capital: Thank you and wish you all the best.

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

Amit Anwani – PL Capital: Hi, thank you for the opportunity. On the water business, what was the kind of growth in infrastructure excluding the impact of water? Also, I can see there is still a water opportunity you have highlighted in the prospects for infrastructure, roughly about 18%, which is 65,000 to Rs. 70,000 crore. Are we looking for more conversions on these orders, and how are these terms different from what we are currently executing and calibrating?

Management: From a statistical perspective, if the water segment was not part of the infrastructure portfolio, then the revenue growth would have been around 8–9% instead of 5%. Because the projects are not getting funded, the execution momentum has come down and the growth in revenue has been modest at an overall segment level. As far as the order prospects are concerned, regarding the 720 billion rupees of order prospects for the near term, depending on the type of projects and the underlying funding, we will be bidding according to what we feel is the right way. Due care is being taken to ensure that we do not get blocked into working capital issues due to absence of funding.

Management: One more point just to add: internally, we have split the water business into domestic and international. We are now putting much more focus on the desalination plants and water transmission projects that are coming up, especially opportunities in the Middle East. We do believe

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that in the near term, some amount of international water projects would come up as an ordering opportunity for us.

Amit Anwani – PL Capital: Thank you. Sir, on P&M; margin which you guided for 8.5%, you highlighted that you have already factored in the cost pressure for few legacy orders. Is it correct to understand that once these orders are out, we will be aiming for a meaningful margin improvement? Can you give some color on medium-term margins?

Management: Amit, it has always been our practice to give guidance for all the major parameters for the year. Mr. Sharma alluded to the fact that hydrocarbon margins were subdued in the current year because of two or three projects, both domestic and international. I wish to assure you that these projects are in the final stages of completion and hopefully the margin pick-up would be seen maybe two or three quarters into next year. As to how much that will add to the segment margin, I would wait until we close FY26. Budgeting for the company will start next month and we should be in a better position to give you guidance for FY27 and beyond in May.

Amit Anwani – PL Capital: Right, sir. Lastly, on the media article regarding Chinese players potentially being allowed for BTG orders, have you done any assessment in terms of the impact this could have?

Management: I think that concern is a little misplaced. As we understand from the policy makers, allowing Chinese players is not for the full integrated equipment; it is only for certain components. In fact, we had advocated to allow us to import some of the special alloys which are required for thermal power plants because they were not earlier allowed. That has been permitted. In reality, it does not affect us; in fact, it still protects us. We see a positive opportunity unfolding in the subsequent quarters with thermal power plants with BTGs being manufactured in India.

Amit Anwani – PL Capital: Understood, sir. Thank you so much and all the best.

Operator: Thank you. Ladies and gentlemen, you are requested to please restrict yourself to one question only. Our next question comes from the line of Aditya Bhatia from Investec. Please go ahead.

Aditya Bhatia – Investec: Good evening, sir. Just wanted to understand regarding the Tanajib order. How many packages have we already recorded so far, and how should we think about the opportunity going forward?

Management: Regarding the framework agreement, we have a total potential of 12 gigawatts, which means six packages of 2 gigawatts each. Currently, what we have included in our order inflow is two of those. We are in discussion with the customer for the third and fourth packages. When they call off those projects, we will advise you and include them in the order inflow. We have a potential for all six.

Aditya Bhatia – Investec: Understood, sir. So does that mean it is almost pre-confirmed that we will be getting the third or fourth packages?

Management: We have been selected for the whole program, but the customer has to decide the timing of when he wants to call off each project. We have a secured position, but as a prudent

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policy, we are not counting it until he calls off.

Aditya Bhatia – Investec: Understood, sir. And my second question is on the margin erosion in hydrocarbons. You mentioned cost overruns. Roughly when were these orders won? Was competitive intensity very different then?

Management: Most of the projects in the portfolio facing challenges were secured during the COVID or post-COVID period. Then we had the Ukraine war and a bunching up of events. Unfortunately, many things coincided. We are getting through those and handing over one by one. Like I said before, within two or three quarters we should be out of it.

Aditya Bhatia – Investec: Understood, sir. And just one last question. We are securing large orders like the Namma Metro contract. Is it fair to assume that execution timelines going forward would be longer than what we have seen historically?

Management: You cannot generalize because every project has its own timeline depending on the complexity. Some involve a lot of tunneling and boring which takes longer, and it also depends on land acquisition. They are all within the typical range.

Management: Just to add, the book-to-bill for the infrastructure order book is 26 months. The average order book execution period for hydrocarbons is around 29 months, and for the carbon light solutions, it is around 48 months.

Aditya Bhatia – Investec: Okay, thank you so much, sir.

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

Mohit Pandey – Citi: My first question is on margins for the international portion of EPC in light of commodity price movements. I understand steel is the most important commodity, which has not seen as much price movement. But for other commodities, how should one think about the impact on fixed-price international orders in the backlog?

Management: Generally speaking, our biggest exposure is to steel. On international projects, steel has been pretty stable with some downward pressure rather than upward pressure. Our risk is generally between the time we submit the bid and the award. Once we secure the job, we hedge either by placing orders quickly, doing pre-engineering, or having pre-bid agreements. I am not expecting major exposure to commodities, though copper and nickel have been a little volatile. We have a policy of hedging as quickly as possible and we allow for contingency in our estimates. Unless an event like the Russia-Ukraine war occurs, we are able to manage the rest of the volatility.

Mohit Pandey – Citi: And regarding renewables in the Middle East, given silver is an important part, how should we think about that?

Management: On renewable contracts, we have passed most of the price risk to the customer. We have taken a very practical and prudent approach. Our renewable projects are subject to very limited commodity risk.

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Mohit Pandey – Citi: Understood. And a clarification on the 3% slow-moving orders mentioned; would those be primarily water projects?

Management: It is a combination, largely water projects. There are also certain projects secured last year where right-of-way clearances have not been provided yet. They have been classified as slow-moving, but it is not a source of worry at this juncture.

Mohit Pandey – Citi: Alright, sir. Thank you so much.

Operator: Thank you. The next question is from the line of Punith Gupta from CNBC. Please go ahead.

Punith Gupta – CNBC: Thank you and congratulations on the numbers. My first question is on the Middle Eastern order book. Assuming oil prices remain where they are, do you foresee the potential for higher project awards in calendar 2026 and 2027? Also, how do you think about your market share in the Middle East?

Management: The overall atmosphere is quite positive. There is a strong pipeline of opportunities in countries like Saudi Arabia, Qatar, and the UAE, and Kuwait will come back as I mentioned earlier. We are seeing good momentum. In terms of market share, we are selective depending on the type of project, our competitiveness, and the terms of the contract. Overall, we are maintaining a decent share.

Punith Gupta – CNBC: Regarding private sector orders, do you foresee higher margins and better working capital control there?

Management: Generally, yes. In comparison to the public sector, the private sector often has more favorable payment and milestone terms, and there is more flexibility when negotiating.

Punith Gupta – CNBC: Thank you so much.

Operator: Thank you. The next question is from the line of Bhavani V from Avenue Spark. Please go ahead.

Bhavani V – Avenue Spark: On the domestic prospects of 2.61 trillion rupees, how much of that is from the private sector?

Management: Roughly around 35%.

Bhavani V – Avenue Spark: Related to infrastructure prospects which have been flat, water is slowing down and there is less confidence in domestic transportation and heavy civil. What is the outlook for FY27 for these traditional strongholds in India?

Management: If you track domestic order inflows last year, we actually had a drop. But it is a credit to our business model that if some segments pause, others show revival. In infrastructure, we have seen sustained traction in buildings and minerals and metals. While we have been careful with water projects due to payment terms, other segments are offsetting the muted opportunities in large heavy civil or transportation projects. We believe the February budget announcement will kick start the growth momentum for large projects, and private sector revival in many sectors should

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compensate as well.

Bhavani V – Avenue Spark: My second question is on the new ventures like electrolyzers, data centers, batteries, and semiconductors. Can you update us on the capex so far and what is expected?

Management: As of now, we have almost 32 megawatts of data center capacity, with 14 megawatts running and another 18 megawatts to be commissioned by the end of this fiscal. Total capex in data centers is roughly in the range of 1,000 crore rupees. For semiconductors, most of the spending is currently on design-led chips and is being expensed through the P&L.; For electrolyzers, we have already produced a 100% indigenous 4-megawatt stack. We are upgrading to 8-megawatt and 10-megawatt stacks and expect many opportunities in the near term.

Bhavani V – Avenue Spark: I will take the rest offline. Thank you.

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

Atul Tiwari – JP Morgan: Regarding the thermal power opportunity, how many gigawatts do you see in the pipeline over the next two years from the government and private sector?

Management: The market development in thermal power has been a pleasant surprise. We have booked quite a few orders. We believe the country will add 15 to 20 gigawatts in the next two years or so. We see at least a 4 to 5 gigawatt opportunity for us.

Atul Tiwari – JP Morgan: What proportion of your total order book is fixed-price versus variable?

Management: The fixed-price portion of our order book is approximately 55%, while 45% is variable with price variation clauses.

Atul Tiwari – JP Morgan: Thank you.

Operator: Thank you. Our next question is from the line of Priyanka Biswas from JM Financial. Please go ahead.

Priyanka Biswas – JM Financial: You previously highlighted a drag on execution due to the monsoon extending into Q3. If the monsoon had been normal, leaving water aside, how much execution was affected in the domestic space?

Management: I did mention that October saw some slippages where projects were disrupted by extended monsoons. However, for Q4, we do not see any climatic events disrupting progress. We see a normative Q4 for almost all segments. It is difficult to put a specific number on the impact to the 5% growth we saw in infrastructure.

Priyanka Biswas – JM Financial: Regarding the ultra mega offshore HVDC packages booked this quarter, what is the quantum of those?

Management: It is ultra mega for us, which means more than 15,000 crore rupees.

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Priyanka Biswas – JM Financial: And for the hydrocarbon prospects, should we think of the third and fourth packages appearing in next year's prospects?

Management: Yes, they would be for next year. There is nothing expected in Q4.

Priyanka Biswas – JM Financial: Thank you, sir.

Operator: Thank you. Our next question is from the line of Amit Mahavar from UBS. Please go ahead.

Amit Mahavar – UBS: Regarding competition in the Middle East from Korea, Europe, or the US, do you think they will come back next year? And will the share of the Middle East in the P&M; core be more than 50% in the next two years?

Management: We have been operating in the same competitive environment for years with Chinese, Korean, and European players. Our landscape is not changing much. On the contrary, we have established ourselves well; customers prefer us and even competitors seek partnerships with us. The outlook remains positive for us. It is difficult to put a specific number on the future share of the Middle East relative to domestic growth, but we are confident about continued growth in both.

Amit Mahavar – UBS: If the slowdown in domestic segments like water persists for another year, do you see a risk of time and cost delays that are difficult to pass on?

Management: We do not think the water slowdown will last that long. It is unfortunate that there was a suspension of work due to payment issues, but we are in continuous dialogue with the government. Within a quarter, things should start moving again.

Amit Mahavar – UBS: Thank you and good luck.

Operator: Thank you. Our next question is from the line of Kulkit Patni from Goldman Sachs. Please go ahead.

Kulkit Patni – Goldman Sachs: How should we understand the impact of a depreciating rupee on your core EPC business margins? Secondly, while you hedge commodities, price movements have been drastic lately. Can you hedge all of that?

Management: Regarding foreign exchange risk, we have never commented that our margins were substantially impacted by currency variation because of our proactive and timely hedging practices. We cover contracts at the rates at which they were estimated while bidding. For IT services, some depreciation flows into the P&L, but they also have a layered hedging process. For commodities, we do a substantial amount of pre-bid engineering, so we have a good assessment of quantities. Our exposure is mostly between bid submission and award. Once awarded, we hedge based on our estimates. Only a small portion of 5–10% might remain unhedged during engineering development, and that is covered by contingency.

Kulkit Patni – Goldman Sachs: So high commodity prices right now are not a major worry for you?

Management: No.

Larsen & Toubro

28 January 2026

Kulkit Patni – Goldman Sachs: Thank you so much.

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

Aditya Mongia – Kotak: Regarding your overseas ordering in the last year, how much would you classify as strategic for your customers, such that they would not be at risk if crude prices move lower?

Management: Most of our international projects are in the oil and gas sector, renewables, or critical infrastructure like data centers. I would classify all of them as strategically important. They are consistent with the plans of these countries to maintain production or invest in alternate energy portfolios and digital transition. They are not typically impacted by oil price fluctuations. Only non-strategic projects like beautification or tourist centers might be affected, and we are not involved in those.

Aditya Mongia – Kotak: That clarifies it. Thank you so much.

Operator: Thank you. That was the last question. I would now like to hand the conference over to Mr. P. Ramakrishnan for closing comments.

Management: Thank you everyone for attending this call at this late hour. It was a pleasure to interact with all of you. Good luck and wishing you all the very best. Thank you.

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

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