"Larsen & Toubro Limited
Q3 FY '26 Earnings Conference Call"
January 28, 2026

MANAGEMENT: Mr. Subramanian Sarma – Deputy Managing Director and President, Larsen & Toubro Limited

Mr. P. Ramakrishnan – Head, Investor Relations, Larsen & Toubro Limited

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '26 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.

P. Ramakrishnan: Thank you, Dorvin. Good evening, ladies and gentlemen. A warm welcome to all of you to the Q3 / 9M FY '26 Earnings Call of Larsen & Toubro. The earnings presentation was uploaded on to the stock exchange and on our website at 6:45 p.m. I hope you have 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 FY '26 in the next 20 to 25 minutes or so, post 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. Subramanian Sarma.

Before I begin the overview, the disclaimer from our end. The presentation, which we have uploaded on the stock exchange and our website today, including the discussions we may have on the call today, may contain certain forward-looking statements concerning L&T's business prospects and profitability, which are subject to several risks and uncertainties, and the actual results could materially differ from those in such forward-looking statements.

I would request you to go through the detailed disclaimer, which is available in Slide 2 of our earnings presentation that we have uploaded a while ago. I will start with a brief overview on 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 printed at 8.2%, a 6-quarter high and underpinned by robust performance in the Projects and Manufacturing and the Services sectors. The full year real GDP growth for FY '26 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 FY '26. 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 that 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 modest at roughly the 3% range. The United States is anticipated to continue outperforming other major 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 on to the GCC region. The growth is expected to remain relative buoyant in 2026 with real GDP expansion projected in the 4% to 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.

1) 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.

2) The Precision Engineering & 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.

3) The Heavy Engineering business of the company has signed a Memorandum of Understanding with the U.S.-based nuclear energy solutions provider, Holtec International Asia 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 plant systems.

4) 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.

5) 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.

6) The company's MSCI ESG ratings was upgraded from BBB to A in November 2025.

I will now cover the various financial performance parameters for Q3 FY '26. We witnessed our highest ever quarterly order inflows in Q3 FY '26 of Rs 1,356 billion, 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 that I just now stated of Rs 1,356 billion, the Projects & Manufacturing order inflow constituted Rs 1,164 billion, up by 18% on a Y-on-Y basis. Of this, Rs 1,164 billion of order inflows of the Projects & Manufacturing segment, the domestic orders were at Rs 620 billion, up 30% and international orders constituted balance Rs 544 billion, up 7%.

The group revenues grew 10% Y-on-Y, led by steady progress across most of the businesses. The Project execution levels remain broadly in line with expectations, barring a few sector-specific challenges. The Projects & Manufacturing portfolio margin improved by 50 basis points y-on-y to 8.1%. As of December 2025, the Net Working Capital to Revenue ratio improved to 8.2%, reflecting an improvement of 450 basis points on a Y-on-Y basis.

Our Recurring PAT at Rs 44 billion reported a strong growth of 31% Y-on-Y. The reported PAT for Q3 FY '26 was at Rs 32 billion, down by 4% Y-o-Y, owing to a onetime impact of Rs 11.9 billion arising from the new Labour Codes regulation. Our Return on Equity as on 31st December 2025 is at 16.5% and is up 40 basis points Y-o-Y. The Return on Equity includes an impact of almost 110 basis points arising from this one-time provision on account of Labour Codes.

Now I move on to the individual performance parameters. During the quarter, our group order inflows stood at Rs 1.36 trillion, registering a Y-on-Y growth of 17%, driven by the sustained traction across our key businesses. Within this, the Projects & Manufacturing portfolio crossed the Rs 1 trillion order inflow marked for the first time, with order inflows of Rs 1.16 trillion, up 18% Y-o-Y, underscoring a broad-based demand environment across both domestic and international markets. The growth in the P&M portfolio was driven primarily by strong domestic inflows, which grew 30%, as I said earlier, and international inflows up 7% Y-o-Y. The increase in domestic order inflows was led by Hydrocarbon, CarbonLite Solutions and the Buildings & Factories businesses. The growth in international orders was supported by the Renewables and Power Transmission & Distribution subsegment. During the current quarter, international orders accounted for 47% of the Projects & Manufacturing portfolio compared to 52% in the corresponding quarter of the previous year.

Now moving on to the prospects pipeline. Our prospects pipeline is at Rs 5.92 trillion for the near term vis-a-vis Rs 5.51 trillion at the same time last year, representing an increase of 7% on a Y-on-Y basis. The increase in the prospects pipeline is mainly led by CarbonLite Solutions and the Precision Engineering & Systems businesses. The broad breakup of the overall prospects pipeline for the near term is as follows:

- Infrastructure, Rs 4.02 trillion, which is almost in line with the previous year number of Rs 4 trillion.
- Hydrocarbon segment, Rs 1.26 trillion vis-a-vis INR1.44 trillion last year.
- CarbonLite Solutions, Rs 0.40 trillion vis-a-vis less than Rs 0.01 trillion last year.
- The Hi-Tech Manufacturing segment and Others is at Rs 0.42 trillion as compared to Rs 0.07 trillion last year.

Moving on to the Order Book. The order book is at Rs 7.33 trillion as on December '25 and up 30% as compared to December '24. 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 domestic market and 49% relates to international jobs.

The breakdown of the domestic order book of Rs 3.76 trillion as of December ' 25 comprises

- Central Government jobs share being 12%,
- State Government and Local Authority share at 22%,
- PSU or State-Owned Corporations at 30% and
- 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 commercial real estate and emerging opportunities for building capacities in ferrous and non-ferrous space.

Out of the international order book of Rs 3.57 trillion, around 75% is from the Middle East. With respect to additional details on our order book, around 10% of the total order book is funded by bilateral and multilateral agencies. In addition, as of December 2025, slow-moving orders constitute roughly 3% of the overall order book, while Rs 10 billion worth of orders were deleted during the quarter. Further details are available in the accompanying presentation slides.

Coming to revenues. Our group revenues for Q3 FY '26 stood at Rs 714 billion, registering a Y-on-Y 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&TS businesses drove the overall revenue growth. The revenues from the Projects & Manufacturing business for Q3 FY '26 is Rs 523 billion, up 11% over the corresponding quarter of the previous year. Moving on to EBITDA margin. Our group level EBITDA margin, excluding other income for Q3 FY'26 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 & Manufacturing business portfolio for Q3 FY '26 is at 8.1% and shown an improvement almost by 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 FY'26 at Rs 44 billion was up by 31% on a Y-on-Y basis. The increase in recurring PAT is reflective of improved activity levels, operational efficiencies and efficient treasury management. Reported PAT for Q3 FY'26 is at Rs 32 billion, down by 4% over Q3 of last year due to this onetime material increase in provision for employee benefits on account of the new Labour Codes legislation. The group performance P&L construct, along with the reasons for major variances under the respective function debt is provided in the presentation.

Coming on to working capital. Our NWC to Sales ratio has improved from 12.7% in December '24 to 8.2% in December '25, 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 FY '26 is Rs 642 billion vis-a-vis Rs 591 billion in Q3 of the previous year. With continued focus on customer collections, our Cash Flow from Operations, excluding Financial Services in Q3 FY '26 was at Rs 79 billion as compared to Rs 21 billion in Q3 of the previous year. Our group cash flows, excluding Financial Services, has been given in the annexures alongside the reported cash flows for the entire group to enhance the clarity on the cash flow movements.

Finally, trailing 12-month Return on Equity for Q3 FY '26 is 16.5% as compared to 16.1% in Q3 of the previous year, an improvement of 40 basis points. The trailing 12-month ROE, excluding the impact of this onetime Labour Codes provision stood at 17.6%, broadly in line with the target of 18% that we have set ourselves to during this last year, that is FY '26 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 FY '26.

We start with the Infrastructure segment. The Infrastructure order inflow grew 26% in Q3 FY '26 on a Y-on-Y 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 Rs 4.24 trillion as of December '25. The book bill for Infra is around 26 months. Like I mentioned earlier, our order prospects pipeline for Infra for the near term is Rs 4.02 trillion, similar levels as compared -similar levels as the same of December '24. This Infra prospects pipeline of Rs 4.02 trillion comprises of domestic prospects of Rs 2.61 trillion and international prospects of Rs 1.41 trillion. The subsegment breakup of the total order prospects in Infra is -- comprises of Transportation Infra share at 19%, Heavy Civil Infrastructure share of 19%, Water & Effluent Treatment share of 18%, Buildings & Factories at 15%; Power Transmission & Distribution, 11%; Renewables, 9%; and Minerals & Metals, 9%.

The revenue for the quarter for the Infrastructure segment registered a modest growth of 5% on a Y-o-Y basis. The domestic market saw subdued progress due to slowdown mainly in the Water

& Effluent Treatment projects business. However, the execution momentum remains strong in the international portfolio. Our EBITDA margin in this segment was at 6.1% in Q3 FY '26 as compared to 5.5% in Q3 FY '25, with the uptick largely driven by stages of completion across projects.

Moving on to the next segment that is Energy Projects, which primarily comprises of Hydrocarbon and the CarbonLite Solutions business. The order inflows in this segment were robust at Rs 460 billion in Q3 FY '26 compared to Rs 388 billion in Q3 of the previous year, supported by ultra-mega orders across both Hydrocarbon and CarbonLite Solutions. During the quarter, the Hydrocarbons Offshore Wind business secured an ultra-mega order to supply offshore HVDC converter stations to a leading European renewable energy operator. In the CarbonLite Solutions business, we have received letter of award / intent for an ultra-mega order from a major Indian private sector utility operator. The order book of this Energy segment is at Rs 2.48 trillion as of December '25, with the Hydrocarbon order book at Rs 1.83 trillion and the CarbonLite Solutions order book at Rs 0.65 trillion. We have an order prospects pipeline of Rs 1.66 trillion for this Energy segment for the near term, comprising of Hydrocarbon prospects of Rs 1.26 trillion and CarbonLite Solutions prospects of Rs 0.40 trillion. The CarbonLite Solutions order prospects are largely domestic, whereas the Hydrocarbon prospects are largely from outside of India. The Q3 FY '26 for the Energy segment stood at Rs 127 billion, reflecting a steady 15% growth and underscoring execution progress on a larger order book. The Energy segment margin in Q3 FY'26 is at 5.9% as compared to 8.3% in Q3 of last year. The margin decline in the Hydrocarbons 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 terminate execution phase and are expected to conclude over the next few quarters, during which margins will remain soft. This is already factored into our PM margin guidance for FY '26. The CarbonLite Solutions margin is reflective of a significant share of revenues from jobs, which are yet to cross the margin recognition threshold.

Moving on to the Hi-Tech Manufacturing segment, comprising of the Precision Engineering & Systems and Heavy Engineering businesses. The order inflows in Heavy Engineering moderated due to project deferrals. In the PES 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 Rs 379 billion as of December '25, with the PES order book at Rs 315 billion and Heavy Engineering order book at Rs 63 billion. Our order prospects pipeline for the near term in this segment is Rs 237 billion, comprising of Rs 190 billion of Precision Engineering prospects and the remaining Rs 46 billion from Heavy Engineering business. The segment revenue at approx Rs 33 billion registered a strong growth of 34% Y-on-Y, 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 the Technology Services segment, which comprises largely of the two listed entities LTIMindtree and LTTS and as well as our newly incubated businesses of digital platforms, data centers and semiconductor design. The Revenues for this segment is Rs 135 billion in Q3 FY '26, registering a growth of 12% on a Y-on-Y basis. Operational efficiencies and the forex tailwinds drives the segment margin improvement. I will not dwell too much on this segment as both the companies in the segment are listed subsidiaries and the detailed fact sheets are already available in the public domain.

We move on to L&T Finance Limited, which is forming part of the Financial Services segment. Here again, the detailed results are already available in the public domain, but very briefly - The Q3 witnessed the highest ever quarterly retail disbursement and improved collection efficiency and as well as asset quality. The Financial Services business has achieved 98% retailization of its loan book in December 2025. The Return on Assets remained healthy at 2.31% for Q3 FY '26 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 of the 1,400-megawatt coal-based power plant at Nabha in Punjab. Within L&T Hyderabad Metro, the higher average fares following the May '25 fare hike contributed to the revenue growth and margin improvement with the average fare per passenger rising from Rs 38 in Q3 FY '25 to Rs 47 in Q3 FY '26. 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 Rs 1.85 billion in Q3 FY '26 as compared to a net loss of Rs 2.03 billion in Q3 of the previous year. As mentioned in the previous earnings call, 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 Rs 2,000 crores towards L&T's equity investment and assume the Metro's entire debt of around Rs 13,000 crores. 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 Realty, Industrial Valves, Construction Equipment and Mining Machinery and Rubber Processing Machinery. The segment witnessed robust order inflows during the quarter with L&T Realty recording its highest ever presales in a quarter of approx Rs 50 billion. During this quarter, L&T Realty had a successful launch of its L&T Green Reserve Noida project, which recorded a presales of more than Rs 40 billion in its first week of launch. The segment revenue at Rs 25.9 billion recorded a 55% Y-on-Y 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 FY '26:

On order inflows - Our nine months order inflow has seen a strong growth of 30% Y-on-Y based on a strong capex momentum. Basis the 9-month performance and the healthy prospects pipeline for the near term, we will be exceeding the 10% order inflow guidance for FY '26.

On Revenue - The Group Revenue grew by 12% in 9-month FY '26 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 & Manufacturing EBITDA at 7.9% for 9 months of the current year is in line with the target that we have set ourselves at 8.5% for the full year FY '26.

Lastly, on Working Capital - We had earlier guided the Net Working Capital to Revenue of 12% by March '26. However, with stronger collection intensity and improved contractual terms, our Net Working Capital to Revenue has improved sharply to 8.2% as of December '25, and we expect to close the year with a revised target of around 10%.

With this, I complete. Now we can take Q&A. I also -- as I indicated to you earlier, our Deputy Managing Director and President, Mr. Subramanian Sarma, will be also there in the call. It would be good that if you can put all the strategic questions before this call and take advantage of his presence. Any bookkeeping questions, you can maybe take it towards the later part or you can connect independently with me or the IR team. Thank you.

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

Mohit Kumar: Congratulations on another stellar quarter. My first question is on the Kuwait. At the beginning of the fiscal, we were very, very positive on the Kuwait prospect side. We understand that the few orders have got canceled. The question is, are you still positive for the next fiscal for Kuwait or coming quarters? The second related question is that even if this project comes back, do you think this will come at a much lower scope and size?

Subramanian Sarma: Okay. This is Sarma here. First of all, I think as we clarified in our earlier communication, the Kuwait orders were not part of our order book. So I thought let me clarify that first. So, nothing changes in terms of what is there for our Quarter 4 order inflow prospects, pipeline, etc. Having said that, yes, it is a bit of a disappointment that some of those projects where we had participated in the competitive bidding and were L1 have been sort of canceled for a simple reason that the budget they had for each of these projects, we always knew that, when we are bidding that we are far above the budget. Something has gone wrong in their system, and they were trying to get the additional funds, but I think that was becoming difficult for them. So they have canceled it. But these projects cannot be canceled because these are strategically important projects. These are very important for maintaining their production as well as for meeting their targets. So they will come back. They have already started working on it. There will be some minor tweaks, but this will come back. And I think we are very positive that all of these tenders will be out by this calendar year, and they'll get awarded this year.

And 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 that we have lost some time.

Mohit Kumar: Understood. My second question is on the Revenue Growth guidance. I think at the beginning of the year, we had given 15% revenue growth guidance. And given that the 9-month our revenue growth is slightly around 12%. Are you still holding on the 15% revenue growth guidance?

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

Moderator: Our next question comes from the line of Sumit Kishore from Axis Capital.

Sumit Kishore: Exceptionally strong performance on Order Inflows and the Working Capital improvement is also quite remarkable. My first question is: With oil hovering around $60, $65, what is your outlook on Middle East, if oil prices remain at these levels? If it persists at this level, do you foresee any prospects getting pushed out?

And also the second part of the question is, if you can comment on the execution that we have seen in the quarter, specifically in Hydrocarbons with such a large order backlog, maybe 11% for the quarter appeared a bit low. I know you shouldn't look at quarterly numbers, but still it appeared a bit low.

And, how long can the margin pressure in Hydrocarbon specifically, persist? While you have called out that it will be weak in second half of the fiscal, but how long can this persist based on your evaluation of the Hydrocarbon order backlog?

Subramanian Sarma: Sarma here again. I think -- yes, I was talking about oil prices globally, whatever is happening, I think it's good that oil prices have held their price range around $60, $65, which is a positive development in my view. And from every conversation I'm having with the Senior Executives of all these National Oil Companies, I think everyone believes that the oil will be priced range bound in that $60 to $65 and as such, the capital allocation for the projects, which are of interest to us will remain unaffected. Because if at all there is a drop in oil prices, it will have an impact on some non-essential projects. But our projects which are important for maintaining production and enhancing the production, they are pretty much be well on track. So, I don't see any impact of the oil prices. I mean, as such, it is stable. And even if there is a slight drop, I don't expect any significant impact on the pipeline of opportunities. That is one part.

Second thing is that margins, yes, I think, like we have said, it's a portfolio of projects. Sometimes for some projects it's a pacing issues while some projects sometimes have some challenges. I expect Hydrocarbon business to come back on full strength maybe 2 or 3 quarters from now.

P. Ramakrishnan: So Sumit, just to add, I did emphasize that the margin guidance of 8.5% remains the effort for taking into account that we have had a good 9 months despite the fact of Hydrocarbon margins having moved southwards this year. As I stated earlier, as Mr. Sarma also reiterated that we expect some of these, I would say, stressed projects to get closed in the near term and margin should move northward hopefully after some quarters.

Sumit Kishore: Yes, that was very clear. My second question is in relation to the subdued performance in the domestic Infra segment in terms of growth, mainly dragged down by Water, as you have pointed out. So is there any clarity on what is happening in water? How long can this drag sort of continue for the domestic Infra business on growth? The next DFC is not going to get awarded anytime soon. The next high-speed rail is not going to come anytime soon. So what is the outlook for the domestic Infra business?

P. Ramakrishnan: So I did mention, Sumit, that the order prospects pipeline as we typically talk about is only for the balance period of the year. So as it stands now, the prospects pipeline for Infra, which is for another 3 or 4 months, still is at the same level. And the more important thing, it comprises of domestic prospects of Rs 2.61 trillion. And I reiterate, the important thing in the prospects pipeline, especially for domestic is concerned, is that we are now slowly looking at a higher share of Private Sector prospects. Of course, there are certain large projects of the government, which possibly should get announced maybe after the budget session is all done. But we are fairly certain that, this year has been a good mix of both Public and Private order inflow in the domestic side that has helped us, and that is something we believe should continue into the near term.

Coming to the first part of your question. As far as Water is concerned, yes, certain projects which have been funded under the central plans, some of these projects have faced headwinds in terms of fund allocation. And to that extent, I would say we have also calibrated our execution momentum in this segment to the extent of funds that we receive. Had this fund allocation been normalized, had we witnessed the growth of revenue in the Infra segment would have been more.

Moderator: Our next question comes from the line of Amit Anwani from PL Capital.

Amit Anwani: Again, harping on the water business. So what was the kind of growth in Infra, as we can understand it was 5% for Q3, because of the impact of water. If we adjust that, what kind of growth was there in the ex of water business in Infra for 9M to 9M?

And I can see there is still Water opportunity you have highlighted in the prospects for Infra, roughly about 18%, which is 65,000 to 70,000 more. So, are we looking for more conversion and all these orders, which we are including in the prospects, how the terms are different than what currently we are executing and calibrating?

P. Ramakrishnan: So, I think you had two questions, Amit. So let me put it, from a statistics perspective that suppose if the water segment was not there as part of the Infrastructure portfolio, then the revenue growth that we have demonstrated at 5% on a growth would have been actually a little more higher to almost 8% to 9% growth, because of the projects not getting funded, so the execution momentum has come down and because of that, the growth in revenue has been modest at the overall segment level. As far as the order prospects is concerned, I did talk about Rs 720 billion of order prospects, which is there for the near term. Depending on the type of projects and the underlying funding, we will be bidding according to what we feel should be the right way. But due care is being taken to ensure that we don't get into blocked into working capital because of absence of funding. And also one more point I wish to add. Internally also, we have split the Water business into Domestic and International. And we are now putting a lot more focus on the desalination plants and water transmission projects that are coming up in the Middle East largely. And we do believe that in the near term, some amount of international Water projects also would come up as an ordering opportunity for us.

Amit Anwani: Sir, on P&M margin, which you guided for 8.5% and you did highlight it that we have already factored in the cost pressure for a few legacy orders. So is it the correct understanding that we can be eyeing for -- once these orders complete, as you said in next 3, 4 quarters, we'll be eyeing for a meaningful margin improvement since these orders would be out and new orders getting executed. So, some color on medium-term margin since we saw some improvement this quarter. But since legacy orders will be out, what is the things lying ahead in terms of margin?

P. Ramakrishnan: So Amit, I think it has been always our practice that we give guidance for all the major parameters for the year, okay? And Mr. Sarma alluded to the fact that the Hydrocarbon margins being subdued in the current year is because of 2-3 projects, both domestic and international. I also wish to assure you that these projects are at the final stages of completion and hopefully, the margin uptick would be seen sometime maybe after 2 or 3 quarters into the next year. But how much of that will add up to the margin, kindly wait until we close FY '26 and take the assessment, because the budgeting for the company will start in the next month or so. We should be in a better position to give you a guidance for FY '27 and beyond sometime in May.

Amit Anwani: Right, sir. And lastly, sir, on the media article of Chinese player probably getting allowed for the BTG orders. Any assessment you guys have done in terms of the impact it could have, if this is really happening?

Subramanian Sarma: No, I think it is a little bit misplaced concern, because, as we understand from the policymakers, the allowance of Chinese players is not for the full equipment. It is only for certain components. In fact, we had also done that advocacy to allow us to import some of the special alloys which are required for the thermal power plant, which was not earlier allowed. So, I think, that is now permitted. So in reality, I think it does not affect us. In fact, it still protects us, and we see a good positive opportunity unfolding in the next subsequent quarters with the thermal power plant, with BTG being manufactured in India.

Moderator: Our next question comes from the line of Aditya Bhartia from Investec.

Aditya Bhartia: Sir, just wanted to understand about the TenneT order. How many packages have you already recorded until now? And how should we think about the opportunity going forward?

P. Ramakrishnan: Can you repeat that question, Aditya, please?

Aditya Bhartia: Sir, about the TenneT order, I think there are 6 packages of that. Just wanted to understand how many packages would we have recorded until now? And is it fair to assume that all 6 packages would be coming to us as a replacement contractor? Or could others be also involved in this?

Subramanian Sarma: Sarma here again. We have a framework agreement. And like you said correctly, we have 12 GW, that means 6 packages of 2 GW each. Currently, what we have included in our order inflow and which will then generate revenue is two of those. And then, we are in discussion for the third and fourth with the customers, and we'll have to see when it happens, when they call up, then we will advise you, and we will include that in the order flow. So as and when they get called out, we will include that in our order inflow. But we have a potential for all 6, yes.

Aditya Bhartia: Understood, sir. So, does that mean, it is almost kind of confirmed that we'll be getting the third or fourth packages? Or is there some negotiation involved? How does it work?

Subramanian Sarma: No, it means that we have been selected for the whole program, right? But then, timing-wise, the customer has to decide when he wants to call up which project. So, we'll have to wait. But I think when they call up, then we'll have a secured position. But until he calls out, as a prudent policy, we are not counting it.

Aditya Bhartia: Understood, sir. And my second question is on the margin erosion that we have seen on the Hydrocarbon side. You mentioned that there are certain orders wherein we are seeing cost overruns. Just want to understand roughly when would we have won these orders? Is it that competitive intensity was very different at that time and it has subsequently improved? So how are you seeing the whole scenario out there?

Subramanian Sarma: Yes, yes. I mean, see, most of the projects which are part of the legacy projects in the portfolio have been secured during the COVID time or post-COVID time. And then we had a huge Ukraine war issue and then we had a bunching effect and unfortunately, many things kind of coincided. We are getting through those as one by one, we are handing them over. Like I said before, in 2-3 quarters, we should be out of it.

Aditya Bhartia: Understood, sir. And just one last question. We are now getting some orders like metro contract that we announced today. Some of the other orders are also of really large size. So is it fair to assume that execution time lines going forward would be longer than what we have seen historically?

Subramanian Sarma: We cannot generalize this because every project will have its own time line. And I mean, they are in the range. I think it depends upon the complexity of the project. Some of them have too much of tunneling and boring and it will be longer time. It also depends on how much the land has been already acquired. So there are various parameters to look at. I don't think it will be appropriate to generalize, but they are all in the typical range.

P. Ramakrishnan: Just to add to what Sarma ji just now spoke, I did comment that the book-bill Infra order book is 26 months and that includes today's press release of an order that was secured in the previous quarters. The average order book execution period for Hydrocarbons is around 29 months. For the CarbonLite Solutions, it is around 48 months.

Moderator: Our next question comes from the line of Mohit Pandey from Citi.

Mohit Pandey: My question is on margins. For the international portion of E&C, in light of the commodity price movement, I understand steel is the most important commodity for us, which has not seen as much price movement, but for the other commodities, how should one think on the impact on the fixed price international orders that we have on the backlog?

Subramanian Sarma: Generally speaking, like you rightly said, I think our biggest exposure is on steel in terms of commodity, mostly on the international projects. And Steel, fortunately, has been pretty stable. There has not been much volatility, and if at all, there has been a little bit of a downward pressure, not upward pressure. And our risk is generally between the time we submit the bid till award and that is the time period when we are exposed a little bit. Otherwise, once we secure the job, we try to hedge the risk one way or the other, either by placing the order quickly or doing some pre-engineering and placing the orders, or having some Prebid agreements. So, I'm not expecting major exposure to the commodities, except copper and nickel has been a little bit volatile. But then again, we'll have a policy of hedging as quickly as possible. And we also allow some contingency in our estimates. We know how the fluctuation is and unless there is an event like the Ukraine- Russia war, I think we will be able to manage the rest of the volatility.

Mohit Pandey: Understood, sir. And specifically on the Renewables business in the Middle East, given silver tends to be an important part there, how to think about that?

Subramanian Sarma: In Renewables business contracts, most of the price risk we have is naturally hedged as we have passed it on to the customer. We had one issue couple of years back and after that we have taken a very prudent approach. We have passed on that risk to the customer. So, in all our renewable projects, we are subjected to very limited risk in terms of commodity prices.

P. Ramakrishnan: On the execution -- no material price impact?.

Subramanian Sarma: Yes, yes. And also I think some of the large contracts we secured from Qatar and all, has also got designated items, which means that some of the price risk is with the customer. Even in international contracts, we are seeing a trend where the customer is willing to accept some amount of price risk, not for all items, but for certain items which are more volatile.

Mohit Pandey: Understood, sir. Secondly, a clarification on the slow-moving part of the backlog. The 3% slow moving order book that was mentioned was primarily Water projects. Is that understanding right?

P. Ramakrishnan: Yes, it's a combination of largely water projects. Of course, there are certain projects that we secured last year, but the right-of-way, clearances has not been provided. Consequently, they have been classified as slow moving. But I wish to tell you it is not a source of worry at this juncture.

Moderator: Our next question comes from the line of Puneet Gulati from HSBC.

Puneet J. Gulati: Congrats on great numbers. My first question is on the Middle East order book. Assuming oil prices remain where they are, do you foresee a potential for higher project offering into this year, Calendar 2026 and Fiscal 2027? Also, how do you think about your market share in Middle East? Do you see more room for it to grow from where you've already reached?

Subramanian Sarma: Generally speaking, I think the overall atmosphere is quite positive. There is a strong pipeline of opportunities in various countries within the Middle East, be it Saudi, Qatar, UAE and also in Kuwait - which as I spoke earlier, will come back again. So yes, we are seeing a good momentum there, and we have a good presence.

And I think in terms of market share, we ourselves are a bit selective depending upon the type of project and our competitiveness, and the terms of the contract. Overall, we are maintaining a decent share.

Puneet J. Gulati: Okay. And on the Private sector orders, which have increased, do you foresee higher margins and better working capital control there?

Subramanian Sarma: Generally, I think, the Private sector projects, in comparison to the Public sector are more favorable to Working Capital as payment terms are always a little bit more favorable. There's more flexibility when we are negotiating.

P. Ramakrishnan: Short-term milestone event.

Moderator: The next question is from the line of Bharani V. from Avendus Spark.

Bharanidhar V.: Of the domestic Infra prospects pipeline that we mentioned of Rs 2.61 trillion, how much will be Private?

P. Ramakrishnan: Roughly around 35%.

Bharanidhar V.: Okay. Related to domestic prospects and overall Infrastructure prospects, which has been flat, we have been strong in the past in segments like Heavy Civil, of course, Water and even Transportation Infra. But right now, of course, Water is slowing down, and we are not very confident on the domestic prospects on Transportation Infra, Heavy Civil, etc.

So, what is our likely outlook for these segments for FY '27? Of course, we will continue to do well on Private and on the Middle East, but just your thoughts on FY '27 outlook and order inflow from our traditional stronghold areas, especially in India?

P. Ramakrishnan: So Bharani, if you track the domestic order inflows in last year, we had a drop. But I think that's the credit of our business model that if in certain segments, for whatever reason there is a pause, there are other segments which we cater to which show a revival. Insofar as Infrastructure segment is concerned, domestic, we have seen sustained traction coming back in B&F and Minerals & Metals. Of course, in Water projects, there are prospects that we see, but given the payment terms and the conditions and all, we have been a little more careful in pursuing those opportunities. But the fact is, there are two other segments which are seeing a clear case of revival. And we feel that this revival will potentially offset some of the muted or subdued opportunities in very large Heavy Civil and Transportation Infra projects. But we do believe that the Government, maybe in the 1st February budget announcement, will kickstart the growth momentum back into taking large projects, and that will hopefully compensate for the subdued business conditions insofar as capex is concerned. But Private sector is showing distinct revival in many sectors, which I also highlighted during my earnings presentation.

Bharanidhar V.: Okay. My second question is on the new ventures like Electrolysers, Data Centers, Batteries and Semiconductors - can you update on what has been the capex so far in each of these segments? And what is the total capex expected and how much we have already done in these sub-verticals?

P. Ramakrishnan: Okay. So as of now, we have almost 32 megawatts of capacity of Data Center, out of which 14 megawatts is up and running, another 18 megawatts will get commissioned by the end of this fiscal year. The total capex investment in the data center is roughly in the range of Rs 1,000-odd crores. And so far as Semiconductor business is concerned, most of the spending that we are doing is still into creating design-led semiconductor chips. We are in touch with multiple customers in this segment. And whatever spend is happening, most of that is getting washed through the P&L itself for Semiconductors. As far as Electrolyzer business is concerned, we have already made a perfect design of a 100% indigenous 4 MW stack. We are now slowly upgrading it to 8 – 10 MW stack. And we do expect a lot of opportunities to come in the near term.

Moderator: The next question is from the line of Atul Tiwari from JPMorgan.

Atul Tiwari: Congrats on great set of numbers. Sir, just one question on Thermal Power opportunity. Over the past 1 year, obviously, your orders have also benefited a lot from thermal power project. So over next 2-3 years, how many GWs in terms of the total market size do you see in the pipeline from States and the Central PSUs and the Private entities?

Subramanian Sarma: It's a bit of a pleasant surprise for us also that how the market is developing in the thermal power plant sector. And it's been good news for us, and we booked quite a bit of orders. And going forward, we believe that overall, I think the country will still add about 15 to 20 GW in the next 2 years or so. We still see 4 - 5 GW opportunities for us, as a minimum in the coming years.

Atul Tiwari: Okay, sir. And sir, what proportion of your total order book today will be at fixed price? And what proportion will have price variation clause of some kind or other?

P. Ramakrishnan: The fixed price constitution of our order book is in the range of 55% to 45%. 55% is fixed price, 45% is variable.

Moderator: Our next question is from the line of Priyankar Biswas from JM Financial.

Priyankar Biswas: Congratulations to the team. From what I understand is that you have previously highlighted in the past call as well, that there was a significant drag down due to the monsoon, particularly extending even well into the 3Q as well. So had it been, let's say, a relatively normal monsoon and leaving the Water part aside, what is the amount of work that you may have lost in the Domestic space, so in terms of execution?

P. Ramakrishnan: So Priyankar, in fact, in the month of October itself, I did mention that October also could see some amount of slippages given the fact that the monsoon in some parts of the country where we are having projects got extended, correct? I think I clearly remember this. But I wish to tell you, in Q4, I don't think there are any climatic events that are disruptive. So consequently, we do see a normative Q4 for almost all the segments, be it domestic or international.

Priyankar Biswas: Sir, what I meant is, had the monsoon drag not been there in Q3, what sort of growth could we have achieved? If you can give some color?

P. Ramakrishnan: It's extremely difficult, Priyankar, to talk about 5% growth that we had in Infra segment for Q3, how much that would be. I don't think it is possible to put a number to that.

Priyankar Biswas: And sir, if I just squeeze one more in. I understand that two packages for offshore HVDC were booked in this quarter. What would be the rough quantum of that?

P. Ramakrishnan: It's ultra-mega. Ultra-mega for us is more than Rs 15,000 crores...

Priyankar Biswas: Okay. And since you have given the prospects as well for Hydrocarbons, for the three and fourth package, which you are in discussions with the customer, is it there in this year's prospect? Or should we think of it more as next year's prospect?

P. Ramakrishnan: Next year. Nothing in Q4. It can happen earlier next year.

Moderator: Our next question is from the line of Amit Mahawar from UBS.

Amit Mahawar: Sarma sir, I just have two quick questions. First is on the Middle East. We now basically have the best competitive position that we had in the more than 15-20 years in the Middle East. Do you think next 2 years, cyclically, the competition from Korea and particularly Europe / U.S. can come back? Any color there? And if you can help us understand if in the next 2 years on the P&M, if the share of Middle East is going to be more than 50% over the next 2 years? That's first, sir.

Subramanian Sarma: In terms of competition, we have been operating in the same environment for the last few years, with Chinese, Korean and European players present. Sometimes for smaller contracts, we even have the local firms. I think the landscape in terms of competitiveness is not changing much. On the contrary, I would say that we have established ourselves quite well. The customers prefer us to win the jobs and sometimes even the competitors are coming and seeking partnership with us. I don't think anything has changed much. It will remain pretty much the same. If at all, it will be a little bit positive for us in the next 2 years. What was the second question you said?

Amit Mahawar: The share of core top line P&M...

Subramanian Sarma: I mean it's very difficult to put a number because it depends on what happens in the Middle East in relation to what happens in the domestic. I mean I think the good news is that I think we are growing well, and we'll continue to grow. I think we are very confident about it.

Amit Mahawar: Very fair. And second quick question is, if the current slowdown in some segments in domestic market, particularly Water, Transportation sustain for the next 1-1.5 years, do you see the risk, not exactly like the COVID risk, of time or cost delays, which are difficult to pass on next year. If it improves, I understand, but if it sustains for the next 1 year, we will have to evaluate it sharper, sir? That's it.

Subramanian Sarma: We do not think that Water thing will last that long. I mean this should get resolved. It is a bit unfortunate that there has been some kind of suspension of the work in those areas because of the payment issues. But we are continuously in dialogue with the government. And maybe within a quarter, that should get unlocked and things should start moving. I don't think we should draw any different conclusions from that.

Moderator: Our next question is from the line of Pulkit Patni from Goldman Sachs.

Pulkit Patni: So my first question is, I understand the impact of a depreciating rupee on your services business. How should we understand the impact of a depreciating rupee on your core EPC business in the light of margins? I mean just some broad guidelines would be helpful. That's question number one?

P. Ramakrishnan: So should I take it now? Or are you going to put another question also?

Pulkit Patni: Okay. My second question is, similarly, while we understand that you hedge commodities, etc. But even in the commodity market, the movement has been quite drastic in the last couple of months. Are we able to hedge all of that? Or we could expect some bit of negative impact of that in the next couple of quarters or so? Those are the two questions.

P. Ramakrishnan: Okay. So the first part, I will respond. As far as FX risk is concerned, Pulkit, I think you never heard from us that our margins are up or down because of exchange rate variations, because of the very proactive and timely hedge practices that we do to ensure that project risks are covered at least for financial risk part that is on the exchange rate side. As and when the projects are secured and if the international projects or even domestic projects having a lot of forex outflows, we have a mechanism by which we are able to cover the contracts at the rates at which they were estimated by bidding for the project. And that is how it is being done. In fact, even for the ITTS companies, some part of the exchange rate depreciation has flown into their P&L. But they also have a layered hedging process, and that process has been consistently followed to ensure that the margins are not substantially impacted by adverse exchange rate movements. The same applies for the project part of the business as well. Now coming to commodity prices, Mr. Sarma did allude to steel and other places, but I think he will respond.

Subramanian Sarma: Yes. like I said, you have to understand that when we are bidding for these jobs, we do quite a substantial amount of pre-bid engineering work. So, we have a reasonable amount assessment of the quantities. Like I said, I think our open exposure is only for the bid submission to bid award date, if we are successful. And once we are awarded, then based on the different commodities and their volatility, we go and hedge those commodities based on the estimates we have already done. Now what could be left unhedged portion could be maybe 5%, 10% as part of the engineering development which is not very significant because that gets covered through contingency.

Pulkit Patni: Sure, sir. So, these high commodity prices right now is something that you are not that worried about?

Subramanian Sarma: No.

Moderator: Our next question comes from the line of Aditya Mongia from Kotak.

Aditya Mongia: I limit it to one question. Mr. Sarma, you talked about certain projects that you win are more strategic in nature. If I were to be kind of thinking through your entire overseas ordering that has happened, let's say, in the last 1 year, how much of those would you classify into areas which are more strategic for your customers?

I'm just trying to get a sense of what part is then remaining which is at risk in case, crude moves further down. So just trying to get a sense of your exposure to strategically important large projects won during the last 1 year on the overseas side?

Subramanian Sarma: Actually, if you look at it, what we have won, most of the international projects are in the Oil and Gas sector, in the Renewables sector and some of them are now in the critically important Infrastructure, like data centers and things like that. And I would classify all of them as very strategically important. They are not going to be impacted by the oil prices, because Oil and Gas projects, as I said, will continue regardless of where the oil prices are. And Renewable projects and the Data Center projects are deliberate plan of all these countries to gradually invest to prepare themselves for Energy Transition. I think they are also building up their alternative energy portfolio in a very calibrated way.

So, all of them are very strategic. We are not in those non-strategic projects like some highway projects, some motorway projects, some beautiful buildings, some aspirational buildings or some tourists places under development. We are not involved in any of those.

Moderator: That was the last question, ladies and gentlemen. I would now like to hand the conference over to Mr. P. Ramakrishnan for closing comments. Over to you, sir.

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

Subramanian Sarma: Thank you.

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