MIRAE ASSET Sharekhan

Stock Update

Result Update

Larsen & Toubro Ltd

In-line performance, strong order inflows steal show

Capital Goods	Sharekhan code: LT
Reco/View: **Buy** ⇔	CMP: **Rs. 3,495** (as on Jul 29, 2025)
	Price Target: **Rs. 4,550** ⇔

3R MATRIX	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		⇔	
RQ		⇔	
RV		⇔	

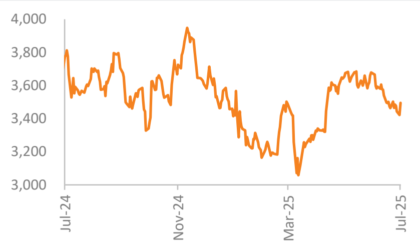
Company details

Market cap:	Rs. 4,80,563 cr
52-week high/low:	Rs. 3,963/2,967
NSE volume: (No of shares)	47.24 lakh
BSE code:	500510
NSE code:	LT
Free float: (No of shares)	137.5 cr

Shareholding (%)

Promoters	0.0
FII	19.3
DII	43.7
Others	37.0

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-5.0	4.6	2.2	-7.4
Relative to Sensex	-1.8	3.3	-3.8	-7.4

Source: Mirae Asset Sharekhan Research, Bloomberg

Summary

- Order inflows of Rs 94,413 crore (up 33%) surprising element. International orders contributed 51% to total inflows. Middle East contributed 38% to export order inflows. Order inflow prospects remain strong at Rs 15 lakh crore for 9MFY26E.
- Revenue rose 16% to Rs 63,679 crore, beating our estimates of 14%. OPM stood at 9.9% versus our expectations of 10.2%. PAT rose 30% to Rs 3,617 crore.
- Management maintained growth guidance at 15%; core P&M margins at 8.5% and order inflow growth of 10%.
- We maintain a Buy with an unchanged PT of Rs. 4,550, considering strong order prospects and healthy earnings growth outlook.

Consolidated revenues at Rs. 63,679 crore (up 16% y-o-y) for Q4FY2025 led by strong execution in its projects & manufacturing vertical specifically Energy and High-tech manufacturing segment. Consolidated OPM, at 9.9% (down 27 bps y-o-y) was marginally below our estimates of 10.2%. The margins were impacted due to execution of competitively priced energy projects and initial execution phase in projects of Hitech manufacturing business. Although overall P&M portfolio margins remained flat at 7.6%. Given the high share of international orders in the order book, it is expected to continue the execution of lower margin projects by H1FY26. Material margin improvement could be seen in FY27 as the ramp up of hydrocarbon projects increases. Consolidated adjusted PAT rose by 29.8% y-o-y at Rs. 3,617 crore. The order inflows came in surprisingly positive at Rs 94,413 crore which was up 33% y-o-y. Orders were received across multiple geographies and diverse sectors like thermal Power, renewable energy, power transmission, precision engineering, minerals & metals, water. The group's consolidated order book was at Rs 6.13L crore with international orders having a share of 46%. FY26 order prospects stood at Rs. 15 lakh crore for the remainder of 9MFY26. Infrastructure, hydrocarbon contributed ~90% of total order inflow prospects.

Key positives

- Order inflows up by 33% to Rs 94,413 crore driven by strong traction across Hydrocarbon, CarbonLite Solutions, and Hi-tech manufacturing systems.
- The healthy order backlog of Rs 6.13 L crore (3.1x of FY25 sales) provides a strong growth visibility over next few years.
- Improved return ratios and NWC ratios.

Key negatives

- Group-level operating margins fell 27 bps to 9.9%.

Management Commentary

- Management has maintained its growth guidance of 15%, core P&M margins stood at 8.5%, while order inflows grew 10%. Order prospects are strong with a pipeline of Rs 15 lakh crore for the remainder of 9MFY26E.
- The GCC region, led by Saudi Arabia, will continue to strengthen its physical and digital infrastructure apart from monetizing its oil & gas wealth. Coincidentally, multiple GCC countries have embarked upon energy expansion and transition journey with large investment outlays.
- Group order book increased by 25% y-o-y to Rs. 6.13 lakh crore (domestic 54%, International 46%). About 90% of the order book comprises infrastructure and energy segments. It has not deleted any orders during Q4FY2025. About 2% of the orders are slow-moving.
- Management is seeing a pickup in private capex in the smaller segments.

Our Call

Valuation – Maintain Buy with an unchanged PT of Rs. 4,550: Order book at a lifetime high provides a healthy revenue visibility for the next two years. Order prospects in the domestic and international markets remain healthy at Rs. 15L 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. 4,550 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 (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E
Revenue	221,113	255,734	297,529	339,183
OPM (%)	10.6	10.3	10.8	11.1
Adjusted PAT	12,966	14,596	18,664	22,383
% YoY growth	25.5%	12.6%	27.9%	19.9%
Adjusted EPS (Rs.)	94.3	106.2	135.8	162.8
P/E (x)	37.1	32.9	25.7	21.5
P/B (x)	5.6	4.9	4.3	3.7
EV/EBITDA (x)	19.3	17.4	14.0	11.4
RoCE (%)	9.7	10.5	12.2	14.0
RoNW (%)	14.9	16.4	17.8	18.4

Source: Company; Mirae Asset Sharekhan estimates

Conference Call key highlights

- **Guidance:** Management has maintained its guidance. Revenue grew by 15%, core P&M margins stood at 8.5% and order inflow growth of 10%. The company could review the guidance in the coming quarters based on the actual performance in H1FY26.
- **Order inflows:** Order inflows came in at Rs 94,413 crore up 33% y-o-y. Middle East contributed 73% to export order inflows driven by infrastructure, hydrocarbon, precision engineering and heavy engineering. International order inflows in P&M comprises 52% for YTD FY26.
- **Order prospects:** Order pipeline for balance 9MFY26 stands at Rs 15L crore. 90% of order pipeline is contributed by Energy and Infra segment. Share of infra at Rs 7.97L crore vs Rs 6.03L crore last year, Hydrocarbon at Rs 5.78 lakh crore versus Rs 2.17 lakh crore.
- **Order book:** Group order book increased by 25% y-o-y to Rs.6.13 lakh crore (domestic 54%, international 46%).
- **Infrastructure:** Order book stood at Rs 3.7 lakh crore with Q1 inflows at Rs 41,000 crore. Inflows were aided by T&D and renewable energy orders. Revenues were up 7% y-o-y at Rs. 28,757 crore. Revenue growth was primarily subdued due to faster execution in the previous quarters. OPM stood flat at 5.8%.
- **Energy:** Order inflows doubled, aided by on receipt of BTG packages in carbon lite solutions business. Order book stands at Rs. 1.86 lakh crore. Revenues were up 47% y-o-y at Rs. 12,470 crore. OPM stood at 7.3% versus 8.7% in Q1FY2025.

Quarterly performance- Consolidated **Rs cr**

Particulars	Q1FY26	Q1FY25	YoY%	Q4FY25	QoQ%
Net Sales	**63,679**	**55,120**	**15.5**	**74,392**	**-14.4**
Total Expenditure	57,361	49,505	15.9	66,190	-13.3
Operating Profit	**6,318**	**5,615**	**12.5**	**8,203**	**-23.0**
Other Income	1,357	921	47.4	1,135	19.5
Interest	782	861	-9.3	746	4.8
Depreciation	1,033	998	3.5	1,052	-1.8
PBT before EO	**5,860**	**4,677**	**25.3**	**7,539**	**-22.3**
Exceptional item	-	-		(475)	
PBT	**5,860**	**4,677**	**25.3**	**8,014**	**-26.9**
Tax	1,534	1,237	24.1	1,881	-18.4
Reported PAT	**3,617**	**2,786**	**29.8**	**5,497**	**-34.2**
Adjusted PAT	**3,617**	**2,786**	**29.8**	**5,022**	**-28.0**
Adj. EPS (Rs.)	**26.3**	**20.3**	**29.8**	**36.5**	**-28.0**
Margins (%)					
GPM	36.8	38.0	(117)	34.0	278
OPM	9.9	10.2	(27)	11.0	(110)
PATM	5.7	5.1	63	6.8	(107)
Tax Rate	26.2	26.4	(26)	23.5	271

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Continued government focus on infrastructure spending to provide growth opportunities

To make India a $5-lakh crore economy by FY2025 and to continue growing at an escalated trajectory until 2030, it is estimated that the government would need to spend $4.5 lakh crore on infrastructure. To achieve the goal, the government drew up the National Infrastructure Plan (NIP) through a bottom-up approach, wherein all projects costing over Rs. 100 crore each under construction, proposed greenfield and brownfield projects, and those at conceptualisation stage were captured. Consequently, the total capital expenditure in infrastructure sectors in India during FY2020-FY2025 is projected at ~Rs. 111 lakh crore. During the same period, sectors such as energy (24%), roads (18%), urban (17%), and railways (12%) are likely to amount to ~71% of the projected infrastructure investments in India. In FY23, the government's continued thrust on infrastructure-driven, capex-led economic growth and signs of revival of private sector investments in manufacturing and an improvement in capacity utilisation maintained the growth momentum. We believe that the huge outlay towards infrastructure is expected to provide healthy growth opportunities for companies in this space.

■ Company Outlook – Expect strong performance in the coming years backed by robust order book

L&T expects strong growth momentum to continue with a focus on growth in both revenue and order inflows for FY2025. Order inflows would grow by 10% y-o-y in FY24 and revenue would grow by 15% y-o-y. Projects and manufacturing business' OPM may remain flat at 8.25%. Order prospects are healthy with the rise in government spends and private capex and strong traction in international orders. On the asset divestment front, for the Hyderabad Metro, the company is evaluating various options. Thus, we expect L&T to perform consistently on multiple levers such as a strong business model, a diversified order book, and a healthy balance sheet.

■ Valuation – Buy with an unchanged PT of Rs. 4,550

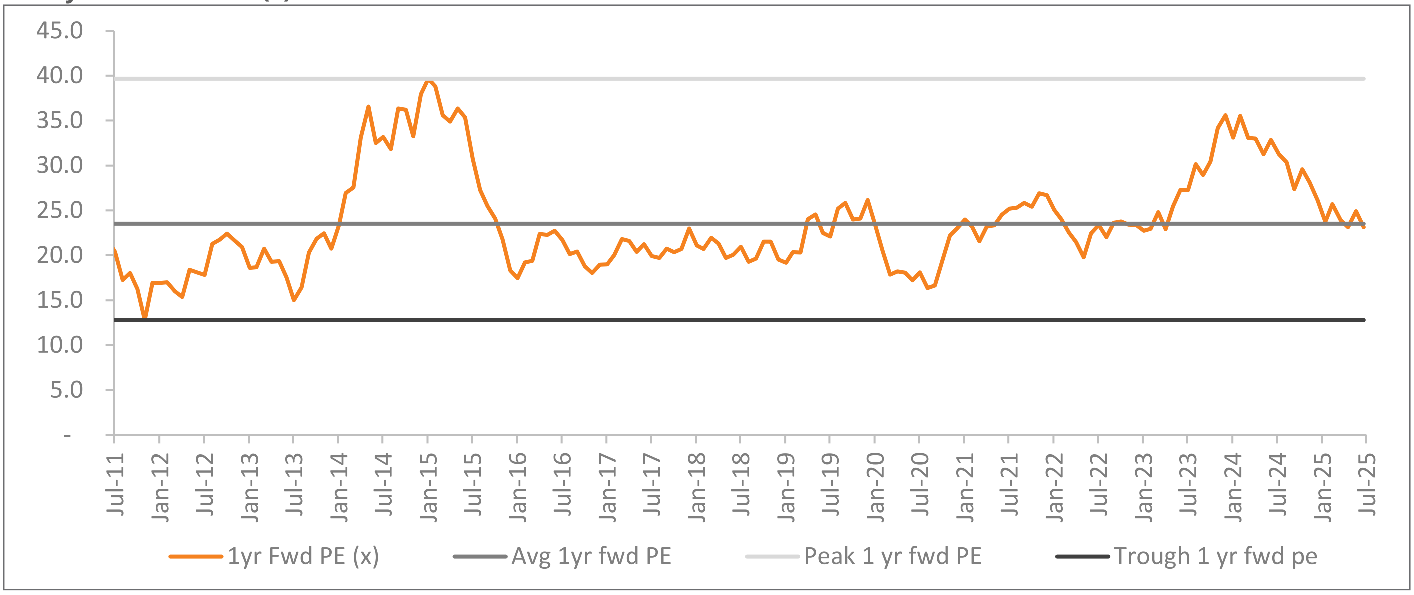
Order book at a lifetime high provides a healthy revenue visibility for the next two years. Order prospects in the domestic and international markets remain healthy at Rs. 15 lakh crore. L&T remains at the forefront to reap benefits from the AtmaNirbhar Bharat scheme with its diversified businesses across 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. 4,550 considering its strong order prospects and a healthy earnings growth outlook.

SOTP Valuation

Particulars	Remarks	Value (Rs cr)	Per share (Rs)
L&T's core business (standalone)	**At 23x FY2026E**	**499,473**	**3,633**
Subsidiaries			
LTI Mindtree	Based on our target price	70,297	511
L&T Finance Holdings (L&TFH)	Based on our target price	19,671	143
L&T Technology Services Ltd (LTTS)	Based on our target price	23,933	174
Hydrocarbon subsidiary	At 0.8x Book Value	1,000	7
Other subsidiaries	At 0.8x Book Value	3,613	26
Associates & Other	At 0.8x Book Value	477	3
Total subsidiary valuation		118,990	914
Fair value		**618,463**	**4,550**

Source: Company; Mirae Asset Sharekhan Research

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

About company

L&T is an Indian multinational company engaged in technology, engineering, construction, manufacturing, and financial services and is one of the largest engineering conglomerates in India's private sector. A strong customer-focused approach and constant quest for top-class quality have enabled the company to attain and sustain a leadership position in major lines of businesses over eight decades. The company operates in over 30 countries worldwide.

Investment theme

Capex in the economy continues to be driven by the public sector mainly in the areas of power (renewable and T&D), transportation (roads, railways, and metro projects) and defence (mainly towards indigenisation); and L&T remains the key beneficiary. India is expected to invest significantly in infrastructure creation over the next few years and the government would continue its thrust on domestic manufacturing through 'Make in India' project. Hence, companies like L&T which are present in the domestic infrastructure market are in a sweet spot. The government is also likely to extend PLI scheme to more sectors. Shifts in global value chains, sustained digitalisation initiatives at home, backed by India's de-carbonisation objectives could well make India the world's third largest economy by 2030. It is also expected that private capex will provide tailwinds to the growth momentum. L&T's proven expertise in building world-class infrastructure and high-tech manufacturing makes it well positioned to ride the growth wave.

Key Risks

- Slower-than-expected project execution in domestic and international markets due to various reasons such as pending approvals and clearances from government agencies and land acquisition could affect revenue.
- Weakness in domestic investment could impact growth and award of large projects, thus posing a downside risk.
- Unexpected political changes in some of the developed countries, trade barriers, and conflict in the Middle East are some of the risks that can affect the company's performance.

Additional Data

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

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	13.45
2	ICICI Prudential Asset Management	4.60
3	SBI Funds Management Ltd	4.40
4	NPS Trust A/c Uti Retirement Solut	2.19
5	Vanguard Group Inc/The	2.11
6	FMR LLC	1.98
7	Republic of Singapore	1.91
8	HDFC Asset Management Co Ltd	1.79
9	Blackrock Inc	1.74
10	General Insurance Corp of India	1.53

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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