

Backlog strength anchors growth ...

January 29, 2026

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)

Q3FY26 Performance: L&T reported consolidated revenues of ₹71,450 crore in Q3FY26, up 10% YoY, driven by steady execution across Infrastructure and Energy Projects. Order inflows stood at ₹135,581 crore, growing 17% YoY, with international orders contributing 49%. The consolidated order book rose 30% YoY to ₹7.33 lakh crore. Recurring PAT for the quarter increased 31% YoY to ₹4,406 crore, while EBITDA grew 19% YoY to ₹7,417 crore with margins improving to 10.4%. Reported PAT stood at ₹3,215 crore (down by 4% YoY), impacted by a one-time exceptional provision of ₹1,191 crore related to new labour codes. Segmentally, Infrastructure Projects saw order inflows of ₹61,876 crore (+26% YoY) with EBITDA margins improving to 6.1% from 5.5% on better operational efficiency. Energy Projects reported order inflows of ₹46,049 crore (+19% YoY) but margins moderated to 5.9% due to cost pressures in select hydrocarbon projects and early-stage execution in CarbonLite Solutions. Hi-Tech Manufacturing delivered strong revenue growth of 34% YoY with stable margins at ~18.3%, while IT & Technology Services saw margin improvement to 19.7%. ROE improved to 16.5% despite a 110-bps one-off impact from labour codes, underlining efficient capital deployment and improving return metrics alongside a robust near-term bid pipeline of ~₹5.9 trillion.

Investment Rationale:

- Backlog growth of 30% YoY renders strong visibility:** The company has a current order backlog of ₹7,33,161 crore up 30% YoY. The execution trends of Q3FY26, especially in infra, hydrocarbon and precision engineering space indicated execution momentum which led the 9MFY26 revenue growth of 12% YoY. This momentum is expected to continue in Q4FY26E and will enable L&T meet revenue guidance of ~15% YoY (We believe the company should surpass it). Given the prospects of ~₹5.9 trillion robust near-term bid pipeline, L&T expects to surpass OI growth of 10% for FY26E on a larger base. Overall, we expect revenues and PAT to grow at CAGR of 15.6% and 19.9% over FY25-FY28E.
- Strong Focus on ROE to create value:** Trailing 12-month ROE stood at 16.5% versus 16.1% in Q3 FY25, an improvement of 40 bps. Excluding the one-time labor code provision impact of 110 bps, the ROE stood at 17.6%, broadly in line with the company's 18% target for FY26 under the Lakshya plan. Management continues to target ~18% ROE over the medium term, supported by margin normalization in P&M, scaling of higher-return segments and capital recycling initiatives.

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 **₹5030** (SoTP based).



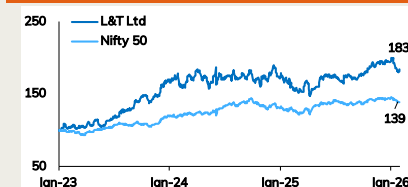
Particulars

Particular	Rs. (in crore)
Market Capitalisation	518,172
Total Debt (H1FY26)	17,790.7
Cash and Inv (H1FY26)	4,633.3
Enterprise Value	531,329.4
52 week H/L (Rs.)	4194/2967
Equity capital	275.0
Face value (Rs.)	2.0

Shareholding pattern

%	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	-	-	-	-
FII	19.8	19.3	19.5	20.1
DII	42.7	43.5	43.3	43.0
Public	37.5	37.2	37.2	36.9

Price Chart



Key risks

- Delay in order execution
- less than expected improvement in return ratios.

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Dilip Pandey
Dilip.pandey@icicisecurities.com

Gourav Aggarwal
gourav.aggarwal@icicisecurities.com

Key Financial Summary

Particulars (₹ Crore)	FY23	FY24	FY25	2-Year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3-Year CAGR (FY25-FY28E)
Net Sales	110,501.0	126,235.9	142,510.4	13.6%	159,602.0	194,025.5	220,128.2	15.6%
EBITDA	9,294.7	9,684.5	11,591.5	11.7%	13,345.4	17,083.0	19,837.9	19.6%
EBITDA Margin (%)	8.4	7.7	8.1		8.4	8.8	9.0	
Adj. Net Profit	7,794.9	9,369.9	11,299.6	20.4%	13,906.0	16,790.2	19,465.2	19.9%
Adj. EPS (₹)	55.6	66.8	80.5		99.1	119.7	138.7	
P/E (x)	65.1	60.6	47.2		38.3	31.8	27.4	
RoNW (%)	11.1	12.4	13.6		15.1	16.3	16.7	
RoCE (%)	13.0	14.0	15.3		17.2	18.7	19.2	

Source: Company, ICICI Direct Research

Key result and concall highlights

- L&T reported robust Q3FY26 results across all parameters. The order inflow (OI) for Q3FY26 stood at ₹135,581 crore, up 17% YoY. International orders at ₹66,848 crore constituted 49% of the total OI. The consolidated order book is at ₹7,33,161 crore as at Q3FY26 up 30% YoY. Share of international orders stands at 49%.
- Order book for Infrastructure Projects stood at ₹424,937 crore, with OI for Q3FY26 at ₹61,876 crore (~55% international) up 26% YoY, aided by receipt of high-value orders in the Power Transmission & Distribution and Renewables businesses. Energy projects order book stood at ₹247,861 crore with OI for Q3FY26 at ₹46,049 crore (~65 % international) up >19% YoY on back ultra mega orders in the Hydrocarbon - Offshore Wind and CarbonLite Solutions businesses. Hi-tech manufacturing order book stood at ₹37,865 crore (12% international), OI for Q3FY26 at ₹21,68 crore (35% international), a 74% decline YoY.
- Consolidated revenues at ₹71,450 crore for Q3FY26 up 10% 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 10.4% up 70 bps YoY. Consequently, Q3FY26 consol PAT grew to ₹3,215 crore (down by 4% YoY), impacted by a one-time exceptional provision of ₹1,191 crore related to new labour codes.
- Development Projects recorded ₹1,160 crore revenues (19% decline) due to lower Plant Load Factor at Nabha Thermal Power Plant, though EBIT improved to ₹159 crore from ₹140 crore on increased Hyderabad Metro fare revenues. The "Others" segment (Realty, Industrial Valves, Construction Equipment, Rubber Processing) delivered standout 55% revenue growth to ₹2,594 crore, driven by residential unit handovers, with EBITDA margin expanding to 32.8% from 27.5%.
- The NWC to sales ratio continues to remain at very comfortable levels of 8.2% vs. 12.7% YoY. The company has revised its guidance at 10% for FY26E (from earlier guided ~12%).
- L&T initiated transfer of its realty business to L&T Realty Properties Limited (wholly-owned subsidiary) to consolidate all real estate assets into unified platform. The data center business rebranded as Larsen & Toubro Vyoma, planning hyperscale data center expansion across Mumbai, Chennai and Bangalore for high-performance computing and advanced data storage requirements.
- L&T The heavy engineering business signed a memorandum of understanding with US-based Holtec International Asia arm to offer design and build solutions for heat transfer equipment. This collaboration is intended to provide advanced solutions for nuclear and thermal power plants worldwide with particular emphasis on heat transfer technologies for conventional power plant islands and balance of plant systems.
- Near-term prospects pipeline stood at ₹5.92 trillion versus ₹5.51 trillion in December 2024, up 7% YoY. Growth led by carbon light solutions (₹0.40 trillion vs ₹0.01 trillion) and high-tech manufacturing (₹0.42 trillion vs ₹0.07 trillion). Infrastructure prospects at ₹4.02 trillion remained stable while hydrocarbon prospects moderated to ₹1.26 trillion from ₹1.44 trillion.
- Trailing 12-month ROE stood at 16.5% versus 16.1% in Q3 FY25, an improvement of 40 bps. Excluding the one-time labor code provision impact of 110 bps, the ROE stood at 17.6%, broadly in line with the company's 18% target for FY26 under the Lakshya plan.
- For FY26E, the company has guided to surpass earlier guidance of order inflow growth of 10% YoY, expects to achieve 15% YoY growth in gross revenue, EBITDA margins of 8.5% in Projects and Manufacturing portfolio and Net working capital to sales ratio of 10%.

Exhibit 1: SOTP Valuation

Company (₹ per share)	Bull case % of total		Base Case % of total		Bear Case % of total	
Base Business	5612.2	79.2	3928.5	78.1	2104.6	74.0
L&T Finance Holdings	328	4.6	253	5.0	164	5.8
L&T IT Subsidiaries	1090	15.4	817	16.3	544.9	19.2
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	0.4	17.0	0.3	12.3	0.4
Total	7087	100.0	5030	100.0	2843	100.0

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Total operating Income	1,42,510.4	1,59,602.0	1,94,025.5	2,20,128.2
Growth (%)	12.9	12.0	21.6	13.5
Raw Material Expenses	19,369.8	21,444.1	22,170.8	25,559.2
Employee Expenses	10,242.9	11,628.1	13,292.1	15,040.6
Other Operating Expenses	82,599.0	91,831.9	1,15,348.6	1,30,048.4
Sales, admin & Other Exp	3,894.4	4,949.5	6,898.8	7,849.0
Other Mfg. Expenses	14,812.8	16,402.9	19,232.2	21,793.1
Total Operating Expenditu	1,30,918.9	1,46,256.6	1,76,942.6	2,00,290.3
EBITDA	11,591.5	13,345.4	17,083.0	19,837.9
Growth (%)	19.7	15.1	28.0	16.1
Depreciation	1,611.9	1,730.7	1,849.5	1,968.4
Interest	1,686.2	1,601.1	1,645.8	1,551.7
Other Income	5,675.8	7,449.0	7,502.9	8,132.6
PBT	13,969.2	17,462.6	21,090.6	24,450.4
Others	0.0	0.0	0.0	0.0
Total Tax	2,669.5	3,556.6	4,300.4	4,985.2
Adj. PAT (Ex-E&A)	11,299.6	13,906.0	16,790.2	19,465.2
Growth (%)	20.6	23.1	20.7	15.9
Adj. EPS (Rs.)	81.4	100.2	121.0	140.3

Source: Company, ICI Direct Research

Exhibit 3: Cash flow statement

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	11,299.6	13,906.0	16,790.2	19,465.2
Add: Depreciation	1,611.9	1,730.7	1,849.5	1,968.4
(Inc)/dec in Current Assets	-18,876	-10,354	-15,182	-20,391
Inc/(dec) in CL and Provisio	13,143.4	9,862.8	17,873.1	19,654.9
Others	-	-	-	-
CF from operating activiti	7,179.0	15,145.5	21,331.1	20,697.6
(Inc)/dec in Investments	-3,000.0	-5,000.0	-9,000.0	-12,000.0
(Inc)/dec in Fixed Assets	-1,200.0	-1,200.0	-1,201.0	-1,202.0
Others	0.0	0.0	0.0	0.0
CF from investing activiti	-5,806.0	-6,615	-10,782	-15,305.3
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 t	-4,210	-4,911	-5,893	-6,314
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 activiti	-5,038	-5,739	-5,721	-6,142
Net Cash flow	-3,664.6	2,791.4	4,827.2	-750.0
Opening Cash	4,707.9	1,043.3	3,834.6	8,661.8
Closing Cash	1,043.3	3,834.6	8,661.8	7,911.8

Source: Company, ICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Liabilities				
Equity Capital	280.9	280.9	280.9	280.9
Reserve and Surplus	82,446.2	91,613.0	1,02,681.7	1,16,004.5
Total Shareholders funds	82,727.1	91,893.9	1,02,962.6	1,16,285.4
Total Debt	19,808.7	18,808.7	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	1,03,613.1	1,11,844.8	1,22,978.6	1,36,366.3
Assets				
Gross Block	19,269.0	20,469.0	21,669.0	22,870.0
Less: Acc Depreciation	10,309.5	11,947.7	13,704.6	15,580.4
Net Block	8,959.5	8,521.3	7,964.4	7,289.6
Capital WIP	1,100.0	1,100.0	1,101.0	1,102.0
Total Fixed Assets	10,059.5	9,621.3	9,065.4	8,391.6
Investments	53,174.2	58,174.2	67,174.2	79,174.2
Inventory	5,930.5	6,312.9	6,976.5	7,497.7
Debtors	50,757.1	56,844.6	66,447.1	78,401.8
Loans and Advances	1,046.9	868.3	1,460.0	1,621.8
Other Current Assets	71,385.5	75,448.3	79,772.1	87,525.3
Cash	1,043.3	3,834.6	8,661.8	7,911.8
Total Current Assets	1,30,163.4	1,43,308.7	1,63,317.6	1,82,958.4
Creditors	58,565.9	65,589.9	79,736.5	90,463.6
Provisions	2,752.6	3,082.7	3,747.6	4,251.8
Total Current Liabilities	99,964.6	1,09,827.5	1,27,700.5	1,47,355.4
Net Current Assets	30,198.7	33,481.2	35,617.0	35,602.9
Others Assets	0.0	0.0	0.0	0.0
Application of Funds	1,03,613.1	1,11,844.8	1,22,978.6	1,36,366.3

Source: Company, ICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Per share data (Rs.)				
EPS	81.4	100.2	121.0	140.3
Cash EPS	93.1	112.7	134.4	154.5
BV	596.9	663.0	742.8	838.8
DPS	30.0	35.0	0.0	0.0
Cash Per Share	7.5	27.6	62.4	57.0
Operating Ratios (%)				
EBITDA Margin	8.1	8.4	8.8	9.0
PBT / Total Operating inco	9.8	10.9	10.9	11.1
PAT Margin	7.9	8.7	8.7	8.8
Inventory days	13.5	14.0	12.5	12.0
Debtor days	130.0	130.0	125.0	130.0
Creditor days	150.0	150.0	150.0	150.0
Return Ratios (%)				
RoE	10.7	10.4	15.1	16.3
RoCE	14.0	15.3	17.2	18.7
RoC	9.9	10.9	12.1	14.9
Valuation Ratios (x)				
P/E	46.7	37.9	31.4	27.1
EV / EBITDA	47.1	40.6	31.5	27.1
EV / Net Sales	3.8	3.4	2.8	2.4
Market Cap / Sales	3.7	3.3	2.7	2.4
Price to Book Value	6.4	5.7	5.1	4.5
Solvency Ratios				
Debt/EBITDA	1.7	1.4	1.1	0.9
Debt / Equity	0.2	0.2	0.2	0.2
Current Ratio	1.3	1.3	1.3	1.2
Quick Ratio	1.3	1.3	1.2	1.2

Source: Company, ICI Direct Research

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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

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

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

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