Larsen & Toubro Ltd

Remarkable order inflows

Reco/View: **BUY**	CMP: **Rs. 3,794**	Price Target: **Rs. 4,700**

Quick Snapshot

- Outstanding order inflows of Rs 1.36 lakh crore up 17% y-o-y, way ahead of our estimates. 9M order inflows grew by 30% y-o-y, exceeding the full year guidance of 10% order inflow growth. Order book reached Rs 7.33 lakh crore, 30% higher y-o-y.
- Revenue rose 10% to Rs 71,450 crore, below our estimates of 14% growth broadly impacted by slowdown in execution of water and infra projects. OPM stood at 10.4% ahead of our expectations of 10.0%. Balance sheet improved, with Debt-to-Equity declining to 1.06 (from 1.18 y-o-y) sand Interest Coverage strengthening to 8.44x for 9MFY26.
- Management maintained growth guidance at 15%; core P&M margins stood at 8.5% and highlight that will surpass 10% growth in order inflow guidance.
- We maintain a Buy with an revised PT of Rs. 4,700, considering strong order prospects and healthy earnings growth outlook. Order prospects pipeline at Rs 5.9 lakh crore.

Result overview

- Revenues grew by 10% led by stronger execution in P&M vertical specifically Energy (15% y-o-y) and Hi tech Manufacturing (34% y-o-y) and realty segment (55% y-o-y). Margins surprisingly improved to 10.4% driven by operational efficiency amid the ongoing low margin legacy projects and initial execution phase of few projects in Hi-tech engineering segment. Given the high share of international orders and completion of legacy projects in FY26, the margins improvement could be majorly seen in FY27, which will be guided by the management in Q4 results call.
- The GCC region, led by Saudi Arabia, will continue to strengthen its physical and digital infrastructure apart from monetising its oil & gas wealth. Coincidentally, multiple GCC countries have embarked upon energy expansion and transition journey with large investment outlays. A few of the Kuwait orders where L&T was L1 were cancelled but management believes that since those are strategic projects, will be coming for rebid with little tweaks here and there.
- Infrastructure: Order book stood at Rs 4.2 lakh crore with Q3 inflows at Rs 61876 crore. Inflows were aided by pick up in private sector ordering activities in T&D and renewable energy orders. Revenues were higher by 5% y-o-y impacted by slower execution in water projects. OPM stood at 6.1% showing an improvement of 60 bps. Order prospects pipeline is at Rs 4 lakh crore of which around Rs 2 lakh crore is domestic aided from metals and minerals and buildings sector.
- **Energy:** Order inflows were higher by 43% for Rs 46,049 crore leading to an order book of Rs 2.5 lakh crore. The order inflows were driven by receipt of ultra-mega orders. Revenues were up 34% y-o-y at Rs. 12,726 crore. OPM stood at 5.9% versus 8.3% in Q3FY2025. Margins were impacted by subdued Hydrocarbon margin primarily due to cost overruns in certain competitively priced projects nearing completion; CLS margin reflective of a significant share of revenue from jobs yet to cross margin recognition threshold. Margins should see a recovery in H2FY27.

Our Call

A lifetime high order book provides a healthy revenue visibility for the next three years. Order prospects in the domestic and international markets remain healthy at Rs. 10 lakh crore. L&T remains at the forefront to reap benefits from the AtmaNirbhar Bharat scheme with its diversified businesses across sectors such as defence, infrastructure, heavy engineering and IT and is the best proxy for domestic capex. We maintain a Buy with an unchanged SOTP-based price target (PT) of Rs. 4,700 considering its strong order prospects and a healthy earnings growth outlook.

Key Risks

Slowdown in domestic macro-economic environment and geopolitical conflicts on the international front can adversely affect its order prospects.

Valuation Rs cr

Particulars	FY25	FY26E	FY27E	FY28E
Revenue	255,734	295,473	344,226	399,302
OPM (%)	10.3	10.0	10.2	10.4
Adjusted PAT	14,596	17,014	20,762	25,083
% YoY growth	12.6	16.6	22.0	20.8
Adjusted EPS (Rs.)	106.2	123.8	151.0	182.4
P/E (x)	35.7	30.7	25.1	20.8
P/B (x)	5.3	4.7	4.1	3.4
EV/EBITDA (x)	18.8	16.4	13.2	12.3
RoCE (%)	10.1	10.9	12.7	14.6
RoNW (%)	16.4	16.3	17.4	17.9

Source: Company; Mirae Asset Sharekhan estimates

Note: CMP as on Jan 28, 2026

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Capital Goods

COMPANY DETAILS

Market cap:	Rs. 5,21,675 cr
52-week high/low:	Rs. 4,194/2,967
NSE volume: (No of shares)	21.2 lakh
BSE code:	500510
NSE code:	LT
Free float: (No of shares)	137.5 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	0.0
FII	20.1
DII	43.0
Others	36.9

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-6.2	-4.9	5.7	11.1
Relative to Sensex	-3.0	-2.4	3.5	2.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Concall Highlights:

- Order inflows were higher by 17% for Rs 1,35,581 crore of which international orders stood at Rs 66848 crores contributing 49% of total order inflows. Q3 order inflows spanned multiple geographies and set of diverse sectors including, Thermal Power, Hydrocarbons, Renewable Infrastructure, Transmission & Distribution and Roads & Runways. This quarter was the highest ever order inflows
- Prospective pipeline: A total prospective pipeline of 5.92L crore. Segmental wise break up : Infra Rs 4.02 Tn (vs Rs 4.0 Tn YoY), Hydrocarbon Rs 1.26 Tn (vs Rs 1.44 Tn YoY), Carbonlite Rs 0.04 Tn (vs Nil YoY), Green and clean energy Rs 0.18 Tn (vs Nil YoY), Hi-Tech manufacturing Rs 0.42 Tn (vs Rs 0.06 Tn YoY)
- Consolidated order book stood at Rs 7.33 l crore of which 49% was contributed by international orders. Domestic order book breakup – CG/SG/PSU/Pvt at 12%/22%/30%/36% (vs 15%/26%/39%/20%) – There is a significant jump in order inflows from Pvt sector. 3% of order book is slow moving
- Booked one-time material provision of Rs 1,191 crore towards employee benefits arising from the implementation of the new labour codes which has been classified under Exceptional Items.
- Company has recorder highest ever revenues with the deliveries of the Greens project in Gurgaon.
- Management has highlighted that they don't see any major impact due to removal of ban from Chinese players for participating in government tenders for the BTG business. The ban has been removed for a few critical components which were any how imported from China or outside India.
- Hi-Tech Manufacturing: Order inflows grew by moderately as an impact of deferment of projects.

Results **Rs cr**

Particulars	Q3FY26	Q3FY25	YoY%	Q2FY26	QoQ%
Net Sales	71,450	64,668	10.5	67,984	5.1
Total Expenditure	64,033	58,413	9.6	61,177	4.7
Operating Profit	7,416	6,255	18.6	6,806	9.0
Other Income	1,441	968	48.9	1,384	4.1
Interest	625	843	-25.8	763	-18.0
Depreciation	1,072	1,047	2.4	1,092	-1.8
PBT before EO	7,161	5,333	34.3	6,336	13.0
Exceptional item	1,344	-		-	
PBT	5,817	5,333	9.1	6,336	-8.2
Tax	1,988	1,332	49.2	1,649	20.6
Reported PAT	3,214	3,359	-4.3	3,926	-18.1
Adjusted PAT	4,558	3,359	35.7	3,926	16.1
Adj. EPS (Rs.)	33.2	24.4	35.7	28.6	16.1
Margins (%)					
GPM	35.2	35.1	12	35.9	(67)
OPM	10.4	9.7	71	10.0	37
PATM	6.4	5.2	119	5.8	60
Tax Rate	34.2	25.0	920	26.0	815

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life I nsurance Corp of India	12.56
2	SBI Funds Management Ltd	4.46
3	ICICI Prudential AMC Ltd	4.17
4	FMR LLC	2.64
5	Vanguard Group Inc	2.16
6	Republic of Singapore	2.01
7	Blackrock Inc	1.83
8	HDFC AMC Ltd	1.72
9	Nippon Life India AMC Ltd	1.51

Source: Bloomberg

Key management personnel

Name	Designation
A.M. Naik	Group Chairman
S.N. Subrahmanyam	Chief Executive office and Managing Director
R. Shankar Raman	Whole-time Director & Chief Financial Officer

Source: Company Website

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