"Larsen & Toubro Limited Q3/9M FY-22 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Larsen & Toubro Limited, Q3 FY22 Earnings Conference Call. 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 the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. P. Ramakrishnan. Thank you and over to you sir.

P. Ramakrishnan: Thank you, Rutuja. Good evening and welcome to this L&T Investor Earnings Call for Q3 FY22. As you may be aware, the presentation has been loaded on the Stock Exchange and our website around 6:30pm. Hope you had a chance to take a quick look at the numbers. As usual, instead of going through the entire presentation, I will walk you through the key highlights for the quarter followed by our comments on the environment and outlook in the next 30 minutes, post which we will take Q&A.

Before I commence, a brief disclaimer. The presentation which we have uploaded on the Stock Exchange, and in our website today including the statements that will be made during this call, contains or 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.

To start with, India at a macro level for Q3 FY22 can be best described as a quarter where various economic parameters reintegrated back from the effects of the COVID second wave. Further the festive season in Q3, also added to the demand buoyancy to some extent. With substantial pickup in vaccination, coupled with easing of regional curbs and improved mobility, the economy gained impetus as evidenced by the various high frequency economic indicators nearing pre-COVID levels. Green shoots were visible in multiple industry, services, investment, and mobility indicators during Q3. The buoyancy in tax collections witnessed in Q3 also reinforces our growth thought process. On the flip side, supply side inflation challenges continue to remain a source of worry. Our country is at a stage where a need to "support recovery" and balance "macroeconomic" stability becomes a central challenge for policymakers going forward. Finally, although COVID Wave 3 did strike India towards the end of the quarter, we do believe its impact on economic progress is unlikely to be disruptive.

Let me now cover the various financial performance parameters for Q3 FY22:

Our group order inflows for Q3 FY22 at Rs.504 billion registered a sequential growth of 20% whereas on Y-on-Y basis, it registered a de-growth of around 31%. In our Projects and Manufacturing portfolio, our order inflows for Q3 FY22 at Rs.380 billion registered a sequential growth of 26% whereas on Y-on-Y basis it fell by 39%. You would recall that in Q3 of the previous year, we had secured some very large domestic orders. Current Q3 order inflows in our Projects and Manufacturing portfolio are basically from Infrastructure and Hydrocarbon with contribution coming from Heavy Engineering and Defense segments as well. Whereas the domestic order announcements and tendering activity continued at a brisk pace in Q3, the award finalization was a bit muted. Secondly, since we already have a large order book, we continue

to be selective in the orders that we bid for. Moving on to the prospects pipeline in our Projects and Manufacturing business for Q4 22.The aggregate total order prospects pipeline is at Rs.3.92 trillion as against the prospects pipeline of Rs.2.65 trillion that we witnessed for Q4 FY21. This reflects an increase of almost 48%. This Q4 prospect pipeline is by far the highest we have seen in the last so many years. The Q4 FY22 prospect pipeline of Rs.3.92 trillion comprises of domestic prospects of Rs.3.03 trillion and international prospects of Rs.890 billion. As I said earlier, since the COVID third wave is unlikely to be economically disruptive, we do expect a busy Q4 in terms of awards finalization.

Moving on to the order book, our order book at Rs.3.4 trillion as on 31st December, is at a record high. As you are aware, a large and diversified order book provides multi-year revenue visibility. As our Projects and Manufacturing business portfolio is largely India centric, 76% of this order book is today domestic and the balance 24% is overseas. Of the international order book of Rs.820 billion around 71% is from the Middle Eastern countries and 17% is from Africa. As you can see from the slides, 89% of our total order book comprises of Infrastructure and Hydrocarbon. Within Infrastructure, our order book is well spread out across various businesses like Heavy Civil, Water, Power Transmission and Distribution, Buildings & Factories, Transportation Infrastructure and Metallurgical and Material Handling. The further breakdown of the domestic order book of Rs.2.58 trillion as on 31st December 2021 comprises of Central Government share at 10%, State Government share at 29%, Public Sector Corporations or State-owned enterprises at 44% and the Private Sector comprises 16%. Finally, 33% of this total order book of Rs.3.4 trillion is funded by bilateral and multilateral lending agencies.

Coming to Revenues, our Group revenues for Q3 FY22 at Rs.396 billion registered a sequential and Y-on-Y growth of 14% and 11% respectively. International revenues constituted 37% of the revenues for the quarter. The IT and TS portfolio continues to report industry leading growth in Q3 as well. In the Projects and Manufacturing portfolio, our revenues for Q3 FY22, at Rs.272 billion, registered a sequential and Y-on-Y growth of 19.6% and 9.5% respectively. Better execution in the Infrastructure, Hydrocarbon and Power segments was to some extent offset by lower revenues in Heavy engineering, Defense Engineering, and the "Others" segment. I will cover the details a little later when I cover each of these segments. Overall, as a philosophy, our execution in the Projects and Manufacturing portfolio was calibrated in line with the cash inflows during the quarter. Going forward, as cash inflows improve in Q4 and there are no major risks arising from the Covid 3rd wave & the consequent supply chain disruptions, we should witness improved execution levels just like any normalized Q4 for L&T. Our current labor availability is around 261,000 which is at near normal levels and more than 96% of our employees and around 75% of our workmen have completed both doses of the vaccination. It is expected that in the next two months the second dose of the vaccination for the workmen also will be completed.

Moving on to EBITDA margin, our group level EBITDA margin for Q3 FY22 is at 11.5%, vis-à-vis 12% in Q3 FY21. You will recall that in Q2 FY22, our group level EBITDA margin was at 11.5%. You may refer the detailed breakup of the EBITDA margin business segment wise

which is given as part of annexures to the Analyst Presentation. You would have noticed that our EBITDA margin in the Projects and Manufacturing business is at 8.5% for Q3 FY22, vis-à-vis 10.2% in Q3 FY21. If you recall, in Q3 FY21 we had a bulk sale in our Realty business segment which boosted our Projects and Manufacturing business margin by around 150 basis points. Now excluding Realty our Projects and Manufacturing business EBITDA margin would have been 8.7% in Q3 FY21 vis-à-vis 8.5% in Q3 FY22. On a nine-month basis, both our Group as well as the Project and Manufacturing business EBITDA margin for the current year is higher than the previous year. As explained in the past Earnings Call as well we have multiple levers in our Projects & Manufacturing businesses to offset the cost headwinds being experienced in the current year in the fixed price contracts in our order book. For the benefit of everyone on this call, I will repeat what we have said earlier. Multiple tailwinds emerging out of jobs reaching the valuation threshold, release of contingencies on jobs nearing completion, better overhead recoveries due to improved volumes, favorable customer claims settlements, value engineering and various other cost savings have provided the much-needed boost to margin in an increasingly inflationary environment.

Moving on to PAT, our Operational PAT for Q3 FY22 at Rs.21 billion has registered a sequential growth of 19% whereas on Y-on-Y basis, it has contracted 9%. The Operational PAT variance can be explained by two reasons, one as I said earlier with reference to the profit on the bulk sale in our Realty business last year and secondly, in the Q3 of last year, we also had a higher investment surplus in the books post the receipt of the divestment proceeds of the Electrical & Automation business. So, a combination of higher investment surplus last year and favorable money market conditions yielded higher other income in the previous year. Adjusted for these two factors, our Operational PAT for Q3 FY22 would have registered growth over Q3 FY21.The group performance P&L construct along with the reasons for the major variances under the respective function heads has been provided in the analysis presentation.

Coming to working capital, our NWC to sales ratio has improved from 26.2% as of December 2020 to 23.1% as of 31st December 21. One of the reasons for NWC to Sales moving lower is due to the denominator moving higher. Secondly, as I said earlier, we have strived to maintain a healthy balance between execution or our revenue growth and working capital during this quarter. You would have noticed that our NWC to sales is slightly worse than the March 21 levels where we reported 22.3%. Our Group level collections excluding the Financial Services segment for Q3 FY22 is Rs.321 billion vis-à-vis Rs.329 billion in Q3 FY21. In Q2 FY22 also we collected a similar amount of Rs.321 billion. As you know, since Q4 is generally a seasonally strong quarter for us in terms of customer collections, we should be able to bring down our NWC sales to in and around the 22.3% by March 22, which is at the same level that we reported as on March 21.

Moving on to the Balance Sheet, if you glance through the Balance Sheet given in annexures to the Analyst Presentation, you will notice that our Group level gross as well as net debt ratios have improved over the March 21 . This is mainly due to the repayment of liabilities in our

Financial Services business at around Rs.52 billion, at a parent L&T level at Rs.29 billion and Nabha Power Rs.13 billion.

Finally, our trailing 12-month ROE as on December 21, is at 11% vis-à-vis 16.5% in December 20. As you are aware, our Return on Equity for December 20 includes the benefit of one-time gain on the divestment of the E&A business net of exceptional items. Also, you would recall that our ROE on our continuing operations was 10.1% as of March 21. We are improving progressively and let me assure you that the return ratios will be pursued aggressively. A robust business portfolio, focus on cash generation distribution and eye on capital employed and finally the divestment of the concession assets that we have, will lead to better ROEs as in the future. Very briefly, I will now comment on the performance of each of the business segment before we move on to the final commentary on environmental and outlook.

Coming to Infrastructure, our order inflows in Q3 are well spread across the various sub segments. Having said that, let me mention here that Q3 did witness some delays in award finalization despite robust order announcements, tendering activity and improved government finances. We believe this is temporary and Q4 activity levels should be far better. Our order prospect pipeline in Q4 for Infrastructure segment remains healthy at Rs.3.15 trillion vis-à-vis Rs.2.17 trillion at the same time last year, reflecting an increase of around 45%. Of the Rs.3.15 trillion of prospects, domestic prospects are Rs.2.75 trillion and the balance Rs.400 billion comprise international. The targeted prospects are spread across various sub sectors like Water, Power Transmission & Distribution, Buildings and Factories, Heavy Civil, Transportation Infrastructure and Metallurgical and Material Handling. Order book in this segment is at Rs.2.48 trillion as on December 21. The average execution cycle of this order book is around 28 months. The Q3 revenues at Rs.183.5 billion registered a growth of 16% over the comparable quarter of the previous year. We have followed a calibrated execution approach in this segment in line with the cash inflows. To some extent, we did face supply chain delays in few of our large jobs during this quarter which impacted revenues. Our EBITDA margin in this segment improved from 6.2% in Q3 FY21 to 7.1% in Q3 FY22 largely reflective of the job mix and improved overheads recovery despite commodity headwinds in the fixed price contracts in this portfolio. I am sure you would have observed that in the current year, our nine-month margin in the segment is better than the previous year.

Moving on to the next segment that is Power, the subdued ordering environment continues due to the larger emphasis on renewable capacity creation. However, the opening order book drives healthy execution for this quarter. The Q3 revenue in the segment at Rs.10.7 billion registers a growth of 19% over the corresponding quarter of the previous year. The EBITDA margin is at 4.2% in Q3 FY22 vis-à-vis 2%, in Q3 FY21, largely explained by certain jobs reaching the valuation threshold during the quarter. Finally, as you know, profits of the Boiler, Turbine and other JVs companies in this segment are consolidated at a PAT level under the Equity method.

Coming to Heavy Engineering segment, in Q3 FY22, we had multiple order wins in the Refinery. Oil and Gas vertical. The revenues at Rs.6.8 billion in Q3 FY22 registered a de-growth of 7% over the corresponding quarter of the previous year mainly due to tapering off certain jobs in

this segment during the current quarter. The EBITDA margin is at 15.6% in Q3 FY22 vis-à-vis 20% in Q3 FY21 largely explained by the change in sales mix and an adverse claim settlement with respect to an international project.

I now come to the Defense Engineering segment. Let me mention here that on the back of the Government's thrust towards indigenization, we continue to remain optimistic for securing decent order wins in this segment in the medium term. Having said that, receipt of multiple orders in Q3 FY22 buoys the order book in this segment. The Q3 FY22 revenue at Rs.7.9 billion down 23% vis-à-vis previous year is mainly reflective of slow progress due to customer delays and supply chain disruptions. The EBITDA margin at 23.7% in Q3 FY22 vis-à-vis 16.9% in Q3 FY21 is explained by favorable price variation claim and certain jobs crossing the margin recognition threshold. As we always do every quarter, let me once again reiterate, that the Defense Engineering business does not manufacture any explosives nor ammunition of any kind, including cluster munitions or anti-personnel landmines or nuclear weapons or components for such munitions. Further, this business does not customize any delivery systems for such munitions.

We now move to Hydrocarbon; the receipt of high value international orders buoys the order book of this segment in Q3. The revenues for Q3 in the current year at Rs.48.8 billion registered a growth of 11% over the comparable quarter of the previous year largely reflective of the progress of various onshore jobs. The order book of this segment is at Rs.0.53 trillion, of which 60% of the orders are international and the execution period of this order book is around 28 months. The EBITDA margin in Q3 FY22 at 9.6% vis-à-vis 12.2% last year is largely explained by the change in job mix and stage of completion of the jobs in this portfolio.

Moving on to the Development Projects segment: this segment includes the Power Development business comprising of Nabha Power and Uttaranchal Hydel Power (up to the date of its divestment that is August 30th, 2021) and Hyderabad Metro. As you are aware, the Roads and the Transmission line concession which are part of L&T IDPL are consolidated at a PAT level under the equity method. The majority of revenues in this segment in Q3 is contributed by Nabha Power. The higher PLF explains the revenue growth for Nabha Power and a subsiding COVID second wave led to improved Metro ridership thereby resulting in improved revenues during the quarter. To give you some statistics, the Hyderabad Metro average ridership improved from 55,000 passengers per day in Q1 current year to 1,46,000 passengers per day in Q2 current year. And for Q3 current year, the average ridership stood at 2,18,000. The Q3 FY22 margin in this segment at 3.2% is contributed by only Metro operations as Nabha margin is not being recognized from Q3 of the previous year. The improvement in average ridership in Q3 also enabled Hyderabad metro to report a positive EBITDA during the quarter. In Metro, at a PAT level we consolidated a loss of Rs.4.83 billion in Q3 FY22 after taking depreciation and finance cost. The operating and amortization cost are around Rs.0.75 billion each quarter whereas the interest cost for Q3 is at Rs.4.38 billion. The charging of the unamortized expenses of around

Rs.0.57 billion in the current quarter Q3 FY22 pertaining to the earlier term loan consequent to the refinance by market instruments impacted the interest cost for the quarter for Hyderabad Metro.

At this juncture, let me give you a quick status update on the divestments of our concessions portfolio. As all of you are aware, our stake in hydel power plant was successfully divested in Q2 FY22. For Nabha we are looking at various divestment options and it is work in progress. Coming to L&T IDPL, we are exploring the possibility of divesting our remaining 51% stake in favor of third-party investors. For Metro, we have a couple of updates to share this quarter. During Q3 the company completed the refinancing of the rupee term loan by issuance of NCDs and commercial papers. This will reduce annual interest rate by around 270 to 280 basis points thereby resulting in interest cost savings of almost Rs 90 to 100 crore per quarter going forward. This refinancing will also reduce the cash flow support required from L&T to the Metro SPV on account of principal repayments which had already begun in the earlier term loan. Secondly, the discussions with the government of Telangana around certain concessions and financial assistance to the Metro operations have progressed satisfactorily and we expect some sort of closure by the end of this financial year. Thirdly, the discussions are also ongoing with third party investors for seeking long term fund infusions into the metro. However, it is a little premature to comment on the likely closure date. To conclude on L&T Metro; with the prospect of improved ridership, the phased transit-oriented rights monetization, the prospective government assistance and with the recently concluded debt refinancing, the performance parameters of Metro should hopefully look up from FY23.

Coming to the IT and TS portfolio: our revenues for Q3 FY22 at Rs.84 billion registered a growth of 29% over the corresponding quarter of the previous year. Business outlook for this segment continues to be robust as I mentioned in my previous call. IT spends earlier were largely focused on enablement & improving efficiencies whereas IT spends today are more focused on redefining revenue models and revenue maximization. A lot of spends today are being directed towards cloud, data security and artificial intelligence. The margin for this segment is a function of wage costs, utilization ratios, onshore: offshore revenue mix and operational efficiency. I will not dwell too much on this segment as all the three companies in this segment are listed entities and the detailed factsheets of their performance are already available in the public domain.

Moving on to the “Others” segment, this segment comprises Realty, Industrial Machinery, Valves, Smart World and Communications and the recently launched Edutech business. During this quarter, the strong growth in the Industrial Machinery business was offset by lower revenues in Realty, Smart World & Communications and Valves. The margin variations in this segment is mainly due to the bulk sale in Realty in Q3 of the previous year that I referred earlier during the call.

We move on to Financial Services segment now. Here again L&T Finance Holdings is a listed entity and the detailed results are available in the public domain. Let me mention here that the strategic deliverables for this business revolve around higher retailisation, strong asset quality

and overall improvement in Return on Assets. In Q3 FY22, the Retail book is at 50% vis-à-vis 40% in Q3 FY21. Further in this current quarter, the business entered into a definitive agreement to sell its Asset Management business subject to regulatory approvals. Finally, sufficient growth capital is available on the Balance Sheet.

Before, I move on to the final section on the Environment and Outlook, I would briefly like to reiterate that L&T has committed to become water and carbon neutral by 2035 and 2040 respectively. We have also commenced our engagement with the leading ESG rating agencies to explain our ESG journey and hopefully consistent periodic interactions with them should translate into improved ratings for the group.

Coming to the final section on Environmental and Outlook:

For the policymakers, the balance between the need to support recovery and achieving macroeconomic stability will be the central challenge in 2022. Going forward, we remain positive on India's constructive outlook. Even though the concerns revolving around the spread of new virus is surfacing, the healthy pace of vaccination and timely measures by the Government to curb the spread should shield the path of economic recovery. The growth may be marred by intermittent supply side constraints and high commodity prices. The Government's intent to push infrastructure spend to boost economic growth and make "Atmanirbhar Bharat" a reality is gathering full momentum. The company maintains a constructive view of higher Capex spends in the near term.

At a global level, divergent economic recovery and the consequent collaboration of global challenges like climate will be keenly watched out for. The fast pace of digitization leading to improved productivity will come with its own share of challenges around cyber threats and so on. Similarly, there will be emerging implications around crypto and associated technologies. With oil prices holding firm, investments from GCC countries is likely to get a boost. Finally, we will witness increasing interest in investments in the renewable segment aided by the respective governments' commitment to Net Zero targets and this will open up a new range of new opportunities for the company.

Let me now briefly comment on our guidance for the year.

First on order inflows: During the nine-month FY22, there has been a pickup in order announcements from the government and tendering activity continued at a brisk pace. On the back of normalized tax collections we are optimistic that the government will use the unutilized portion of the budgeted capex spend in this current Q4 FY22. Further to corroborate our bottoms up prospects in Q4 add up to Rs.3.92 trillion, which as I said earlier, is almost 48% higher than last year Q4. Since the momentum is picking up, if large parts of the tendering fructify during Q4 basis past statistics, we may be on course to meet our guidance on order inflows for the year of FY22. Also, since we have a large order book, we continue being selective in the orders we

bid. Although we remain reasonably confident in meeting the order inflow guidance for FY22, there could be tail risks around some opportunities spilling over to subsequent quarters.

Coming to revenues: Our Group revenues for nine months FY22 at Rs.1.03 trillion has registered a growth of 18%. The effects of the COVID third wave on the company's operations and the consequent challenge around labor and supply chain is expected to be limited in Q4. We remain on course to achieve the guidance on revenue for the year FY22.

On margin: Our nine-month FY22 margin in our traditional core business is around 8.8% vis-à-vis 8.7% in nine months of FY21. As you are aware in the current year, our traditional core businesses have been impacted by elevated commodity costs on the fixed price contracts in our order book. At the beginning of this financial year. we did guide that we will maintain a margin of 10.3% in this portfolio. So far in the nine month period our progress on the margin front in our traditional core businesses has been satisfactory, and as I mentioned earlier during this call, multiple tailwinds around jobs reaching valuation threshold, release of contingencies on jobs nearing completion, improved overhead recoveries due to higher volumes, favorable customer claims settlements, value engineering and various other cost saving initiatives have provided the necessary tailwinds to margin in a difficult inflationary environment. It is, therefore, very important that some of these factors that I just know stated support us in Q4 as well to achieve the yearly margin guidance.

On Working Capital: As you know Q4 has always been a seasonally strong quarter for L&T in terms of working capital management. Since our NWC to sales ratio is at 23.1% as of December 21, it is quite possible that the same improvement trends will continue in current Q4 as well and therefore we are reasonably confident to meet the working capital guidance by March 22.

Finally, in the backdrop of the current economic environment, the company continues its planned path of winning targeted orders, focus on profitable execution of its large order book, leverage the strong momentum in its IT and TS portfolio and along with many other value engineering measures is committed to create sustainable long term returns to its stakeholders.

Thank you Ladies and Gentlemen for the patient hearing. We will now take Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: My, first question pertains to the prospects only. You did mention the GCC prospects are improving. Are we seeing material traction compared to let's say last nine months and are we very confident that the prospects will improve in FY23 from GCC, that's the first question.

P. Ramakrishnan: Okay. So, as far as GCC is concerned, we essentially have the two major segments of our portfolio; that is Infrastructure and Hydrocarbon engineering, where we are present in GCC. Out of the prospects that I talked about for L&T Hydrocarbon as of 31st, December for Q4 of almost around Rs 522 billion, 76% of this is relating to international prospects and a substantial part of

the 76% is actually relating to Middle East. This, in my opinion is far more than the same that we witnessed in the same period as of December 2020. Coming to Infrastructure, of the total order prospects that we talked about of Rs 3.15 trillion, the share of international prospects is around 13% odd, which I would say has largely remained the same as we compare with the December 2020 levels.

Mohit Kumar: But do you expect this thing to improve further in FY23

P. Ramakrishnan: Mohit it's a little premature because what we consistently do is that, at the start of the year, we give the order prospects for the full year and thereafter at the end of each quarter we bring it down to the balance part of the year. So, as we see now, the order prospects that I spoke about is for the Q4. When we close March 22 i.e., when we come out with the results during May at that point in time we will revisit that.

Mohit Kumar: Second is sir, we see L&T taking number of steps in green economy. Of course, we may not divulging something as of now, but when do we expect to get more clarity and where are we in announcing the Lakshya 2026 Strategic Plan?

P. Ramakrishnan: See, the Strategic Plan exercise is complete within the company and we expect to come out in terms of format and communication very shortly.

Mohit Kumar: When do we get more clarity in terms of the new investments in the Green economy in that strategic plan?

P. Ramakrishnan: Yes, in fact from Q2 onwards we have been communicating about L&T looking at alternative business segments like green hydrogen, batteries, data centers and so on. So, the exercise of the strategic plan for the entire group is complete. In terms of how we will be looking at investments in these newer businesses, we will communicate in a short time from now.

Moderator: Thank you. The next question is from the line of Aditya Bhartia from Investec. Please go ahead.

Aditya Bhartia: The performance on margins has been fairly impressive given the kind of raw material inflation that we have been seeing. Just want to understand, with all the levers that were available, had this kind of inflation not been there, would we have seen a much better margin performance and as things start to ease out, is it fair to assume that margins may settle at a level higher than what we historically used to be?

P. Ramakrishnan: So Aditya, first it is important for all of you to see us in a perspective as largely projects company having multiple contracts across various segments, both domestic and international. Contracts that are recognizing revenue, also could still be cost contracts that are below the margin recognition threshold, then a combination of fixed price contracts and variable price contracts. So, at the start of the year, when we gave the guidance with respect to the traditional core business portfolio we said that we will try to maintain 10.3% for FY22, it was basis the assumption on the mix of jobs that will get into execution in the current year and how much of

cost savings that we will achieve due to value engineering and cost overhead recovery because of higher volumes post Covid. So, all of these have been in combination. In fact, if you see for Q1, Q2, Q3 i.e. for nine months, we have been able to manage margin despite the fact that the commodity prices had some impact on our execution especially with respect to fixed price contracts. So, we are hopeful in terms of Q4, the way the job progress will happen and the other levers in terms of better overhead recovery because of higher volumes. As you are aware, Q4 historically has always a very busy quarter for the projects business of L&T. So obviously, we should be in a position to demonstrate more volumes and thereby overhead recoveries. But there can always be slippages here and there in terms of some jobs that were to cross the margin recognition threshold getting postponed, or in some cases where a job which is scheduled to get into margin recognition threshold in Q1 of next year, getting advanced to Q4 of the current year basis the supplies that were to happen. So, at this stage, as we see it the way we have demonstrated in the previous three quarters, given the fact that if those factors come out in our favor the way I've talked about, hopefully we should be able to maintain the margin same level. But to answer to your specific question in terms of what could be the likely impact that the commodity prices had on our margins in our nine months, I would say it will be in the range of 30 to 50 basis points, which has been compensated by the other factors that I just now referred.

Aditya Bhartia: Sure. So, what I really wanted to understand is that, has it been the case that it so happened this year that certain large contracts were supposed to cross margin recognition thresholds, certain contracts were getting completed and that has kind of faded margins or on a sustainable basis we have seen margins improving maybe because of certain cost reductions that we have had in terms of operational efficiencies, greater use of technology etc.?

P. Ramakrishnan: So as far as the operational efficiency and use of more automated technologies is concerned, L&T has started this from almost FY19 onwards. But important thing Aditya is that the FY21 margins that we printed at 10.3 was basis the first six months the projects part of the business could not witness any major growth because of the Covid. So, we have factored the assumption that FY22 is going to be a normalized year in terms of our ability to execute. And given the fact that some of the jobs getting into margin recognition threshold has really helped us, hopefully, as you are aware that the entire order book that we have almost at Rs 3,40,000 crore across the segments, at each point of time there will be some jobs getting into margin recognition across the quarter, some jobs getting closed out. Like I talked about in respect to Heavy Engineering, some amount of tapering of job also has led to sort of a margin decline. So, on a quarter-on-quarter basis, I would believe that we should not be gauged. So, structurally, I would like to say here that, we seem to be on course to meet the guidance for Q4 given the fact that these factors come in our favor.

Aditya Bhartia: Sure sir. And sir just wanted to understand what kind of competitive intensity are you seeing in different segments and the subdued order inflows on the domestic side, has it been only a function of weaker order finalization, or is it also about competition being very intense?

P. Ramakrishnan: Aditya, in fact post Covid, we have been extremely careful to select specific opportunities, not that we are looking at each and every order that we can possibly bid for or execute, we have

been selective to ensure that what we bid has margins that are not severely compromised. So, from that perspective, we continue to be selective in target opportunities and in those opportunities we have inbuilt proper risk factors to take care of the increase in commodity prices but at the same time, we take cognizance of the competitive intensity and bid it in a selective manner. So, this year in the infrastructure segment we have been successful in securing orders in Buildings and Factories, in Heavy Civil in also Water and Effluent Treatment. However, in Transportation infrastructure, as it has always been the case for the last three or four years, the competitive intensity has been quite high. And we have also desisted from bidding for smaller jobs, because it is impossible for us to bid at those prices in which the tenders are getting awarded.

Aditya Bhartia: Sure, sir and just a word on Hydrocarbon competition?

P. Ramakrishnan: In case of Hydrocarbon competition, I guess in fact this year, we have secured almost Rs 23,000 crore as international orders in this segment. Obviously, in case of Hydrocarbon, the competition varies across both the domestic and Middle East. So, in case of domestic competition, we will restrict ourselves to maybe four or five entities, but in terms of international competition, the number of entities that compete almost doubles. But given the fact that we have had a good past track record in executing the projects on time, the clients also have been very proactive to give some pieces of these order opportunities to L&T. So, Middle East has almost given us, I would say close to maybe USD 2.5 to 3 billion worth of orders in the current nine months.

Moderator: Thank you. The next question is from the line of Parikshit Kandpal from HDFC Securities. Please go ahead.

Parikshit Kandpal: Sir my first question is on Hyderabad Metro. If you can just highlight after all the refinancing and support from state support, so how will the capital structure change and what kind of loss funding we have incurred in FY22 and how it will reduce in FY23?

P. Ramakrishnan: Okay. So Parikshit actually, there was around 13,000 odd crores of bank debt loan that got refinanced through a combination of NCD issuances and commercial papers, which enabled us to get a saving of almost I would say 2.6%. Now, the refinance incidentally happened on 31st of December 21. So, the impact of this refinance will be seen from Q4 onwards. So, the average of 350 crores per quarter or 1400 crores per year was the interest cost on the 13,000 crore debt, now that will get reduced to almost 1000 crore of yearly interest charge. So, which we believe that Rs 400 crore saving on a yearly basis should obviously too good.

Secondly, also, I would like to mention with a ridership that crossed almost 200,000 to touch average at 218,000 after a long actually for the first time, the Metro operations posted a positive EBITDA of almost 30 crores. So, we do expect an improved ridership to actually facilitate more of this EBITDA accruals to ensure that the interest, the buffer to take the interest costs also gets increasingly possible. But the most important thing at this juncture is to reduce the overall capital intensity of the deployment in the Hyderabad Metro. So, which means a combination of the support or financial support that we are looking at from the government of Telangana. Once that

happens, so that could be used to partly redeem the short-term debt that we have in L&T Metro and thereby reducing the further interest cost. And last, but not the least, we are also discussing with investors to bring in fresh equity and use those equity proceeds to further reduce the debt. But in terms of sequencing, our priority, or the way it could happen is possibly by the end of this financial year, we should be in a position to have demonstrated the government's support to the metro operations not only in terms of I would say soft financial assistance, but also our ability to monetize the transit oriented development rights in a far more effective manner. I guess we are seeking those relaxations and as I understand the status of those discussions with the government has been quite positive and satisfactory. So that would be the first in priority. The second priority is the work in progress in terms of, as I said bringing in equity investors. But in terms of the timelines, given the fact it is a concession asset, requiring a whole lot of approvals., so, I'm not able to really comment on timelines. But I believe by the end of March 22, we should have some positive news in terms of the Telangana government support for the L&T Metro project.

Parikshit Kandpal: So, we have been talking about that by March this project will not be requiring any further support or loss funding from L&T side. So looks like we will still have to continue at least till the first half of next financial year, is the understanding right till the time we get investor and right size our debt to an extent where the interest cost reduces further from here on, we'll still be incurring about 1000 crores of loss funding for next year?

P. Ramakrishnan: It would be best for me to say that the funding which we did in Q3 was around 200 crores. Which is essentially cash flow or loss funding. Hopefully in Q4 also it could spill over because in January the ridership was a little below normal considering that there has been this Makar Sankranti holidays and some lockdown restrictions in Hyderabad, hopefully February, March we should see come back to that same trajectory. So given the fact that if the State Government financial support comes in, with the kind of magnitude that we have sought for, I'm sure next year, we could see a substantial reduction in any sort of cash support to L&T Metro. But I would not like to put a number to that Parikshit, because as I said it is the timing and the extent of the government support that we expect in this quarter, which will determine the next year kind of I would say forecast.

Parikshit Kandpal: Okay. The second question was on some of the debtors and receivables like, we have been talking about the collections from AP stuck projects. And some of the expenses which we have like expensed during the COVID time we have incurred an expensed, but maybe we had to recover. So, if you can just highlight on these two aspects of how we are in terms of collections, and whether the key claims have been put to the client and have we started realizing these claims in the COVID?

P. Ramakrishnan: So, the exposure to the Andhra projects which was almost I guess, around 1250 odd crores as of March 21, now stands reduced around 1150 odd crores. So, there has been, I would say positive developments across the various government agencies, there is not one particular agency with which we have been executing jobs. So, there has been multiple government agencies where we have various types of jobs under execution, it is slowly getting resolved as a very favorable

development is to say that, with respect to some of the government customers, the advance payment guarantee that we had provided that has been relinquished or waived off so to that extent the intent is there, I would say that it has not deteriorated rather there has been an improvement in terms of collections. So, what we are typically doing is as per the Accounting standard whatever it is required ECL provisions is being done , if we take a longer time to resolve and it is not only L&T along with us there are other companies also who have had a similar issue. And collectively, the government is aware of this and they are making progress, although slow, but there has been progress. So, we have had around 90 to 100 crores of collections, within nine months.

Parikshit Kandpal: And with regards to the COVID claim, which you have been expensing, but we thought that maybe at a better time things improve we will seek relief from the customer. So, if there is a number you can quantify which is claims outstanding which is to be collected from the customers and how much has been done?

P. Ramakrishnan: So actually speaking, the expenses that we incurred in the first quarter of FY21, which was all actually keeping the workforce in the site without any visible progress. Obviously, we had put a claim, and in some of those claims have been realized. And as I speak, when I say for the nine months, we have been able to maintain the margin, see some of these COVID claims have also got realized, and some are still pending.

Parikshit Kandpal: Okay. Sir, any number to that, it's like not very meaningful?

P. Ramakrishnan: I would not like to tell that number, because it's a little sensitive, given the fact that it is with customers. And I'll stay put there.

Parikshit Kandpal: Okay, sure. Just one last thing on, so what will be the composition of the fixed price contracts in the order book now?

P. Ramakrishnan: As it stands now, roughly around two thirds would be variable price contracts, and one third would be fixed price contracts.

Parikshit Kandpal: So, March this ratio changed significant number because these were going close to about 50%?

Parikshit Kandpal: This fixed price earlier used to be much higher. So is there any change now?

P. Ramakrishnan: No. I'll put it like this that for the jobs that we are quoting in the current year now, many of the jobs we are positioning it as variable price itself. So as it stands in the order book, I would say around 60% to 65% is variable and the balance fixed.

Moderator: Thank you. The next question is from the line of Renu Baid from IIFL Securities. Please go ahead.

Renu Baid: I have three to four questions. Firstly, when you spoke about your guidance and your comfort in meeting them, there seem to be reasonable amount of comfort on revenues and margins. But your comments are more cautious on inflows given dependence on order finalization from the government sector. So related to this, can you help us understand from the prospect list that you've highlighted for the fourth quarter, what would be the approximate mix between government and private sector and any insights or inputs into the L1 projects on which we are awaiting clearance in the next couple of months or so?

P. Ramakrishnan: So the order prospects that I talked about, I would say almost of the domestic order prospects 85% would be government and balance 15% would be private. The private order prospects will be largely in minerals and metals also and buildings and factories, whereas the government would cover all the other segments. And as I mentioned earlier, during the call that we have had, if you were to take as a statistic Renu, that in the current nine month FY22, I'm taking nine months and not being specific to Q3 because in the projects, awarding business a longer period tries to give a perspective. In the nine-month FY22, the awards to tender ratio has been only around 48%. Whereas the nine month FY21, the awards to tender ratio, I'm referring to only the India based tendering opportunities that are out in the public domain, that ratio was almost 61% and secondly, as we speak until November, we believe that the total budget that is spent of both central and public sector utilities has been only around 50% of their targeted spend for FY22. And with respect to the states, it is just around 40%. So basis this and the fact is that we have a reasonably good order prospects at the start of this quarter at almost 4 lakh crores. And basically, if you have to see how we have gone back in the last three years to see how much the order prospects started at January and how much has been the conversion. So, if I go on that basis construct and given the fact that there has been a lag between tendering and awarding. So we do believe that Q4 could be a good quarter but at the same time, if I had to take current nine months development in terms of the award tendering ratio, there could be possibilities that some large bids get slipped over to next quarter.

Renu Baid: This is where I had the second question.

P. Ramakrishnan: Let me complete Renu. So, the point here is every 1200 odd crores of an order is almost 1% impact in terms of growth. So, if you have a situation that some of these targeted prospects get into tendering mode, not that they have not been tendered, there could have been bids also been submitted. And we may be well placed in some of these bids and if they materialize, then you will be closer to meeting the guidance. And in case for whatever reason they don't materialize, then it is possible it could be a spillover. And given the fact I have only three months now to comment upon and in the past because of some order slippages, especially on the awards to tender ratio that I just now spoke, that's the risk we run, but as far as order prospects is concerned it seems to be quite good. But in terms of actual tenders and awards, if those things happen given the past behavior of what we have seen with respect to L&T then we may be on course to be closer to the guidance that we have given. Otherwise, we could see some potential slippage.

Renu Baid: Got it. Related to this the question which I had was on the inflow prospects, can you highlight a few large projects which could be more than $500, $600 million or probably billion dollar plus

ticket size projects. And whether these will be largely again in the defense engineering as well as hydrocarbons segments or how would that pipeline look as on today. Because we heard about repeat order for K9 Bajra for 200 units, which could be close to about 12,000 crores?

P. Ramakrishnan: As I see, we have reasonably good order prospects in defense engineering, in hydrocarbons and infrastructure always has been the lion's share of this. So, as far as timing of those opportunities are concerned getting into awards and bid would be a little difficult for us to comment at this juncture, especially for this quarter. But we do believe that we should be in a position to get some good orders basis I would say the way we are placed, the tenders that we have submitted. So, we do see there are multiple orders in the infrastructure segment which are in the range of 2000 to 3000 odd crores, I would easily say there are almost seven to eight such orders prospects and along with that in hydrocarbons and in defense engineering again in the range of 1000 to 2000 crores in defense engineering there are multiple prospects, but it would be better that we stay put here, because beyond this then it comes to the actual order prospect itself will come into the public domain, which should be avoided.

Renu Baid: No problem. The second question is recently as in just yesterday we had announced regarding this setup of Giga factory and the MOU for green electrolyzers. So, wanted to understand why we are competing for a small factory to start which consist of 1000 megawatt terms for electrolyzers, what is the thought process to use some of the existing manufacturing facilities that we have either with MHI for the power equipment or in the heavy engineering space. So, would it be like completely new Greenfield CAPEX or more Brownfield in terms of utilizing the existing installed base specifically on the conventional power equipment portfolio?

P. Ramakrishnan: So, Renu first and foremost, I would like to state here that, it is a memorandum of understanding in terms of how both the companies will work together on this particular type of business. So, in terms of the capacity, how the investments will happen, the location whether it be greenfield in a separate investment or a brownfield as part of our existing facility be it in Hazira or elsewhere. That is still all under discussions, but it is important the fact that L&T going into green hydrogen, one of the important things is to have the right technology partner, the right partner to bring in this technology and work jointly. A little premature in terms of to conclude as to how the structure of the joint venture will be or where the investment will happen. These are all going to be fine-tuned as we get into definitive agreements.

Renu Baid: Sure. So, any possibility of using the existing power equipment facilities, which are co-owned along with MHI by using MHI technologies on the green power or they will continue to be conventional coal-based solutions only?

P. Ramakrishnan: So, okay Renu the MOA is with another party and our MHI JV for the turbine and the boiler factory is separate. Now, in terms of whether we use that facility for making green hydrogen, and all depends on a lot of other developments, so which is all work in progress. Most likely, I would say that the facility for green hydrogen in all probability will be happening in Hazira itself. But whether it is an extension of the MHI facilities or a part of a new facility within our

existing campus, these are all discussions that will happen. And maybe time will tell as to what will be the final methodology.

Renu Baid: Sure. And lastly, while we spoke in detail about the margins and costs perspective, can you just help with respect to one data point on a regular provisions and otherwise, we tend to make these regular provisions for cost overruns on projects and specifically in the current environment, whether there has been inflationary headwinds, only for bookkeeping purposes can you share what would have been the total provisions in the nine months for cost overruns on this fixed price contracts?

P. Ramakrishnan: So, Renu as far as fixed price contracts, since it is contract accounting, what actually happens is actual cost that have been incurred for the period, divided by the actual cost incurred for the period plus the balance costs that are going to be expected to be incur to complete the job that determines the percentage completion when multiplied by the contract value will give you the cumulative revenue as against the previous period, how much you have recognized under the contract gives you the revenue for the period which you are reporting. So, while we do this, obviously as a consistent measure for example, when we start the margin recognition, the moment the contract achieves a particular threshold level we have a contingency that is kept because the job is not yet complete. And as the job progresses slowly the contingency will get released. Now, this contingency which is provided for takes into account all things including engineering surprises, it can be maybe a cost overrun as well, due to commodity prices or additional cost inputs because of a rework and all. So all of that gets built in. So specifically, to say fixed price contract impact of commodity prices on the expected cost to complete is a parameter which is just not cannot be taken out and isolated.

Renu Baid: Got it. And lastly, one more thing given that now we're sitting with almost 22500 crores of gross debt for the portfolio, for the targeted year end level should we look at incremental 10% to 20% reduction in the borrowing levels from the current levels given the improvement in cash flows expected and what will be the net debt at the portfolio level. Thank you.

P. Ramakrishnan: When you talk about the net debt at the core portfolio is almost negligible now, and I don't think in the next Q4 or the next six months also, there are any sort of a major debt raising plans for the parent L&T. And to the best of my understanding even for the group as well, I'm excluding L&T financial services primarily because it's a financial services entity. Although L&T finance also has been reducing their overall book itself in terms of now the focus is more on retail and thereby they are reducing the book now, it is actually their strategy is to first to come down and then grow. So, that is how they are looking at. So, unlikely that the debt levels will see any uptick both at the standalone and at the consolidated level if at all it should be coming down in the course of time.

Moderator: Thank you. The next question is from the line of Puneet Gulati from HSBC. Please go ahead.

Puneet Gulati: My first question is on the capital employed, how much capital employed do you currently have on Hyderabad Metro and Nabha Power projects?

P. Ramakrishnan: Our exposure to, I would have to put it in, the total funding of L&T to L&T Metro as of December 21 is around 7200 crores out of which almost 2400 crores as equity and the balance is by way of cash support and various other instruments. Our total carrying value on this when I spoke on the L&T Metro exposure of 7200 crore is the L&T standalone exposure to Hyderabad Metro, but when it comes to the consolidated financials, this will get subtracted with the cumulative losses that we have considered. So, that way as a December that 7200 of standalone translates to almost 3750 crores in the consolidate level.

Puneet Gulati: So, sir for Hyderabad Metro for example, the way to think would be 2400 crores the equity and 13,000 crores is the debt, is that how one should think about?

P. Ramakrishnan: No, Hyderabad Metro liabilities if you see their balance sheet you will have 2400 crore of equity and that 13,000 crore of bank debt or third party debt and the balance 7200 minus 2400, what is the L&T assistance will be shown as a liability there. Okay, but coming back. So the carrying cost of Hyderabad Metro in the L&T consolidated books post consolidation of losses is reported at Rs 3750 cr. Coming to Nabha Power is around 2400 crores.

Puneet Gulati: And what's the progress on Nabha Power in terms of divestment?

P. Ramakrishnan: Obviously, currently discussions are happening with prospective parties. But at the same time, we are also very clear that we don't want to be seen as sort of a distressed kind of a seller. So, given the fact if there is a value convergence hopefully, there has to be some closure of this transaction, but it is an item in priority.

Puneet Gulati: Yes, but it is a tough one given the fact that nobody really wants to invest in a thermal unit and the fact that Punjab itself has a lot of issues, do you see any material progress happening in FY23?

P. Ramakrishnan: So, Puneet it is like this, I would like to, of course there is this coal based power plant generation is considered to be a less favored investment destination now from a perspective of the fact of ESG and all but I would like to state and reiterate here is that, it is the best managed, best performing coal based power plant, one of the best, actually the best in Punjab, I would say because it is the ranking first in the merit order dispatch, but more importantly the most efficient coal plant. So, from an investor who like to see sort of an assured returns given the fact that there is still some 16 or 17 years of PPA left out. So it gives some sort of annuity returns. But yes, had this probably the ESG part would not have surfaced like the way it is now, maybe we could have seen the divestment happening earlier. But that doesn't mean that there are no investors looking at these assets, because if you have to be in coal, I would say Nabha Power is the least polluting of them.

Puneet Gulati: Okay. And my second part of the question is, you've talked about hydrogen electrolyzers. But we haven't heard you talk much on the solar manufacturing opportunity.

P. Ramakrishnan: So, we are looking at this part of the renewables also, but in terms of I would say, overall priority on the green portfolio, I would say would be more on the green hydrogen on the battery side, we are looking at solar as well, but as you are aware, the solar investment also calls for a large scale investment . So, let us see how the whole thing pans out. And then in the next three to four months, you will come to know about how much are we focusing on investments in each of these new businesses.

Puneet Gulati: So, this is not likely to be the plan announced in 2026 plan?

P. Ramakrishnan: It will, but the extent of our investment kindly give me some more time as I said earlier during the call, the strat plan is complete, but in terms of communications, we will do that shortly.

Puneet Gulati: Understood. And lastly, on the EduTech side, anything you can comment what is the scale of that business in terms of revenues.

P. Ramakrishnan: So, the EduTech is like a, I would say a knowledge skill portal, a knowledge skill business, where L&T thought processes to accumulate the engineering skills or the knowledge skills that it has over the traditional conventional engineering portfolio and also assimilating the newest skills that we have from the LTI, the likes of LTTs and the Mindtree. So, package them as, what we call as elective courses and try to position it to the various universities and there are largely private colleges, I would say, so that they are in a position to get their students content, which is covering both theory and full applications, because it is being designed by people who have been in that particular field. So, we do believe that this part of skill enabled elective courses for engineering students will make them better employable and obviously, will be a sort of a win-win for L&T as a group and also for our competition as well.

Puneet Gulati: In terms of any revenue that you have, or is it something completely?

P. Ramakrishnan: It has just started Puneet so, we have positioned it as a startup it got commissioned in the month of October. So, we have around 50 odd courses that we need to roll out, which will all get happened by the next two to three months. So, in terms of the scale numbers and all maybe from Q2 onwards, Q2 of next year, we will definitely be able to communicate.

Moderator: Thank you. The next question is from the line of Priyankar Biswas from Nomura Financial Services. Please go ahead.

Priyankar Biswas: A few questions on my side. So, you said that the external debt in Hyderabad Metro is almost like one Rs.130 billion to some participant. So, does that mean that we have refinance the entire external debt?

P. Ramakrishnan: Yes, complete.

Priyankar Biswas: So still in the 4.83 billion interest cost that you highlighted so is there a component that you charge on let say the related party loan that has been provided within this 4.83?

P. Ramakrishnan: No, okay. So 13,000 crore was external bank debt is replaced with 13,000 crore of marketplace debt be it NCD or commercial paper. And I also spoke that L&T standalone exposure that L&T's contribution to Hyderabad Metro has been 2400 crores of equity and the total cumulative exposure of 7200 minus this 2400 that is what we have given as financial assistance and obviously, as an arm's length transaction this is being positioned as a sort of an inter corporate deposit charging normal rates. So, when I report the interest cost for Hyderabad Metro includes the sort of interest also which they have to pay for the L&T assistance barring outside of the equity.

Now, in terms of when I mentioned that, when we get the assistance from the Andhra government, which we are looking for so, the part of this assistance will be used to bring down in terms of a combination of the external debt first. And then as we speak with the external investors for the equity, so that part is work in progress in terms of how much of money will come when, in what form.

Priyankar Biswas: So, essentially, the cash flow impact is much lower, so that I wanted to understand, so it's not an entire 4.8 billion so, even if I adjust for the 0.57 that was amortized. So, that would be the correct assessment, right?

P. Ramakrishnan: Can you repeat that, I have not understood that.

Priyankar Biswas: So, in the quarter, you had a 4.83 billion finance cost. So, I am saying if I have to look it from a cash flow perspective, so the entire 4.83 billion won't be really expensed because there is some related party finance cost in it?

P. Ramakrishnan: So, you are referring to the Metro interest cost of Rs438 crore for Q3 Right?

Priyankar Biswas: Yes. So, I am trying to say that at a consol level the cash flow impact would be lower, because there are components that you have.

P. Ramakrishnan: Correct. But only thing in this quarter that amount now includes an additional around 60 crores costs that Hyderabad Metro expensed out because this related to the cost that Metro had paid at the time of original structure of the loans, the term loans which they had taken from banks so which was getting amortized. Now, that loan itself doesn't exist. So, that outstanding portion of the unamortized portion has been expensed out.

Priyankar Biswas: Okay, now I got it. A second question is see, in the third quarter there were some impacts, like in Delhi for most of the quarter, there was a construction ban, then in most of the states of the South there was too much of rainfall, floods in Chennai like this. So, where it not the case, could your domestic infrastructure execution have been much higher and what would you assess to be the impact of this?

P. Ramakrishnan: So, Priyankar in Q2, we had an impact in the month of August and September on execution because there were unseasonal rains in Western India. In Q3 considering the projects that we

have, luckily there was no such impact because of external factors. But as I said during the call, there could be had there been some supplies, which were on time for a particular project in Western India, maybe our revenues for infrastructure could have been better, but that is a spillover to Q4. Otherwise, we have not seen in Q3 any sort of, I would say weather conditions or lack of manpower impacting project progress.

Priyankar Biswas: And just adding on to this. So, I remember that earlier when Arnob was there and initially you also as well, it was highlighted that L&T was quite advanced in terms of at that time the project was going on for digitalization of the entire construction equipment assets that you had. So, where are we with regards to that and when should we see the savings or the productivity gains for that in our numbers. So broad sense if you can give?

P. Ramakrishnan: Okay, so Priyankar, we have almost I would say 11,000, odd construction equipments that across 1000 odd sites in the country, all these equipment's are obviously linked now, they all become sought of smart equipments by which a person remotely can evaluate, monitor the efficiency or the working of those equipments so that we are in a position to have better productivity. For example, if a particular equipment is seem to be not moving in the site at all for a long time, it gets addressed at the central command level to find out why this particular equipment is idling given the fact that there has been no set manifest in terms of the engine getting operated or is it moving. So, which means if an equipment is idling and we know for sure that it is not going to be used at least that is getting escalated and the equipment gets shifted. Similarly, even work for efficiency is also getting monitored through use of various equipments that we are now fitting which not only efficiency, but also safety. So, all of this has an impact on the overall I would say cost and efficiency and productivity. And to tell you this is also one of the reasons that we are able to price these productivity benefits and become more competitive for the jobs that we have been securing all these years. So, in terms of, as far as automation or making the smart equipments is concerned, all the construction assets in our infrastructure business have all been automated completely and monitored remotely.

Priyankar Biswas: So, maybe that is how you could probably offset a lot of this. Besides the other factors you mentioned, maybe this…..

P. Ramakrishnan: Yes, correct.

Priyankar Biswas: Sir, absolutely the last question from my side here. So just touching again on the new segments that has been talked about. So, we have heard about tech tie-ups that you have announced let's say with Renew Power also and most recently HyPro. So, is there any tech tie-up also in the plans for the battery because you have secured this PLI so not really heard anything on that yet. So what is the status of that?

P. Ramakrishnan: So talks are on with prospective parties. So you should hear soon once that happens.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. P. Ramakrishnan for closing comments.

P. Ramakrishnan: So, thank you all for participating on this call at this late hour. It was my pleasure to interact with all of you and I hope we have answered all your questions. With this the call is concluded. Take care and good luck.

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