Larsen and Toubro (LARTOU)

CMP: ₹ 3488 | Target: ₹ 4380 (26%) | Target Period: 12 months | BUY

July 30, 2025

Stellar set …

About the stock: Larsen & Toubro (L&T) is India's largest engineering & construction (E&C) company, with interest in EPC projects, hi-tech manufacturing and services. The company primarily operates in infrastructure, heavy engineering, defence engineering, power, hydrocarbon, services business segments

- Infrastructure segment contributes ~45% of consolidated revenue followed by services (~26%), energy projects (20%) and international markets (46% of backlog from international markets)

Q1FY26 performance: The company secured robust order inflows (OI) of ₹94,453 crore up 33% YoY and up 5% QoQ, mainly led by energy business which formed 35% of OI. The current order backlog (OB) stands at ₹612,761 crore up 25.1% YoY. Strong execution in the Energy Projects (revenues up 47% YoY) led to consolidated revenue growing by 16% YoY to ₹63,679 crore for Q1FY26. Consolidated EBITDA Margins came in at 9.9% down 30 bps YoY due to change in project mix. Consequently, PAT came in at ₹3617 crore up 30% YoY. The NWC ratio to sales improved significantly (380 bps YoY) to 10.1% in Q1FY26 from 13.9% last year. In terms of business prospects, for remaining 9MFY26E the company has bid pipeline of ₹14.8 trillion (Trn), vs ₹9.1 trn for same period last year. L&T has maintained guidance of 15% revenue growth, 10% order inflow growth, 8.3-8.5% margin and 12% NWC to sales for FY26E. The ROE of the company improved 230bps YoY to 17% in Q1FY26.

Investment Rationale:

- **Backlog growth of 25% YoY renders strong visibility:** The company has a current order backlog of ₹612,761 crore up 25% YoY. The execution trends of Q1FY26, especially in infra, hydrocarbon and precision engineering space indicated execution momentum which led the Q1FY25 revenue growth of 16% YoY. This momentum is expected to continue in 9MFY26E and will enable L&T meet revenue guidance of 15% YoY (We believe the company should surpass it). Given the prospects of ~₹14.8 trillion for remaining 9MFY26E, L&T expects OI growth of 10% for FY26E on a larger base. Overall, we expect revenues and PAT to grow at CAGR of 14.5% and 19.4% over FY25-FY27E.
- **Strong Focus on ROE to create value:** L&T has reached ROE of ~17% and anticipates the same to reach 18% by FY26E as per their strategic plan. The company is working on improvement from 3 catalysts like a) Breakeven of Hyderabad Metro, b) Improvement in P&M segment margins and c) increasing payouts in forms of higher dividends or buybacks.

Rating and Target Price

- Securing OI over and above the guidance range speaks of the diversity of the company's operations. We believe given the backlog growth and pick up in execution there remains a strong revenue growth over the medium term. With continued focus on improvement of overall return ratios and aspiration of 18% ROE by 2026E looks probable. We maintain BUY rating with target of ₹4380 (SoTP based).

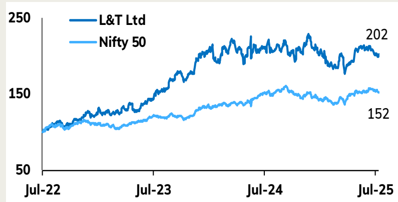
Particulars

Particular	Rs. in crore
Market Cap	4,80,701.0
Total Debt (FY25)	21,934.3
Cash and Inv (FY25)	3,583.6
Enterprise Value	4,99,051.7
52 week H/L (Rs./ share)	3963/2967
Equity capital	275.0
Face value (Rs./ share)	2.0

Shareholding pattern

%	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	-	-	-	-
FII	21.7	20.8	19.8	19.3
DII	40.4	41.7	42.7	43.5
Public	37.8	37.5	37.5	37.2

Price Chart



Key risks

(i) Delay in order execution

(ii) lesser than expected improvement in return ratios.

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

CA. Samarth Khandelwal
samarth.khandelwal@icicisecurities.com

Key Financial Summary

Particulars (₹ Crore)	FY23	FY24	FY25	5-Year CAGR (FY20-FY25)	FY26E	FY27E	2-Year CAGR (FY25-FY27E)
Net Sales	1,10,501.0	1,26,235.9	1,42,510.4	11.6%	1,65,243.3	1,86,822.1	14.5%
EBITDA	9,294.7	9,684.5	11,591.5	11.1%	13,700.6	16,394.9	18.9%
EBITDA Margin (%)	8.4	7.7	8.1		8.3	8.8	
Adj. Net Profit	7,794.9	9,372.6	11,133.7	14.9%	13,268.7	15,862.1	19.4%
Adj. EPS (₹)	59.0	68.2	80.3		95.6	114.3	
P/ E (x)	60.2	52.1	44.3		37.2	31.1	
RoNW (%)	11.1	12.3	13.4		14.4	15.6	
RoCE (%)	13.0	13.9	15.2		16.5	17.8	

Source: Company, ICICI Direct Research

Key result and concall highlights

- L&T reported robust Q1FY26 results across all parameters. The order inflow (OI) for Q1FY26 stood at ₹94,453 crore, up 33% YoY and 5% sequentially. International orders at ₹48675 crore constituted 52% of the total OI. The consolidated order book is at ₹612761 crore as at Q1FY26 up 25% YoY and 6% sequentially. Share of international orders stands at 46%.

- Order book for Infrastructure Projects stood at ₹370,390 crore, with OI for Q1FY26 at ₹41024 crore (~69% international) up 2% YoY, aided by T&D and renewable energy orders. Energy projects order book stood at ₹186,401 crore with OI for Q1FY26 at ₹31,420 crore (~24% international) up>100% YoY on back of multiple BTG packages in carbon lite solutions. Hi-tech manufacturing order book stood at ₹39,162 crore (12% international), OI for Q1FY26 at ₹1889 crore (52% international), a decline of 49% YoY due to high base in precision engineering business. Others segment orderbook stood at ₹16,808 crore.

- Consolidated /standalone revenues at ₹63,679/₹33,471 crore for Q1FY26 up 16%/10.5% YoY, aided by ramp up in execution of the strong order book in the Projects and Manufacturing (P&M) portfolio. Consolidated margins came in at 9.9% down 30 bps YoY due to change in project mix. Consequently, Q1FY26 consol/standalone PAT grew to ₹3617/₹3485 crore, up 30%/17.4% YoY.

- The NWC to sales ratio continues to remain at very comfortable levels of 10.1% vs. 13.9% YoY and 11% QoQ. The company has guided that for it expects to maintain the same at 12% for FY26E. This year's NWC-to-revenue ratio of 10.1% is an improvement of ~ 380 bps over last year.

- For FY26E, the company has maintained its guidance to achieve 10% YoY growth in gross order inflows, 15% YoY growth in gross revenue, EBITDA margins of 8.3-8.5% in Projects and Manufacturing portfolio and Net working capital to sales ratio of 12%.

- The company has secured the 10-kilo tonne per annum (10 KTPA) Green Hydrogen (GH2) supply agreement from Indian Oil. It will supply GH2 to Indian Oil for 25 years at ₹397 per kg.

- The company will create two separate verticals for on shore and off shore hydrocarbon business to improve their business efficiency.

- L&T has hiked Hyderabad metro fare by a net 20% resulting in avg. fare per passenger per day of ₹43 from ₹35 previously as a result the ridership has declined by 17%. However, the company believes this is transient in nature and the ridership is expected to pick up in a couple of quarters. This segment reported a loss of ₹ 2 billion. The company has guided for a ridership of 700000 passengers per day and a debt of ₹ 8000 crore to achieve a PBT breakeven level in the future.

- Order prospects for remaining 9MFY26E stands at ₹14.8 trn (vs ₹9.1 trn same period last year), of which a.) Infra is ₹7.97 trn (₹6.03 trn), b.) Energy projects is ₹5.78 trn (₹2.17 trn), c.) Hi tech manufacturing and PES is ₹30 Bn (₹31 bn) and d) Green & Clean energy is ₹21 bn (₹10 bn). Domestic prospects constitute 59% of total order prospects.

Exhibit 1: SOTP Valuation

Company (₹per share)	Bull case	% of total	Base Case	% of total	Bear Case	% of total
Base Business	4001.7	75.9	3430.0	78.3	2286.7	77.0
L&T Finance Holdings	234	4.4	187	4.3	117	3.9
L&T IT Subsidiaries	978	18.6	733	16.7	537.7	18.1
L&T Power Development	13	0.2	8.6	0.2	7.7	0.3
L&T MHI JV	12	0.2	5.0	0.1	2.6	0.1
Other E&C, MIP & E&E Sub	29	0.6	8.2	0.2	12.3	0.4
Total	5271	100.0	4381	100.0	2971	100.0

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Total operating Income	1,26,235.9	1,42,510.4	1,65,243.3	1,86,822.1
Growth (%)	14.2	12.9	16.0	13.1
Raw Material Expenses	15,647.1	19,369.8	19,479.0	21,310.4
Employee Expenses	8,864.4	10,242.9	11,703.7	12,823.6
Other Operating Expenses	74,861.1	82,599.0	97,555.4	1,11,126.9
Sales, admin & Other Exp	3,453.9	3,894.4	6,467.3	6,627.2
Other Mfg. Expenses	13,724.9	14,812.8	16,337.3	18,539.1
Total Operating Expenditure	1,16,551.3	1,30,918.9	1,51,542.7	1,70,427.2
EBITDA	9,684.5	11,591.5	13,700.6	16,394.9
Growth (%)	4.2	19.7	18.2	19.7
Depreciation	1,493.1	1,611.9	1,730.7	1,849.5
Interest	1,771.3	1,686.2	1,601.1	1,645.8
Other Income	5,340.6	5,675.8	6,283.3	7,014.9
PBT	11,760.7	13,969.2	16,652.0	19,914.5
Others	0.0	0.0	0.0	0.0
Total Tax	2,411.2	2,835.5	3,383.4	4,052.4
Adj. PAT (Ex-E&A)	9,372.6	11,133.7	13,268.7	15,862.1
Growth (%)	20.2	18.8	19.2	19.5
Adj. EPS (Rs.)	68.2	80.3	95.6	114.3

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Profit after Tax	9,463.5	11,133.7	13,268.7	15,862.1
Add: Depreciation	1,493.1	1,611.9	1,730.7	1,849.5
(Inc)/dec in Current Assets	-10,464	-18,876	-14,749	-13,872
Inc/(dec) in CL and Provisions	8,218.6	13,143.4	15,110.8	7,271.9
Others	-	-	-	-
CF from operating activities	8,711.3	7,013.1	15,361.4	11,111.4
(Inc)/dec in Investments	-5,000.0	-3,000.0	-3,000.0	-6,000.0
(Inc)/dec in Fixed Assets	-1,200.0	-1,200.0	-1,200.0	-1,201.0
Others	0.0	0.0	0.0	0.0
CF from investing activities	-6,516.9	-5,806	-5,292	-6,426.6
Issue/(Buy back) of Equity	0.0	0.0	0.0	0.0
Inc/(dec) in loan funds	0.0	0.0	0.0	0.0
Dividend paid & dividend tax	-3,789	-4,210	-4,911	-5,893
Inc/(dec) in Sec. premium	50.0	50.0	50.0	50.0
Others	0.0	7.6	0.0	0.0
CF from financing activities	-4,617	-5,038	-5,739	-5,721
Net Cash flow	-2,422.3	-3,830.5	4,330.2	-1,036.7
Opening Cash	7,793.9	5,371.6	1,541.1	5,871.3
Closing Cash	5,371.6	1,541.1	5,871.3	4,834.6

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Liabilities				
Equity Capital	280.9	280.9	280.9	280.9
Reserve and Surplus	75,847.9	82,944.0	91,473.5	1,01,614.2
Total Shareholders funds	76,128.9	83,224.9	91,754.4	1,01,895.1
Total Debt	20,808.7	19,808.7	18,808.7	18,808.7
Deferred Tax Liability	0.0	0.0	0.0	0.0
Minority Interest / Others	0.0	0.0	0.0	0.0
Total Liabilities	97,949.8	1,04,110.9	1,11,705.3	1,21,911.0
Assets				
Gross Block	18,069.0	19,269.0	20,469.0	21,669.0
Less: Acc Depreciation	8,790.2	10,309.5	11,947.7	13,704.6
Net Block	9,278.8	8,959.5	8,521.3	7,964.4
Capital WIP	1,100.0	1,100.0	1,100.0	1,101.0
Total Fixed Assets	10,378.8	10,059.5	9,621.3	9,065.4
Investments	50,174.2	53,174.2	56,174.2	62,174.2
Inventory	4,611.3	5,930.5	6,745.7	6,562.2
Debtors	44,960.7	50,757.1	58,853.8	66,539.4
Loans and Advances	948.2	1,046.9	936.0	1,305.9
Other Current Assets	59,724.0	71,385.5	77,333.4	83,333.6
Cash	5,371.6	1,541.1	5,871.3	4,834.6
Total Current Assets	1,15,615.8	1,30,661.2	1,49,740.2	1,62,575.6
Creditors	51,877.7	58,565.9	67,908.2	76,776.2
Provisions	2,334.5	2,752.6	3,191.7	3,608.5
Total Current Liabilities	86,821.3	99,964.6	1,15,075.4	1,22,347.3
Net Current Assets	28,794.6	30,696.5	34,664.8	40,228.3
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	97,949.8	1,04,110.9	1,11,705.3	1,21,911.0

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
Per share data (Rs.)				
EPS	68.2	80.3	95.6	114.3
Cash EPS	79.0	91.9	108.1	127.7
BV	549.4	600.5	662.0	735.1
DPS	27.0	30.0	35.0	0.0
Cash Per Share	38.7	11.1	42.3	34.8
Operating Ratios (%)				
EBITDA Margin	7.7	8.1	8.3	8.8
PBT / Total Operating income	9.4	9.8	10.1	10.7
PAT Margin	7.5	7.8	8.0	8.5
Inventory days	11.5	13.5	14.0	13.0
Debtor days	130.0	130.0	130.0	130.0
Creditor days	150.0	150.0	150.0	150.0
Return Ratios (%)				
RoE	10.7	10.4	14.4	15.6
RoCE	13.9	15.2	16.5	17.8
RoIC	9.9	10.9	12.8	13.8
Valuation Ratios (x)				
P/E	52.1	44.3	37.2	31.1
EV / EBITDA	52.5	44.1	36.9	30.9
EV / Net Sales	4.0	3.6	3.1	2.7
Market Cap / Sales	3.9	3.5	3.0	2.6
Price to Book Value	6.5	5.9	5.4	4.8
Solvency Ratios				
Debt/EBITDA	2.1	1.7	1.4	1.1
Debt / Equity	0.3	0.2	0.2	0.2
Current Ratio	1.3	1.3	1.3	1.3
Quick Ratio	1.3	1.3	1.3	1.3

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey | Head – Research | pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Chirag Shah, PGDBM, CA. Samarth Khandelwal, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report