"Larsen & Toubro Limited

Q4 FY '25 Earnings Conference Call"

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.

Management:

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Mr. R. Shankar Raman – President, Whole-Time Director And Chief Financial Officer – Larsen & Toubro Limited

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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '25 Earnings Conference Call, hosted by Larsen & Toubro Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone.

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

P. Ramakrishnan: Thank you, Nirav. Good evening, ladies and gentlemen. A very warm welcome to all of you into the Q4 and FY '25 earnings call of Larsen & Toubro Limited.

We also have with us on the call today our Deputy Managing Director, Mr. Subramanian Sarma; and our Whole-Time Director and CFO, Mr. R. Shankar Raman. Both will take the questions post our initial commentary on the results. The earnings presentation was uploaded on the stock exchange and on our website around 6:30 PM today. I hope you had a chance to take a quick look at the numbers.

Instead of going through the entire presentation, I'll first take you through the important highlights for the year FY '25, followed by our financial performance summary for the quarter Q4 FY '25, which will possibly take maybe the next 30 minutes or so. Post that, we will be taking the questions.

Before I begin the overview, a brief 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, may contain certain forward-looking statements concerning the group's business prospects and profitability, which are subject to several risks and uncertainties and the actual results could materially differ from those in such forward-looking statements. I would request you to go through the detailed disclaimer which is available in Slide 2 of our earnings presentation that we have uploaded today.

We are currently navigating an extremely complex and uncertain macroeconomic landscape. In our view, there are seismic shifts underway which is leading to an "Ambiguous World Order". The continuing trade and military conflicts are clearly leading to a corrosion of globalization, disruption in supply chain, and culminating into higher financial market volatility. Amidst all this chaos, we are pleased to inform you that both our primary geographies for the Projects and Manufacturing businesses, that India and Middle East are demonstrating surprising resilience in terms of continued capex spends.

Further, we also remain constructive on the near to medium-term spends or opportunities in the new businesses like Renewables, Green Hydrogen, and Offshore Wind. Whereas our Financial Services business, being predominantly local, is largely insulated from the ongoing global turmoil, the IT and TS services business are reporting subdued growth largely reflective of the subdued global macroeconomic environment which is impacting IT and TS spends across the developed world. Although the future is unpredictable, our group is dedicated to mitigating the risks and capitalizing on opportunities amidst this macroeconomic volatility.

Having covered the macro landscape, I would like to share a few important highlights for the year.

Firstly, on Group performance:

- So our group order inflows for FY '25 at Rs 3,566 billion reported a strong growth of 18% on a y-o-y basis. For the last two consecutive years, the group order inflows have actually surpassed our expectations.
- Similarly, our group revenues for FY '25 at Rs 2,557 billion has registered a good growth of 16% on a y-o-y basis, mainly on the back of a large order book and ramp up in execution momentum across the Projects and Manufacturing business portfolio.
- The order book at Rs 5,791 billion is up 22% on a y-o-y basis. This record order book provides a multi-year revenue visibility.
- Our Group Net Working Capital at 11% in March '25 is the best we have reported in the last 10 years.

Now I will move on to a few important highlights for each of the businesses within the L&T Group portfolio.

Coming to the Projects and Manufacturing part, we start with Infrastructure.

Infrastructure:

- The order inflow grows at 21% for FY '25 on a large base with the share of international orders at 61%.
- Effective September 1, 2024, the company carved out a separate Renewable sub-vertical out of its Power Transmission and Distribution business within the Infrastructure segment. The creation of this vertical is expected to impart increased autonomy, improve customer proximity, and enhance leadership oversight, thereby enabling us to excel in this expanding space.

Hydrocarbon

- On the back of international order wins, the order inflows for this segment has crossed Rs 600 billion for the second consecutive year.
- Here again, effective 1st April 2025, that is the start of the current financial year, the Hydrocarbon business has carved out into Offshore and Onshore vertical.

CarbonLite Solutions

We come to the third part of the P&M portfolio, which is the CarbonLite Solutions, the erstwhile Power business. In this case, during the year with the receipt of two boiler and turbine generator orders from NTPC, the business has achieved its highest ever order inflow for the year. The government's focus on thermal capacity accretion to address base load requirements is supportive from a policy standpoint in the medium term.

Green & Clean Energy

- I come to green and clean energy. Here again, multiple opportunities are emerging in the Gas to Power sector, particularly in the international markets. Given the size and complexity of these projects, a dedicated focus is essential in this area as well. To improve the functioning and oversight, the Gas to Power business will be now managed under the umbrella of the green portfolio, which is now getting renamed as L&T Energy - Green and Clean Energy Business.
- Secondly, L&T Energy GreenTech Limited has received an approval for 90 KTPA green hydrogen capacity in tranche two of the green hydrogen production PLI at an average incentive of Rs 11.11 per kg of hydrogen. This incentive to be distributed over a period of three years is approximately worth Rs 300 crores.
- Further L&T Energy GreenTech has been allocated land at Kandla port in Gujarat for setting up of a plant to produce green hydrogen and its derivatives under a 30-year lease from the Deendayal Port Authority, Kandla.

Heavy Engineering Business

Coming to Heavy Engineering - In February 2025, the company acquired the remaining 26% stake in L&T Special Steels and Heavy Forgings Limited for Rs 170-odd crores from the Nuclear Power Corporation of India Limited, thereby making LTSSHF, a wholly-owned subsidiary.

Precision Engineering & Systems Business

In respect of precision engineering and systems, the business secured a repeat order for delivering K9 Vajra artillery platforms to the Indian army.

Service Business

- Coming on to the Services segment with respect to L&T Technology Services, L&T Technology Service Limited acquired Silicon Valley-based Intelliswift to deepen its offerings across software product development, platform engineering, digital integration, data, and AI.
- The Data Center business purchased a 15% stake in E2E Networks on December 4, 2024 and with our second tranche mandated 6% stake purchase which is scheduled in the current quarter of the current financial year.
- L&T Semiconductor Technologies in the month of August, completed its acquisition of SiliConch Systems Private Limited, a Bangalore-based semiconductor startup focused on power semiconductors with a portfolio of more than 30 granted patents.
- L&T Finance Limited also entered into an agreement with Paul Merchants Finance Private Limited for acquiring its gold loan business segment. This acquisition marks the entry of L&T Finance into the gold loan business. This transaction is expected to get consummated in Q2 of the current financial year, FY '26.
- Development projects, the company, we actually divested L&T Infrastructure Development Projects, a SPV company primarily into toll road business in April 2024. We sold our entire stake, to an infrastructure fund, managed by Edelweiss Alternative Asset Advisors.

L&Ts International Ratings

- The global credit rating agencies, Standard & Poor and Fitch have assigned BBB+ credit rating with a stable outlook to Larsen & Toubro Limited. This rating is two notches above the country sovereign rating. This rating also reflects our exceptionally strong business model, credit quality, and global standing.
- Similarly, on as far as ESG rating is concerned, the MSCI ESG Research upgraded Larsen and Toubro Limited from BB to BBB for its ESG performance.

We will now cover the various financial performance parameters for Q4 FY25. Q4 FY25 was a quarter of strong performance across the various financial parameters. Our group order inflows for Q4 registered a growth of 24% on a y-o-y basis. On the back of a strong ordering momentum, the order book at Rs 5.79 trillion on March '25 has also registered a growth of 22% on a y-o-y basis. Aided by a healthy execution momentum from several businesses within the Projects and Manufacturing portfolio, our group revenues for the quarter registers a growth of 11% on a y-o-y basis. The margin of the Projects and Manufacturing portfolio at 9.9% registers a growth of 30 basis points over the corresponding quarter of the previous year. Our Net Working Capital to Revenue on trailing 12 months basis is at 11% as on March '25, improving by 100 basis points on a y-o-y basis. Similarly, our Return on Equity on a trailing 12-month basis as on March '25, is at 16.3%, improving 140 basis points over the previous year.

I move on to individual performance parameters. Our group order inflows for Q4FY25 is at Rs 896 billion. Within the group order inflows, our Projects and Manufacturing businesses secured order inflows of Rs 721 billion for Q4, reporting a robust growth of 29% over the corresponding period of the previous year. Our Q4 FY25 order inflows in the Projects and Manufacturing portfolio are mainly from Infrastructure and Hydrocarbon segments. During the current quarter, our share of international orders in the Projects and Manufacturing portfolio is at 71% vis-à-vis 27% in Q4 of last year.

Moving on to the Prospects pipeline. We have a very strong prospects pipeline of Rs 19 trillion for FY26 as compared to Rs 12.1 trillion for FY25. This is representing a sharp increase of 57% on a y-o-y basis. This massive prospects pipeline is of course very encouraging. Despite the geopolitical uncertainty and the continuing macroeconomic volatility, this increase in prospect pipeline is primarily attributed to Infrastructure, Hydrocarbon, CarbonLite, and the Green and Clean Energy businesses.

The broad breakup of the overall prospect pipeline for current financial year of FY26 is as follows:

- The share of Infrastructure segment is at Rs 9.64 trillion as compared to Rs 7.25 trillion last year, representing an increase of 33%.
- Hydrocarbon prospects is today at Rs 7.47 trillion vis a vis Rs 3.87 trillion last year, again representing an increase of almost 93%.
- CarbonLite Solutions for FY26, the prospect pipeline is at Rs 0.90 trillion as compared to Rs 0.50 trillion last year, here again, representing an increase of 80%.
- The Green and Clean Energy portfolio, the prospects for FY26 is at Rs 0.70 trillion as compared to Rs 0.10 trillion last year. This is primarily due to the addition of several Gas to Power related opportunities outside of India.

- The aggregate order prospects for the Heavy Engineering and the Precision Engineering Systems business which forms part of the Hi-Tech Manufacturing segment. The order prospects for FY26 is at Rs 0.29 trillion as compared to Rs 0.34 trillion for FY25.

Moving on to the Order Book: Our order book is at Rs 5.79 trillion as of March '25, up by 22% when we compare to the March '24 position. As the Projects and Manufacturing business is largely India centric, 54% of this order book is domestic and the remaining is international. Out of the international order book of Rs 2.64 trillion, of 81% is from the Middle East and 19% is from the rest of the world. In our view, the various countries in the Middle East are continuing to invest in Oil and Gas, Power Transmission, and Green Infrastructure, and there is a focus of Industrialization where, besides the Hydrocarbon sector, they're also looking into energy transition and also minerals and metal sectors as well.

The breakdown of the Domestic order book at Rs 3.15 trillion as of March '25 is as follows.

- The orders coming from central government, the share is 15%.
- The state government and the local authorities' share is 26%.
- Public sector corporations or state-owned enterprises share is at 38%,
- The Private sector contributes to 21% of the domestic order book.

Approximately 14% of our total order book of Rs 5.79 trillion is funded by bilateral and multilateral funding agencies. Here again 91% of our total order book is from Infrastructure and Energy. You may refer to the presentation slides for further details.

During a FY25, we have deleted orders of Rs 7 billion from the order book. There are no deletions of orders from the order book in Q4 FY25. The share of slow moving orders is around 2% of the total order book.

Coming to revenues, our Group revenues for Q4 FY25 at Rs 744 billion registered a healthy y-o-y growth of 11%. International revenues constituted 50% of the revenues during the quarter. The strong execution momentum in Hydrocarbon, Precision Engineering & Systems and Heavy Engineering within the Projects and Manufacturing portfolio drove the overall group revenues for the quarter. Within the overall group revenues, the revenues for the Projects and Manufacturing business for Q4 FY25 is Rs 569 billion, which is up 12% over the corresponding quarter of the previous year.

Moving on to EBITDA margin, our group EBITDA margin without other income for Q4 FY25 is 11% vis-à-vis 10.8% in Q4 of the previous year. The detailed breakup of the EBITDA margin business wise, including other income, is given in the annexures to the earnings presentation. You would have noticed that the EBITDA margin in the Projects and Manufacturing business for Q4 FY25 is at 9.9%, an improvement of 30 basis points over the corresponding quarter of the previous year. I will cover the details a little later when I talk about the performance of each of the segments.

Our consolidated reported PAT for Q4 FY25 at Rs 55 billion is up by 25% over Q4 of last year. This PAT growth is reflective of increased activity levels, improved treasury operations, and an exceptional gain booked during the quarter. The exceptional gain of Rs 4.75 billion is due to a part reversal of an earlier impairment provision for funding done in the erstwhile L&T Special Steels and Heavy Forgings Private Limited JV. The group performance, P&L construct, along with the reasons for major variances under the respective function heads, is provided in the earnings presentation. You may kindly go through the same for further details.

Coming to Working Capital: Our Working Capital to sales ratio has improved from 12% in March 24 to 11% in March '25, mainly leading to an improvement in the Gross Working Capital to Sales ratio, which is backed by strong customer collections during the year. Our group level collections excluding financial services segment for FY25 is Rs 2,352 billion as compared to Rs 1,999 billion in FY24, thereby registering an increase of 18% on a y-o-y basis. Due to an enhanced focus on customer collections, our free cash flow for the year FY25 is at Rs 174 billion. You may also like to go through the cash flow statement which is forming part of the annexure to the earnings presentation. Finally, the Return on Equity for FY25 is at 16.3% as compared to 14.9% last year, which again is an improvement of 140 basis points.

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

First is Infrastructure. We start with order inflows. This segment secure orders for Rs 346 billion for Q4 FY25, registering a healthy growth of 10% on a y-o-y basis. International orders constitute at 55% of the total quarterly order inflows. During the current quarter, the orders were mainly received in Buildings & Factories, Power Transmission & Distribution, and as well as Minerals and Metals businesses. Like I mentioned earlier, our order prospects pipeline in the Infra segment for the next 12 months is around Rs 9.64 trillion as compared to Rs 7.25 trillion same time last year, again representing an increase of almost 33%. The Infra prospects pipeline of Rs 9.64 trillion comprises of domestic prospects of Rs 5.65 trillion and international prospects of Rs 3.98 trillion.

The sub-segment breaker of the total order prospects in Infra segment is as follows. The share of Heavy Civil Infra is 26%. Transportation infrastructure 17%, Renewable

15%, Power Transmission & Distribution 14%, Buildings & Factories 11%, Water 10%, and Minerals & Metals at 7%. The order book for this segment is Rs 3.57 trillion as on March '25. The book bill for infra is around 26 months.

Q4 revenues at Rs 389 billion registered a subdued growth of 2% over the comparable quarter of the previous year, which again is largely due to faster execution clocked in the earlier quarters of the current financial year. During the quarter, certain water jobs within the segment could not progress as per plan due to fund constraints at the client level.

Our EBITDA margin in this segment for Q4 FY25 is at 8%, which improves 10 basis points over the corresponding quarter of the previous year.

Moving on to the next segment, which is Energy projects which comprises of Hydrocarbon and CarbonLite Solutions. The Green and Clean Energy business within the Energy segment is in the incubation stage and is yet to meaningfully contribute to the overall segment numbers. The receipt of an ultra-mega offshore order from QatarEnergy boosts the Hydrocarbon order book, whereas no major orders were received in the CarbonLite Solutions during the quarter.

We have a strong prospects of Rs 9.07 trillion for the Energy segment for FY26, which comprises of Hydrocarbon prospects share at Rs 7.47 trillion, CarbonLite Solutions at Rs 0.90 trillion, and the Green and Clean energy prospects of Rs 0.70 trillion. Whereas CarbonLite prospects are largely domestic, around 94% of the Hydrocarbon prospects, as well as 88% of the Green and Clean Energy prospects are international. The order book of this Energy segment is at Rs 1.66 trillion as of March '25, with Hydrocarbon orderbook at Rs 1.39 trillion and Carbonlite Solutions at Rs 0.26 trillion.

The Q4 FY25 revenues for the segment at Rs 123 billion registered a robust growth of 49% driven mainly by the execution ramp up across domestic and international projects of Hydrocarbon, whereas lower revenues in CarbonLite Solutions is reflective of the early stages of the executable order book.

The Energy segment margin in FY25 is at 8.1% as compared to 11.4% in Q4 of the previous year. In the corresponding quarter of the previous year, the hydrocarbon business had the benefit of a favorable claim settlement which aided the margin.

We will now move on to the Hi-Tech Manufacturing segment which comprises of Precision Engineering & Systems and the Heavy Engineering businesses. The lower order inflows in Q4 FY25 in this segment is largely due to a high base in the corresponding quarter of the previous year.

The order book of this segment is Rs 404 billion as of March '25. Our order prospects pipeline for the next 12 months in this segment is around Rs 294 billion, comprising of Rs 219 billion of Precision Engineering & Systems prospects and the remaining Rs 75 billion from the Heavy Engineering business.

During the quarter, robust execution momentum was witnessed across both the verticals. Execution cost savings in Heavy Engineering business aided the margin improvement at the overall segment level. The lower margin in the Precision Engineering is reflective of a higher share of fast jobs under execution.

Moving on to the next segment, which is the IT and Technology Services which largely comprises of the two listed entities LTIMindtree and L&T Technology Services. The revenues of this segment are Rs 125 billion in Q4 FY25 registers a growth of 11%, largely in line with the prevailing macroeconomic environment. The segment margin decline during the quarter is mainly explained by a reduced operating leverage. I will not dwell too much on the segment as both the companies in the segment are listed entities and the detailed fact sheets are available in the public domain.

We now move on to L&T Finance Limited. Here again, the detailed results are already available in the public domain. But very briefly, the Q4 of FY25 witnessed a calibrated disbursement strategy in the rural business finance portfolio due to prevailing sectoral headwinds. The Financial Services business achieved 97% retailization of its loan book in March '25, well ahead of its FY26 targets. The Return on Assets remain healthy at 2.44% and adequate the capital adequacy ratio at almost around 22%, which is available in the Balance Sheet, to pursue growth in the medium term.

Moving on to the Development Projects or the concessions portfolio, this segment now includes the Power Development business comprising of Nabha Power, which is a 1,400-megawatt coal-based operating power plant, and the second one being Hyderabad Metro. Most of the revenues in the segment are contributed by Nabha Power. A lower PLF impacted Nabha revenue for the quarter, whereas monetization of a real estate parcel aided the revenue growth in Hyderabad Metro. The segment margin improves during the quarter, mainly due to the gain on the TOD monetization in the metro and coupled with lower interest cost in Nabha Power.

The Metro at the PAT level posted a loss of Rs 0.07 billion in Q4FY25 as compared to a loss of Rs 2.11 billion in Q4 FY24. The improvement is again on account of a gain of Rs 1.87 billion recorded on the TOD monetization during the current quarter.

Moving on to the Others segment. This segment comprises the Realty business, Industrial Valves, Construction, Equipment and Mining Machinery, and Rubber

Processing Machinery and a residual portion of the Smart World and Communication business.

The Q4 revenue grew up by 4% over the corresponding quarter of the previous year, mainly contributed a higher handover of residential units in the Realty business portfolio. The segment margin improvement is mainly due to a favorable sales mix in the Reality business and Industrial Machinery, business.

Coming to the last part of my presentation, the outlook. Despite the global despite the global uncertainty, the Indian economy growth for FY24/'25 is estimated to grow between 6.25% to 6.5%. The agriculture sector is expected to grow at 4%, the industrial sector at 6%, and the services sector at 7%. The growth momentum is evidenced through improvement in several high frequency macroeconomic indicators. The headline inflation for the country as measured by the consumer price index has eased consumed considerably during FY25. The reduction in the repo rate by RBI at 50 basis points, as well as the shift of stance from neutral to accommodative, could further aid the growth momentum for the country.

The Indian economy is expected to remain resilient, supported by robust consumption from households alongside the government's continued focus on capex. The capacity utilization in manufacturing remains high, and the Balance Sheet of Banks and corporates continue to remain healthy. The economy has also undergone rapid digitalization over the past decade, significantly enabling productivity. The service sector has increasingly shifted towards high-tech digital solutions, including e-commerce, fintech, cloud computing, and air-driven services. The risk to growth remains largely external, rising cross-border tariffs, disrupted supply chains, and continuing geopolitical stresses. The country will have to adapt to the rapidly evolving global landscape by harnessing its domestic strength to drive growth in a sustainable manner. Given the right impetus and policy framework, India has the capability to position itself as a major sourcing geography for goods and services in the near future and target to become the world's fourth largest economy ahead of its stated timeline.

The global economy grew by 2.7% in the calendar year 2024, with regional growth varying significantly. The GCC countries led by Saudi Arabia is poised to continue strengthening both the physical and the digital infrastructure in the region in addition to monetizing its oil and gas assets. As the GCC countries embark on the transition from oil to clean energy and pursue various industrialization initiatives, the region's growth opportunities remain attractive. As I stated earlier, it is in sync with the other prospects that we are witnessing for both infrastructure and energy segments with respect to international opportunities.

With the recent US tariff announcements, the risk of global cross-border trade and investment flows is slowing down. The risk is high, and consequently, it will have some amount of volatility in crude prices and dislocated supply chain. The economic growth outlook remains uncertain and ambiguous with key risks stemming from heightened policy uncertainty amidst the geopolitical tensions and military escalations.

In this economic backdrop, L&T will focus on timely execution of its large order book, preservation of liquidity, and optimal use of capital and other resources while remaining cautiously optimistic on the emerging new opportunities. The company will pursue its stated objective of enhancing returns to its shareholders on a sustained basis.

Before we conclude, let me cover the guidance on the various parameters for FY26. We expect our group order inflows and group revenues to grow at 10% and 15% respectively for a FY26. With respect to the margins in the Projects and Manufacturing portfolio, we are targeting 8.5% for the year of FY26, and our Net Working Capital to Revenue guidance for March '26 is at 12%. The revenues and the margin targets that we have set ourselves for FY26 will be more visible in the second half of FY26.

Lastly, as you are aware, our free cash flow generation has been robust in the last couple of years, and we are also stepping up our capital allocation into newer business areas like green energy, data centers, and semiconductor design. We do expect some of these investments to start contributing to group returns in the next Lakshya plan which starts FY27 ending FY31.

In the earnings call presentation that we have uploaded in our website, we have added a couple of slides on the progress achieved in our strategic plan, which is ending FY26, as well as our journey of improvement in the return ratios at a group level over the last five years.

I request you to kindly go through for the same for better clarity. During the current year, we will begin exercise of creating the strategic road map for FY27 to '31. The same will be communicated to the stakeholders during the Q4 FY26 earnings call.

With this, I conclude, thank you, ladies and gentlemen, for the patient hearing. We will now begin the Q&A. In the interest of time, I would encourage all you participants to stick to the broader questions on strategy and outlook. The bookkeeping questions can be taken up by the IR team later on. Thank you.

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

Mohit Kumar: Congratulations on your strong set of result, especially given the weak domestic activity. So my first question is on the order inflow guidance. I think you gave the inflow guidance of growth of 10% while the order prospect pipeline is up by 50%. So is there a reason for giving a lower order flow guidance? Are you assuming a lower win ratio or has the characteristic of the order prospector changed?

P. Ramakrishnan: So, okay, the other prospects last year was around Rs 12 trillion, and we are starting this year at Rs 19 trillion other prospects, and it has been quite well spread across the major segments in the Infrastructure and Hydrocarbon including Power as well. But I also mentioned during the last part of my call that given the geopolitical situation, this is an assessment so what it looks like is we have a very robust order prospects pipeline, but we also need to be mindful of how customers would decide to finally get into the bids given the volatile nature of developments across the globe.

Our construct, basis the discussion that we have been having with some of our strategic clients and given the fact that L&T is running at such a large base, I think it would be appropriate we start off with the year, with a 10% order inflow guidance and depending on how the first six months pan out in terms of opportunities that come up our way and how much of order wins that we get, we can possibly look to revising the guidance at a later point in time.

So two things. One is, it's a positive sign that basis the opportunities that we have, the addressable prospects is quite robust both for India and the international market, but we are also mindful of the fact of developing implications in terms of all the situations that is coming out, especially the geopolitical across the globe. I think we have to address that as well. And given the last but not the least, the large order base that we are running at, I think we are starting off with what we feel is a realistic estimate at this point in time. Mr. Sarma also wants to add.

Subramanian Sarma: Yes, I think our order book to revenue ratio is also pretty healthy. I think normally in this Industry two years of order book is considered to be very good. We are running at around 2.7, 2.8, which is a very strong, starting point like you said. So in terms of revenue, what we have to achieve, I think, we have a very good base, so we have to be selective. I mean, like addressable market is quite high and we will also be a little bit selective in what we want to acquire because our long term and medium term plan is to improve the return on equity metrics, right? So, I think if you have a choice to be selective then this is the opportunity for us to do that. So I think that will also get factored in. That's all I wanted to add.

Mohit Kumar: Understood. My second question is on the domestic order inflow, it is pretty weak. I think both FY24 and FY25. And I think at the beginning of the FY25 you must have baked in a higher order inflow prospect for the domestic. So my question is why domestic is not picking up and are you seeing some signs of improvement as we enter the FY26.

R. Shankar Raman: Good evening. See, I think, largely the investments that get made around infrastructure becomes the basis for, domestic orders, unlike international where the order sizes are significant, domestic order sizes are still, much more modest. And secondly, the standards that domestic markets apply for pre-qualification of eligible bidders is not as stringent as international. So consequently, we do have a situation where people who need not necessarily have the requested competence, do get into the fray and just to make a point, they also get into the fray at price points which are not very sustainable, from a long-term point of view.

So, for example, if I were to take, the Water business for FY25, we walked away from many bids. In Thermal Power, until we got the repurposed BTG order, we walked away from many bids. So, I think we just want to retain the opportunity to pick spots, especially when we have such large international prospects. We should also not believe that we have capacity which is endless. The effort is always to keep augmenting that capacity, but it takes more time than what we normally achieve. I think if you want to broad base, achieve the financial objective, balance your capacity between opportunities in India, Middle East, etc. and also make sure that the level of competition in India, being far higher as compared to international, because of the pre-qualification standards, I think it does play out that the targeted prospect because this is not the entire, list of, potential prospects, this is what we think we could participate and out of this Rs 19 lakh crores, Rs 7 lakh crores is domestic prospect and it is based on our assessment of what could be interesting.

So it's actually par for the course. According to me, I think in comparison to the international it looks weak and small, but if you really look over a period of time it's been steady. It's not been rising sharply, it's been steady.

Mohit Kumar: Understood sir, one clarification? What was the 7 lakh order prospect, domestic prospect last year?

R. Shankar Raman: Last year was around same. It's only that the delta that you spoke about comes from international rather than domestic.

Mohit Kumar: Thank you. All the best.

Moderator: The next question is from the line of Sumit Kishore from Axis Capital.

Sumit Kishore: Good evening. My first question is that, as L&T enters the last year of the Lakshya plan, you are at about 16.3% ROE. You were targeting about 18%. Your, Cash and Cash Equivalents, including Current Investments have gone up by almost ₹160 billion year on year despite the buyback that you had done. So, what are the levers to improve ROE to 18%. There is another buyback likely? How are you thinking about reduction of Hyderabad metro losses and the core business improvement. That's my first question.

R. Shankar Raman: Buyback - it's not very tax friendly from investors' point of view, so I think, unfortunately, the changes in the Finance Act paid put to that plan. The original plan was also to do something around that. We have to continue to improve capital productivity. We've been working very hard to improve working capital efficiency and it's been showing results. And whether this is all no better we don't know. As we get into the year, we'll have to figure out how to do it. Secondly, the productivity of the fixed capital that we are deployed has to go up. The profitability, consequently, should go up for us to get the return going up. And this is a consolidated return we're talking about, which means it includes all the services business, etc. And you know that the service business has been punching below their level for the past year and we do expect the current year to be a little different. So, combination of better performance of the services business plus improved productivity capital, should enable us to get towards it. While 18% is an aspiration, when we said 18%, we were at 9% ROE. If you ask me, did you have a very definitive road map? No, but we have this intention and we try to bake it in every annual plan. So in the current annual plan we have baked that in and all going well, we should be somewhere around there.

Sumit Kishore: My second question is, in relation to the margin improvement, that we are targeting for the next financial year, roughly about 20 basis points. So if you look at this year's performance, there was a big delta coming from others driven by Realty. In Energy business, how would you say the stage of execution of hydrocarbon projects evolves through FY '26, would that be a lever of margin improvement for the coming financial year?

And how should we think about the volatility of Realty? I know, the timing of execution and the timing of booking of sales would also have a bearing there, the sales mix would have a bearing. Your comments please?

R. Shankar Raman: See, Hydrocarbon business has a very big order book as you would have noticed. You will notice from the details given to you almost Rs 140,000 crores, and, a significant portion of that has been one over the last 15-odd months. So their conversion into revenue which accretes margin will take its own while.

So my sense is that you will not see a significant spike in FY'26, but you will see the benefits of all of this rolling out of FY'27 financials. So, effort will always be to see how to improve the existing trajectory, but beyond the point, executing faster than what is scheduled to be is also a big challenge. So our sense is, yes, it is a lever available because it is a sizable portion of the order book. But will it happen within the calendar year, or will it spill over to the bit of next year? At the moment my assessment is you will see the benefit flowing out in FY '27.

Sumit Kishore: Fair enough. No, in fact, your segment PBIT to the capital employed for Projects and Manufacturing at 35% is the highest that we have seen in a very long time. My best wishes, sir. Thank you, and I'll join the queue.

Moderator: Thank you. Next question is from the line of Amit from PL Capital.

Amit: My first question is on the order book. On Rs 5,80,000 crores we are almost 46% International and out of that 37% is Middle East. The prospects for Rs 19 lakh crore, includes Rs 12 lakh crore international prospects, and I'm assuming that FY '26 will also see massive international orders, and maybe, the international orders will cross as a percentage of order book more than 50%. Just wanted to understand, is there any execution constraint and, what is our preparedness to execute this huge international order book that are on the order book now for the next 3 years, and is there any risk mitigation strategy? So, where I'm coming from is that there's a lot of oil volatility and there are talks that the in-hand projects might get delayed or maybe the tendering might get delayed. Your thoughts on all this?

Subramanian Sarma: Okay, I'll take this. This is Sarma here. So, I think there are two things, one is about the conversion of the prospects into award, and second thing is about what you said, execution challenges. I think we have a very healthy order book in the international like you said, and if you dissect it is predominantly in Renewables, Power Transmission Distribution and Hydrocarbon. These are the three main businesses and of course we have got some airport projects in the CIS countries. So, I think that's broadly the split and these three businesses which I spoke about i.e. Hydrocarbon Renewable and Power Transmission & Distribution, they have been very active and very strongly present in the in the Middle East and West Asia market for a long period of time. So, I think we are on the ground, we are kind of working with the customers who have been well known to us and we are understanding the key issues there which are required for execution. Nothing has changed. All these businesses have been performing quite well without major issues. So I don't see any execution challenges. It's a familiar territory, and I think that momentum will continue. On the contrary, I think we have kind of defocused from some of the African and other countries. So, I think it's all like nicely now, in the core markets of Middle East, Saudi, Kuwait, Qatar, and Abu Dhabi where we have a strong presence. I don't see any execution challenges unless something goes beyond our control in terms of geopolitics etc., that we have to deal with it as it comes, but there are no signs of it.

Now in terms of order book proposals, Renewable has a very strong momentum. We had a customer meet yesterday and they're talking about adding capacity much more than what we had on our slate. And there's a lot of positivity around that, in terms of Renewable, Batteries, including Power Transmission. As you add more-and-more renewables, the power transmission infrastructure has to change, as the Saudi is also moving from, liquid fuels to gas fuels, so they are also adding a lot of power plants i.e. Gas to Power plants and then they also need to add the required infrastructure. So I think these two businesses, there is absolutely no change in the sentiment. In terms of hydrocarbon, again, I'll split it between oil and gas. Gas is absolutely going very strong and that will continue to be strong. Oil maybe you will have to see. maybe if the oil prices come down drastically. I think at the current levels it’s an aberration. I think if the oil prices remain between USD 55-65 range, I don't expect any major slowdown because a good amount of capital also goes in maintaining potential, and gas will continue to go full blast.

Amit Anwani: So, lastly on Hyderabad Metro. We have been trying to refinance the debt there, and, last year we faced the challenges with respect to ridership moderating there and, apart from TOD helping, cover the losses, I think, operationally there's no major improvement in FY '25. Wanted to understand, how one should think ahead about Metro with respect to ridership, operationally how it can perform, and, the update on refinancing as well would help?

R. Shankar Raman: See, Shankar Raman here. Refinancing is not so much of a challenge, because the company has a track record through all these trouble times of servicing its debt well and in time. So we will get the benefit of refinancing it in FY '26. In terms of operating metrics, it is running at 50% EBITDA which means that the ridership number and the fare value will drive, the everyday improvement, and the current year i.e. FY26, you will find us revising the fare which is long overdue. It'll be shortly done.

Secondly, we're doing everything possible to make the last mile connectivity smooth so that the ridership improves. The key needle mover there is to get the debt repaid with interest free government loan. We got the assembly sanction for Rs 3,000 crores but that was in the earlier regime. Rs 900 crores have been drawn and Rs 2,100 crores is pending, and we're trying our best to get that in as soon as possible. And if you're able to get that in, the debt which is costing me almost 8.5% today will become zero cost. And that would help. And secondly, the monetization that we are doing, we're doing it in parcels, so it's not something that the 18.5 million square feet we have, we can give it in one go. We're trying to do it in some parcels, so that effort will spread over this year and next year and maybe a bit into the following year. By the time we are fully done with the monetization, we would have seen possibly not 1 but 2 fair increases, we would have seen the government loan drawn down to repay the debt and around 6 lakh ridership as compared to 4.7 lakh per day today with lower debt of about Rs 8,000 crore and Rs 2,000 crores of interest free money and fare from current Rs 34-Rs 38 band goes to Rs 45-50 band, I think the asset becomes viable. But hard yards are still left, and I think it will take a good couple of years to get that underway. But suffice to say that this receives attention on almost a daily basis.

Amit Anwani: Thank you so much for taking my question and all the best.

Moderator: Thank you. Next question is from Aditya from Investec.

Aditya: I just wanted to understand on the international business. Last year we had started with, I think, somewhere around Rs 4.5 trillion for prospect pipeline, and based on the orders that we've had, we maybe, converted almost like 35% of that. So just want to understand, were we underestimating the pipeline initially or have we started bidding for a lot larger ultramega kind of orders in which earlier we used to have a smaller chance, and therefore we weren't considering it in the pipeline. So what really is, happening around this? And even when we speak about the pipeline for this year or, the way we are anticipating orders for this year, is it that we are anticipating a much higher win rate in ultra-mega projects in the Middle East region?

R. Shankar Raman: Okay, see, as far as Middle East is concerned, why Middle East, as far as total prospect is concerned, our win rate has been between 20% and 25% on a normative basis. There are some sectors where the win rate is much higher. For example, in airports, our win rate is much higher. So it is safe to assume about 20% to 25% win rate, and we have factored that in our plan. We have not stepped up our win rate.

Secondly, in terms of prospects, as we started last year, the international prospects was almost about Rs 5,50,000 crores, and we have ended the year with about Rs 2,00,000 crores. So, in a sense, 40% has been the realized value of the target now as we look at. With every project successfully getting completed, our track record also improves, and the client confidence goes up. In Middle East you would have noticed that we don't deal with anybody and everybody. There are a select set of clients with whom we engage on a continuous basis. It is almost a framework kind of agreement which is subject to the competitiveness of the individual bids and an assessment of our capacity to execute done by the client. It's very interesting to note that you don't have to be L1 necessarily to get an award in the Middle East. At the same time, just because you're L1, you're not guaranteed of an award. So, there is a very dynamic assessment that takes place between the client and the contractor shortlisted and given the track record that we have built in the projects that we have worked, I'm happy to tell you the clients do trust us. Much more than what they were, possibly even a year and a half ago. All these are in our favor and without having to repeat a 40% win rate, we still do think out of the Rs 12 trillion, we should be able to clock in reasonable growth in the order inflow from international.

Subramanian Sarma: If I can just add, this Sarma, here again, I think just to add to what Shankar said, about the track record and our credentials and recognition I think we have really moved up quite a bit few notches in terms of how we are perceived by customers. In the offshore business, I think the largest ever project we won in Qatar is a testimony to that. I think these contracts are something which were predominantly awarded to Western European contractors and for us to sort of be in that position itself is in my view a big recognition and if to deliver this job, well I think then we really get to the top level, in terms of, customer acceptance. And the same is happening in Renewables. I think we are one of the largest players in the Renewables and most, preferred. And as long as the opportunities are emerging and we have the right appetite for that, I think we have sort of a more than reasonable chance of winning those.

Moderator: Next question is from Renu Baid from IIFL Capital.

Renu Baid: The one thing that I was wanting to understand more closely was, while RSR did mention that margins have much stronger levers for expansion in FY‘27 as international / hydrocarbon projects become more margin accretive, but from a longer term perspective, as we see the share of these international hydrocarbon / infra projects, stepping up in the share in order backlog in the revenue. Do we see a structural reset of the margin, to 8% to 9% levels from the previous 10- or double-digit levels which were there and, how do we weigh or manage the commodity and currency volatility? While currency can be managed, but especially on the commodity price, how have we factored on the risk mitigation measures on these ultra mega projects?

Subramanian Sarma: Let me take this question. I think, as RSR explained, the margin accrual will depend on the facing of the project, and some of the large projects have been recently awarded, so that will manifest itself over a period of time, but there's been sort of a lot of focus internally across all the businesses to see how we can use the latest technology to reduce our cost, and I think that’s the journey that we have been going through and we hope to see some benefits of it coming in the periods of time next few quarters.

And more importantly, I think, currently what we are seeing with the geopolitics and in the countries we are operating, China sourcing can be a an attractive possibility. We'll have to see how it goes, but we have dispatched group of team to China to study the market more because there may be a window of opportunity when the tariff war is going on between US and China that we might find some good deals which could help us in some cost saving. So that is also, something we are looking at.

So, I mean in nutshell, I think I can't put a number to this, but there's a very clear, direction and clear emphasis that we need to keep working on improving the bottom line and, that we are looking at various possibilities. Like I said, improving our productivity using technology and also improving our sourcing wherever we can because I think thankfully the Middle Eastern customers are now very open to sourcing from China. So if there is a window of opportunity we'll try to capitalize from that. I think we'll continue to make efforts and hopefully it should manifest.

Renu Baid: But structurally you think 10% margin could be a difficult range for the next two to three years?

R. Shankar Raman: Yes, I think, we also have to keep in mind that as we are growing in the Middle East, the Middle East is also taking note of increasing overseas contractors participating, and there is an aspiration for the local population there also to participate in all this progress. So there is a bit of an investment that we are doing in ramping up the capacity a little ahead of time. Today, there are localisation percentages that are prescribed for services, etc. and, these are not the cutting edge in terms of offer because they're all of recent origin in terms of their own competency, etc. And Middle East they've been largely built by external agencies than local agencies. Local agencies have enjoyed the benefit of that. Now that they're trying to localize this, you also have to ensure that it's only out of the projects that I earn, that I start investing in those capacity enhancements. So the way I would like to look at it is, I still like to operate within that 8% to 10% band. But what is actually a sustainable margin, I think as time moves, we will know because today the kind of order backlog that we have in Middle East, I think we soon will be a very major player and hopefully the scale will provide us some competitive advantage.

Renu Baid: Sure, that's helpful, sir. And in this last if I can, any updates on the asset monetisation which was a part of the current 5-year plan which is coming to an end? Anything on Nabha or we should keep it on the back burner for now?

R Shankar Raman: It doesn't hurt as much. Nabha is okay. It's generating about Rs 4,000 crores of revenue and Rs 400 crores of PAT, so Nabha is okay. I do not know whether the curtains are down on coal-based power plant. My belief is that now India needs energy for growth and all of that cannot be given by renewable sources. Coal does, come into play. And if that were to happen, then this is a top class plant built very well. We call this Rolls-Royce plant. So this plant, could be of interest to bidders, who knows,

Renu Baid: Yes because from a market perspective it would be good when the market is good to, shed up the asset at a better valuation.

R Shankar Raman: That is right. So at the moment now we're trying to see where we can invest to grow our returns. I think much of the divestment that we wanted to do is done. Hyderabad Metro, I might want to sell it to you, but you may not want to buy it, so we have to wait for some time.

Renu Baid: Sure, thanks very much and congratulations for the impressive improvement in ROE and free cash flow that we have been doing.

Subramanian Sarma: Thank you.

Moderator: Next question is from the line of Atul Tiwari from JPMorgan. Please go ahead.

Atul Tiwari: Thanks a lot, and congratulations again on a very strong performance. So my question is on oil prices. In this prospect of Rs 12 trillion how much will be the oil dependent and at what oil price would you be worried that part could get deferred?

Subramanian Sarma: Yes, hi, this is Sarma again. So, if you look at this, I think, other than Hydrocarbon, almost 37% is in the Infrastructure, and they are not that dependent on oil. Particularly as I said earlier, there's a heavy momentum on the Power Transmission and Renewable and also some of the Infrastructure projects which we are pursuing here will go through because that's part of the growth story of the respective countries. I don't see that is sensitive to oil prices at all. The one which could be sensitive to oil prices is Hydrocarbon business which is about 60% of the order prospects. In that again. I said we have offshore wind, we have offshore gas they are not sensitive. I think some of the prospects we are pursuing like LNG gasification, the Qatar and the rest of the governments are already committed to expanding their LNG capacity and are going ahead and spending money, huge amount of money in LNG plants, and they need to set up this offshore gas development to feed that in LNG plants. So, I think it is same with some of the oil projects also Kuwait. We have a lot of prospects from Kuwait and Kuwait has had a very dry period for the last 3 years. They were one of the countries who were not spending. So, they have come back now, and they are committed to spend. So even if the oil prices are on the lower range, they will still go ahead. So, all in all I think I am not expecting a sort of reduction in the quantum. Maybe there is a little bit of shift to the right. Maybe instead of one quarter it will go to the second quarter or third quarter. There may be a quarter by quarter shift, and some delay if at all the oil prices come down. In my view, I think, USD 55 per barrel would be the threshold for Brent and that means 50 and below for the West Texas would be a threshold which might slightly delay the decision. But I expect most of these prospects will go through. That's our assessment.

Atul Tiwari: Great, sir. And just the last one again on this oil thing because you have very large business in Middle East. So you are not seeing any signs of customers delaying payment, talking about not paying on time at current oil prices? And again you know what is the risk mitigation here and at what oil prices you would be worried where customers will start delaying payments or maybe start talking to you about going slow on execution because they don't have money?

Subramanian Sarma: I think I answered about the oil prices already. The threshold remains, whether it is for payment or for capital decision, it would be in that range, but maybe even lower for the ongoing jobs. Like RSR said earlier, we have been working with the top-class customers. Our counterparty risk, be it in Infrastructure or be it in the Hydrocarbon is very low, because we follow a very strong risk assessment process internally before we bid for the job. And thankfully, I think, so far we had an excellent record in the international market. Most of our customers, even in very difficult time, to tell you honestly, even during COVID time people pay out promptly. And I think only customers who are compensating for the COVID were the international customers. That's the kind of customers we're dealing with.

So, I would not be too much concerned about any payment issue. Some shift here and there might happen, but we don't see that as a risk. The mitigation, what you spoke about is already built in, in terms of our contract terms and the payment mechanisms including compensation if there is a delay, but, I don't see that as a big issue.

Atul Tiwari: Okay, it's good to hear.

P Ramakrishnan: Just to add to what Mr. Sarma spoke now on the existing order backlog that we have in international, these are all projects for which funding lines are in place, so we don't expect any sort of challenges in terms of not getting paid against execution of our order.

Atul Tiwari: Okay, great. Good to know, sir, and congratulations again on very strong performance.

Moderator: Thank you. Next question is from Parikshit Kandpal from HDFC Securities.

Parikshit Kandpal: Yes, hi team, congratulations on a good quarter. So my first question is on the share of the fixed price contract in the order book and are we benefiting anything from the commodities. So versus last quarter, do think the carrying value of the cost and the fixed price contracts has it gone up or gone down? So that's my first question.

And second is on, whether there is any downside risk? So, what could be downside risk to the current margin target of 8.5%? So last year we have faced some slight disappointment on the guidance. So, is there any downside risk to the current guidance?

P. Ramakrishnan: So, it is like this; The share of fixed price contracts in the order book is around 46% as of March '25. As compared to 42% as of March '24. The increase is primarily due to the fact that FY '25 has seen a lot of international orders. A major part of these orders are of course fixed price contracts.

Parikshit Kandpal: Okay. And given the commodity prices where they are, are we now in a better position in these price fixed price contract in terms of the carrying value of the cost or whether it has deteriorated versus the last quarter?

P. Ramakrishnan: I think Mr. Sarma just referred that while we are trying to optimize the cost and thereby leading to improvement in margin, he also talked about we are also trying to diversify our supply chain apart from developed countries getting into China and all. It's a question of time how the savings in the execution costs along with becoming more innovative in project execution technologies will aid the margins to ramp up. It will happen over a period of time. At this juncture, what we have given as a target guidance for P&M portfolio margin for FY '26 at 8.5%.

Subramanian Sarma: Yes, I mean, just to add, I think the good news is that the commodity prices have been pretty stable, right? I mean, I think when you have too much of volatility that becomes a cause of concern because we don't know which way it will go on a fixed price contract. But fortunately what we are seeing is that unlike after the Ukraine war, I mean, last 1-1.5 years, the commodity prices have been reasonably range bound. And if you can sort of capitalize from what is happening in the tariff war, then we will do that.

Parikshit Kandpal: But any risk to this year's guidance of 8.5% and what could drive this down and what could be downside to this margin guidance?

R. Shankar Raman: Any time we give guidance or margin there's always a risk of not meeting as much as there is a possibility of meeting. The endeavor of the organization is to move towards the target that has been set. If projects come to a halt, funding stops, there is no resources available with us to deploy, if we're not able to find banks to give us bank guarantees, all these things if they happen, then obviously there's a risk to the guidance. But reasonable to say that it's not a guidance which is actually turning the past performance on its head. It's a guidance which shows progressive movement. So there's a reasonable chance. Of course we could slip, but we have subsequent quarters to keep talking to you, and if we fear that there is likely to be a slippage, we'll be the first ones to come and tell you.

Parikshit Kandpal: Okay, sure thing. Thank you and wish you all the best.

Moderator: Thank you. Next question is from the line of Mr. Vijayakumar from Avendus Spark. Please go ahead.

Vijayakumar: Yes, good evening. My first question is on order inflow growth. Since we alluded to the fact that the domestic prospects is flat from last year to this year, does that mean the 10% order inflow growth for FY'26 is all coming in your assessment only from the international segment?

R. Shankar Raman: Okay, prospect line is flat. What we are going to win out of that is a function of how interesting the opportunities are and how competitive we are. So, at the moment, given a relatively low base there is a growth prospect, relatively looking at the pipeline which is stronger for international. Like this year, the growth in domestic was 7% over the previous year and international is 27%. Like that there could be a bias, but I wouldn't rule out growth in domestic. It may not be flat. It might still be growth prone, but to what degree we have to wait and watch.

P. Ramakrishnan: Just to add here, last year we started the year with order prospects pipeline for FY '25 at Rs 12 trillion. The share of domestic was Rs 6.77 trillion. Today, out of Rs 19 trillion prospects for FY'26, the domestic share is at Rs 7.29 trillion. So per se on a year on year basis, the value of the domestic prospects also has gone up. It's not that it has come down.

Vijayakumar: Okay, understood. The second question is on the different side, in your outlook, slide 30 you have given opportunity in Defence manufacturing as one positive aspect, on the outlook side. So can you give more color on that? What are you expecting there, from that, point of view? Thanks.

P. Ramakrishnan: Sorry, can you repeat that sentence, please?

Vijayakumar: So opportunities in Defence manufacturing has been mentioned as a positive lever for the outlook for the coming year and so your expectation on how the different segment is going to perform in the order inflow or et cetera.

P. Ramakrishnan: Okay, so let me take that. See, Vijayakumar, it is like this that, given the fact that the government's defence outlay for capex is also increasing and more important, out of the increase in capex outlay, they are putting more and more on indigenization protocols, it is expected that the companies like us which are partnering in a very active manner. From L&T's perspective, it is both on land-based and sea-based infrastructure and we believe that the share of defence orders for us also will go up, but whether these kind of orders will move the need at overall entity level, that time will tell. But we do expect that going forward, the segment will grow more than its potential, the way it has been shown in the last 5 years or so. I think it will become more and more growth oriented with actual orders coming in, and but the only thing is the share of that will still continue to be a little limited given the fact that the other segments of the P&M portfolio growing more faster and larger in scale.

Vijayakumar: So thank you and team that answers my question. All the best.

Moderator: Thank you. Next question is from the line of Nidhi Shah from ICICI Securities. Please go ahead.

Nidhi Shah: Yes, thank you so much for taking my question. So, what I really wanted to ask was on the order prospects that that we are seeing in the international market outside of the Middle East, what is the order prospect looking like in the other countries. So again, Middle East has been a big portion of our commentary, but outside of Middle East, what is the situation like?

P. Ramakrishnan: So I will take that. So the total international prospects that we are having at Rs 11.7 trillion know that I told, against that you can take 80% of the prospects will be coming from the Middle East and 20% will be a combination of all other countries.

Nidhi Shah: Okay. That's it. Thank you.

P. Ramakrishnan: Another thing I wish to add, as far as 80% when I talked about Middle East, no, it is more or less spread largely on Hydrocarbons, then thereafter renewables, and then you have other Infrastructure sectors like Transportation and also Minerals and Metals. And there is a more or less balance spread in terms of order prospects with respect to Hydrocarbons international between the major capex spending states of Saudi, Qatar, UAE and followed by Kuwait, which will happen in FY '26 as well.

Nidhi Shah: All right, thank you so much.

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

Priyankar Biswas: Thanks, sir, for the opportunity. So my first question is regarding the water projects. So, I understand from your commentary that there may be some execution and cash flow issues. So can you just let us know what percentage of the domestic order book are these, water projects? And, can you give us some outlook like when can we expect this, issues, whatever that is to be resolved.

R. Shankar Raman: Shankar Raman here. Water projects in our current Rs 580,000 crore is possibly around Rs 60,000 cores, or Rs 50000-60,000 crores. I don't have the exact number, but between Rs 50,000 and Rs 60,000 crores. Most of the water projects are apart from a few desalination plants that we are doing for customers in the Middle East, are State projects. And UP, Rajasthan, Bihar, Madhya Pradesh, these are the places where we are having. This program that the government launched on Har Ghar Jal, through the Jal Jeevan Mission has been taking water connectivity to several parts, like they did with the roads, like they're doing with the power connection. Water connection is the third important part, and this fits into the larger scheme of things of the government of India. So according to me, the projects get into difficulty for two reasons. One is Right of Way. The format of the contract so far involve, the contractor to negotiate for access. And when a private contractor negotiates for access, he doesn't have the same clout as government does, as you can understand. And to that extent, even if I have 90% of the Right of Way secured, the last 10% always play front because they would like to extract the maximum price possible for that last stretch. And they know that with this, the right of way will be resolved. So this is one issue we've been representing to the government that the state should take a larger ownership in providing the right of way, like they did with roads.

I don't know whether you recall, roads when we started the right of way issue was with the contractors. And over time I think the Ministry of Surface Transport and MoRTH understood that right of way is to be provided. Today 90% of the right of way is provided when the projects are announced. So there's a sea change in the approach. We do expect because one arm of the government has experienced this and done this. The other arm we're representing hopefully will pick up a thread and if that happens I think substantial portion of the reasons of delay is getting addressed.

The second portion is the State Budgets. Now every now and then, the states do go into election mode and priority changes. Even though, you can't expect a voter to come and vote with parched throats, but the fact is, I think the ability of the state government to rustle up required resources to complete the project on and off goes through some ups and downs. And that's why today the Central Government has started participating by contributing to the project program by giving up to 50% share. So I think, if the trust deficit that exists between State and Centre in some of these funding reduces and it becomes more predictable, I think water projects have long potential. India is still not well served, and there's so much work to be done. If we can sort out the right of way and sort out the stability of funding, I think water is a good business. In the past we have made lots of money in water. And water was actually quite a growth business until the same we put halt and we said that unless the project becomes self-funding we're not going to sink in our capital.

Priyankar Biswas: So sir, would it be fair to say that, in case, let's say if I may use the words sort of stalling of the water projects were not there in India, could our NWC levels, which is right now at 11%, could have been much lower, I mean, and what levels it could have been maybe some idea so to understand the extent of the issue.

R. Shankar Raman: Maybe about 8%, 9% could have been in the NWC.

Priyankar Biswas: Oh, that's quite a lot. Okay, so that was largely from my side.

Moderator: Thank you. Next question if from the line of Amit Mahawar from UBS. Please go ahead.

Amit Mahawar: Yes, hi, sir. I just have one small question. When we target our Middle East pipeline, it's very heartening to see we are more leaning towards Energy and not towards Infra where you have Chinese competition also. But Mr. Sarma, maybe if you can help us, our Korean competitions are more going towards tie up based, on blue ammonia they are the more capable. How is L&T thinking of Energy projects, particularly on these new energy and new segments? And are we looking at significant investments and tie ups as we take contracts in Middle East? That's my question, sir.

Subramanian Sarma: Okay. So, I think as I said before, over the last several years through our performance we have changed the perception of the customers and today we have been able to secure a larger contracts, ultra mega projects contracts also on our own merit. But you know the size and complexity of the project is increasing.

The customers are up in the game in terms of the size of the contract. I mean there have been some USD 8 billion contracts also awarded. So what we are looking at is also that having established ourselves, most of the Europeans as well as Koreans are willing to engage with us on large contracts and anything exceeding $5 billion. And, we are having a dialogue with them. So, if the size of the project increases beyond a particular limit then we'll definitely explore opportunities for collaboration in consortium or joint venture with either Koreans or Europeans and that is something which is very possible now because there is a good dialogue going on. And that will sort of eliminate competition and perhaps we'll also have maybe more competitive solution. So that's how we see the things unfolding.

Amit Mahawar: Sure, sir, thank you. And small one for RSR maybe if you can help us, sir. FY '26, '27 when we take larger orders, and as we execute more than 15%, 18% growth in Middle

East, will be it entail a higher manpower deployment, sir, in high double digits for us. That's my last question, sir. Thank you.

R. Shankar Raman: In the Middle East, yes, in fact, the deployment takes many shapes. One is physically getting more people out there to work. Second is to slowly engage the local contractors who are, suppliers of workforce, to supply for us. And third is subcontracting. Because, not everything in that project needs to be done by us directly, we can also subcontract and manage the subcontractors. So consequently I think the deployment obviously will be high. But we don't have to think in linear terms that we might have to put more Indian feet on the shores there.

Amit Mahawar: Got it, sir. Thank you, sir, and good luck.

R. Shankar Raman: All the best.

Moderator: Thank you very much. Ladies and gentlemen, we'll take that as the last question. I now hand the conference over to P. Ramakrishnan for closing comments.

P. Ramakrishnan: Thank you everyone for attending this call. It was a pleasure to interact with all of you. Good luck and wishing you all the very best, Jai Hind.

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