"Larsen & Toubro Limited Q1 FY26 Results Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Larsen & Toubro Limited Q1 FY26 Results 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. I now hand the conference over to Mr. P. Ramakrishnan from Larsen & Toubro. Thank you and over to you Mr. P. Ramakrishnan.

P. Ramakrishnan: Thank you, Sagar. Good evening ladies and gentlemen. A very warm welcome to all of you into the Q1 FY26 Earnings Call of Larsen & Toubro.

The "Earnings Presentation" was uploaded on the stock exchange and in our website at 6.45 p.m. I hope you had a good chance to take a quick look at the numbers.

As usual, instead of going through the entire presentation, I will take you through the "Important Highlights for the Quarter" in the next 30 minutes or so, post which, I will be taking the "Q&A."

Before I begin the overview, the customary disclaimer:

The Presentation which we have uploaded on the Stock Exchange and our Website today including the discussions we will have on the call today, may contain certain forward-looking statements concerning L&T Group'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. I would request you to go through the detailed disclaimer which is available in Slide #2 of our earnings presentation that we have uploaded today.

The Indian economy demonstrated resilience in an otherwise volatile quarter punctuated by trade tariff stresses and conflicts in West Asia. Strong balance sheets, political and policy stability and demographic and digitalization opportunities continue to drive India's growth story. Key high frequency indicators in the services and manufacturing sectors continue to signal a broad-based growth. The easing on inflation, a favorable monsoon and the RBI's 50 basis points reduction in the repo rate that it recently concluded June meeting could further aid the growth momentum in the economy. In Calendar Year 2025, global economic activity is expected to remain subdued with an uneven momentum. Regional growth patterns have become fragmented as geopolitical and policy uncertainties reshape the economic outlook. The GCC led by Saudi Arabia is likely to continue the investment momentum in both the physical and digital Infrastructure in the region. However, any further escalation of conflicts in the region could pose increased uncertainty for financial markets, energy prices, investments, and global trade flows.

Having covered the macro landscape, let me now "Share a Few Important Highlights for the Quarter":

- **Coming to Order Book:** During the quarter, our order book in the Projects and Manufacturing business portfolio has crossed the significant milestone of Rs.6 trillion.
- In the Hydrocarbon sub-segment, effective 1st April 2025, the business is carved out into offshore and onshore verticals. This strategic move will enable greater specialization, operational agility, enhanced capabilities and better client focus and relationship to navigate the evolving Energy landscape while continuing to deliver world-class solutions.
- With respect to the Green Energy Initiative of Larsen & Toubro, L&T Energy GreenTech, which is a wholly owned subsidiary, has won the bid to Build, Own and Operate (BOO) a 10-KTPA green hydrogen plant for Indian Oil Corporation for its Panipat refinery. The plant will supply green hydrogen to IOCL under a 25-year BOO contract. Further, L&T Green Energy has established two wholly owned subsidiaries, Panipat Green Hydrogen Pvt. Ltd. for the IOCL Panipat project and L&T Green Energy Kandla Pvt. Ltd. for developing other green hydrogen and derivative projects.
- Coming to L&T Semiconductor Technologies, which again is a 100% subsidiary: This Company along with a local partner has signed an asset transfer agreement with a Japanese corporation for the power module business acquisition.
- Coming to L&T Finance: The consolidated loan book of L&T Finance crossed the Rs.1 trillion milestone in Q1 FY26. The retail portfolio mix is now at 98% of the total loan book. The business also completed the acquisition of the Gold Loan business from Paul Merchants Finance Pvt. Ltd. by way of a slump sale on the 9th of June. The Company has been assigned a debut investment-grade rating by international rating agencies. The one is of Standard & Poor's. The rating is BBB- long-term and A3 short-term issuer credit rating with a long-term rating as positive. Fitch has also given a long-term foreign currency and local currency issuer default rating of BBB minus with a stable outlook.
- With respect to L&T Hyderabad Metro: Effective 17th May, the fare per passenger has been revised upwards by 30% over the existing fares. However, a discount was extended to commuters which effectively resulted in a net increase of 20%.
- L&T achieved a significant milestone by becoming the "First Indian Corporate" to issue an ESG Bond under the SEBI's newly introduced ESG and sustainability linked bond framework. As part of this transaction, L&T is committed to environmental targets including a decrease in the intensity of freshwater withdrawal and emissions of greenhouse gases. These initiatives are in line with the Company's long-term sustainability goals of achieving water neutrality by 2035 and carbon neutrality by 2040. The Company issued Rs.5 billion in non-convertible debentures with a three-year maturity and a 6.35% coupon rate.

We will now cover the "Various Financial Performance Parameters for Q1 FY26":

- We are pleased to highlight that we have begun our final year of 'Strat Plan' FY26 on a strong note with a robust performance across the various financial parameters.
- Our Group order inflows for Q1 registers a YoY growth of 33%. On the back of a strong ordering momentum, the order book at Rs.6.13 trillion as on June '25 has registered a substantial growth of 25% on a YoY basis. Aided by a strong execution momentum from several businesses within the Projects and Manufacturing portfolio, the group revenues for the quarter registers a growth of 16% on a YoY basis. Our margins in the Projects and Manufacturing portfolio at 7.6% have remained stable on a YoY basis.
- As on June 2025, our Net Working Capital to Revenue stood at 10.1%, reflecting a strong improvement of 380 basis points on a YoY basis. Similarly, our Return on Equity on a trailing 12-month basis as on June '25 is at 17%, improving by 230 basis points on a YoY basis.

I will now move on to the "Individual Performance Parameters:"

The first one is Order Inflow:

- Our group order inflows for Q1 FY26 at Rs.945 billion registered a YoY growth of 33%. Within the group order inflows, the Projects and Manufacturing businesses secured order inflows of Rs.766 billion for Q1, reporting a robust growth of 41% over the corresponding period of the previous year.
- Our Q1 order inflows in the Projects and Manufacturing portfolio are mainly from Infrastructure and CarbonLite Solutions businesses. During the current quarter, our share of international orders in the Projects and Manufacturing portfolio is at 48% as compared to 40% in Q1 of last year.

Moving on to "Prospects Pipeline":

- We have a reasonably strong prospects pipeline of Rs.14.8 trillion for the remaining nine months of the current financial year as compared to Rs.9.1 trillion for the same time last year. This represents a sharp increase of 63% on a YoY basis. The increase in the prospects pipeline is mainly led by Infrastructure and Hydrocarbon segments. The broad breakup of the overall prospects pipeline for the remaining nine months is as follows:
  - Infrastructure Rs.7.97 trillion vis-à-vis Rs.6.03 trillion last year, representing an increase of 32%.
  - Hydrocarbon Rs.5.78 trillion vis-à-vis Rs.2.17 trillion last year, representing an increase of more than 100%.

  - CarbonLite Solutions Rs.0.55 trillion vis-à-vis Rs.0.45 trillion last year, representing a modest increase of 22%.
  - The Green and Clean Energy order prospects is now at Rs.0.21 trillion vis-à-vis Rs.0.10 trillion last year. This increase is primarily led by gas to power related opportunities outside of India.
  - The Heavy Engineering and the Precision Engineering Systems combined together, the order prospects is at Rs.0.30 trillion as compared to Rs.0.31 trillion last year.

Moving on to the "Order Book":

- The order book as of June '25 is at Rs.6.13 trillion, up 25% as compared to June '24.
- The Projects and Manufacturing order book has a balanced geographic mix with 54% of the order book coming from domestic markets and 46% from international markets. Out of the international order book of Rs.2.83 trillion, around 82% is from Middle East and 18% is from the rest of the world. In our view, the various countries in Middle East will continue to focus on investments in oil and gas, Infrastructure, industrialization, and Energy transition despite the volatile oil prices in the near-to-medium term.
- The breakdown of the domestic order book of Rs.3.30 trillion, which I said 54% of the overall order book as of June, comprises of Central Government sponsored orders of 14%, State Government orders of 25%, orders coming from PSUs or state-owned corporations 34% and private sector constituting the remaining 27%.
- 91% of our total order book is from Infrastructure and Energy. Similarly, 13% of the order book is funded by multilateral agencies. You may refer to the presentation slides for further details.
- No orders have been deleted from the order book during this quarter. As of June '25, the slow-moving orders constitute around 2% of the order book.

Coming to "Revenues":

- The group revenues for Q1 FY26 at Rs.637 billion registered a strong YoY growth of 16%. International revenue constituted 52% of the revenues during the quarter.
- The strong execution momentum in Hydrocarbon, Precision Engineering & Systems and Heavy Engineering within the Projects and Manufacturing portfolio drove the overall group revenues for the quarter.
- Within the overall group revenues, the revenues for the Projects and Manufacturing business for Q1 FY26 is Rs.458 billion, up by 19% over the corresponding quarter of the previous year.

Moving on to EBITDA margin:

- Our group level EBITDA margin without other income for Q1 FY26 is 9.9% vis-à-vis 10.2% in Q1 of the previous year. The decline in the EBITDA margin is primarily due to the change in the revenue mix, that is a higher share of revenues coming from the Projects and Manufacturing business portfolio. The detailed breakup of the EBITDA margin business-wise including other income is given in the annexures to the Earnings Presentation.
- You would have noticed that the EBITDA margin in the Projects and Manufacturing business for Q1 FY26 is at 7.6% and is comparable as stable vis-à-vis Q1 of the previous year. I will cover the details a little later when I talk about the performance of each of the segments.

Our reported PAT for Q1 FY26 is at Rs.36 billion, which is up 30% over Q1 of last year. The strong growth in PAT is reflective of improved activity levels and efficient treasury management.

The group performance P&L construct along with the reasons for major variances under the respective function heads is provided in the Earnings Presentation. You can kindly go through the same for further details.

Coming to Working Capital:

- Our NWC-to-sales ratio has improved from 13.9% in June ‘24 to 10.1% in June ‘25 mainly due to an improvement in the GWC-to-sales ratio again backed by strong customer collections during the past four quarters.
- Our group level collections excluding the Financial Services segment for Q1 FY26 is Rs.603 billion as compared to Rs.459 billion in Q1 FY25, registering an increase of 31% on a YoY basis.
- On the back of a strong focus on customer collections, our cash flow from operations excluding Financial Services for Q1 FY26 has been robust at Rs.62 billion vis-à-vis an outflow of Rs.14 billion in Q1 FY25.
- We have added a slide on the group cash flows excluding Financial Services in the annexure alongside the reported cash flow slide at the group level to give more clarity on the cash flow performance excluding of L&T Finance.

Finally, the trailing 12-month ROE for Q1 FY26 is 17% vis-à-vis 14.7% in Q1 FY25, an improvement of around 230 basis points.

Very briefly, I will now comment on the performance of each business segment before we give our final comments on guidance for FY26:

Infrastructure:

This segment secured orders of Rs.410 billion for Q1 FY26, registering a growth of 2% on a YoY basis. International orders constituted 69% of the total order inflow. During the current quarter, the orders were mainly received in Renewables, Power Transmission & Distribution, Buildings, and Factories and as well as Minerals and Metals businesses.

Like I mentioned earlier, the order prospects pipeline for infra for the next nine months is Rs.7.97 trillion vis-à-vis Rs.6.03 trillion during the same time last year, representing an increase of 32%. This prospects pipeline of Rs.7.97 trillion comprises of domestic prospects of Rs.5.04 trillion and international prospects of Rs.2.93 trillion. The sub-segment breakup of total order prospects in "Infrastructure Segment" is as follows: Transportation Infra constitutes 19% of the total order prospects, Heavy Civil Infrastructure 17%, Water and Effluent Treatment 17%, Power Transmission & Distribution 14%, Renewables 14%, Buildings and Factories 11% and Minerals And Metals 8%. The order book for this segment is at Rs.3.7 trillion as of June '25. The book-bill for Infra is around 29 months.

Q1 revenues at Rs.288 billion registered a growth of 7% over the comparable quarter of the previous year. Our EBITDA margin in this segment was at 5.7% this quarter as compared to 5.8% in Q1 FY25. The Infrastructure Segment margin continues to remain a little soft due to higher cost pressures in some projects especially related to the segment of Water mainly driven by time overruns culminating in prolonged project completion and consequent impact on the margin.

Moving on to the next segment, "Energy Projects," this comprises of Hydrocarbon, CarbonLite Solutions and the Green and Clean Energy Businesses. The Green and Clean Energy business within the Energy segment is in the incubation stage and is yet to meaningfully contribute to the segment numbers. During the quarter, the order inflows in this segment were robust at Rs.314 billion as compared to Rs.88 billion in Q1 FY25. Hydrocarbon segment order inflows benefit from multiple onshore and offshore packages while receipt of multiple BTG packages improves the CarbonLite solutions order book. Whereas we have received the letter of award for the BTG packages during the quarter, we are yet to receive formal client confirmation for announcing the details of the order.

Moving on to Prospects Pipeline: We have a strong order prospects pipeline of Rs.6.54 trillion for this Energy segment for the remaining nine months comprising of Hydrocarbon prospects of Rs.5.78 trillion, CarbonLite Solutions of Rs.0.55 trillion and the Green and Clean Energy prospects of Rs.0.21 trillion. The Green and Clean Energy prospects comprise of Rs.0.17 trillion of gas to power projects.

Whereas CarbonLite Solutions prospects are largely domestic, around 95% of the Hydrocarbon prospects as well as 81% of the Green Energy prospects are International.

The order book of this Energy segment at Rs.1.86 trillion as of June '25 with the Hydrocarbon order book at Rs.1.37 trillion and CarbonLite solutions at Rs.0.49 trillion. The Q1 FY26 revenues for this segment at Rs.125 billion registers a robust growth of 47% driven mainly by the execution ramp up across domestic and international projects of Hydrocarbon whereas revenues in the CarbonLite Solutions is reflective of early stages of the executable order book.

The Energy segment EBITDA margin in Q1 FY26 is at 7.3% as compared to 8.7% in Q1 FY25. The lower margin in Hydrocarbon is primarily explained by an execution ramp up in a couple of international jobs having competitive margin and this mix may remain the same for FY26. At this stage, we wish to inform you that the hydrocarbon margin print for Q1 is along budgeted lines and the same has been baked in the P&M margin guidance for FY26 that we gave at the start of this year.

We will now move on to "Hi-Tech Manufacturing" segment which comprises of the Precision Engineering and Systems and Heavy Engineering businesses. The lower order inflow in Q1 FY26 is due to order deferrals in the Heavy Engineering business and a high base of Precision Engineering orders in the previous year. The order book of this segment is at Rs.392 billion as of June '25. The order prospects pipeline for the next nine months in this segment is around Rs.303 billion comprising of Rs.215 billion of Precision Engineering prospects and the remaining Rs.88 billion is from the Heavy Engineering business. During the quarter, robust execution momentum was witnessed across both the businesses. The lower margin in Precision Engineering is reflective of major jobs being in its early stages of execution whereas operational efficiencies aided the margin improvement in the Heavy Engineering portfolio.

Moving on to the next segment, "IT and Technology Services" which comprises of the two listed entities LTIMindtree and L&T Technology Services and as well as of newly incubated businesses of Digital Platforms, Data Centers, and Semiconductor Design. The revenues of this segment at Rs.126 billion in Q1 FY26 register a growth of 10% which is largely in line with the prevailing global macro environment. The segment margin variation vis-a-vis previous year is mainly explained by the cost incurred towards the newly incubated businesses. I will not dwell too much on this segment as both the companies in the segment are listed entities and the detailed fact sheets are already available in the public domain.

We will move on to L&T Finance Ltd: Here again the detailed results are available in the public domain. But summing up, Q1 witnessed a strong retail disbursement continuity. The Financial Services business achieved 98% retailization of its loan book in June '25 well ahead of its "Lakshya '26" targets. The ROAs remain healthy at 2.37% for Q1 FY26 and adequate capital is available in the balance sheet to pursue growth in the near-term.

Moving to the "Development Project Segment," this segment includes the power development business comprising of Nabha Power and Hyderabad Metro. Bulk of the revenues in the segment are contributed by Nabha Power. The lower PLF in the current quarter impacted revenue and margin in Nabha whereas fare hikes during the quarter led to revenue and margin improvement in Hyderabad Metro. The average fare per passenger has increased from Rs.38 in Q1 FY25 to Rs.43 in Q1 FY26. The average ridership during the quarter was at 4.17 lakh passengers per day as compared to 4.32 lakh passengers per day in the same period of the previous year. The Hyderabad Metro at a PAT level posted a loss of Rs.2.08 billion in Q1 FY26 as compared to a loss of Rs.2.14 billion in Q1 FY25.

Moving on to the "Other Segment," this segment Comprises Realty, Industrial Valves, Construction Equipment and Mining Machinery, Rubber Processing Machinery and a Residual Portion of our Smart World and Communications Business**.** The Q1 revenue grew by 1% of the corresponding quarter of the previous year mainly contributed by a higher handover of residential units in the Realty business whereas lower machinery sales impacted the Industrial Machinery and Products performance. The segment margin improvement was primarily due to a higher EBITDA contribution on an absolute basis from the Realty business and a favorable sales mix in the Industrial Machinery and Products segment.

Before we conclude, let me cover the guidance on the various parameters for FY26 that we detailed out in the Earnings Call for Q4 and last year in the month of May '25. Our guidance for FY26 remains unchanged. We expect our group order inflows and group revenues to grow at 10% and 15% respectively for FY26. Our Net Working Capital-to-Revenue guidance for March '26 remains at 12%. With respect to the margin in the Projects and Manufacturing portfolio, we continue to target the 8.3% to 8.5% range for the full year FY26.

Thank you, ladies and gentlemen for the patient listening. With this, I conclude my summary of the Q1 performance of L&T and now we can start the Q&A.

Moderator: We will now begin the question-and-answer session. Our first question comes from the line of Mohit Kumar from ICICI Securities. Please go ahead.

Mohit Kumar: Good evening, sir, and thanks for the opportunity. Congratulations on a very good quarter. My first question is on the order inflow in this quarter. I just want a clarification. Have you booked this Ultra Mega order which you announced today? And also another clarification; have you booked the green hydrogen order inflow in the quarter?

P. Ramakrishnan: Mohit, can you repeat the second question?

Mohit Kumar: LTEGL is executing one 10,000 ton per annum green hydrogen. Have you booked any order related to the internal green hydrogen project?

P. Ramakrishnan: Okay. So, the answer to the second question is a “no.” And the answer to the first question is also a repeat “no.”

Mohit Kumar: Okay sir. My second question is on the domestic BTG order which you received in this quarter. Does it pertains to one particular customer or is it from more than one customer?

P. Ramakrishnan: The order has been received from an independent power producer.

Mohit Kumar: Understood sir. My last question is, are the international prospects moving as expected in Hydrocarbon or there has been some major shift? I am asking this question because the Hydrocarbon prospect has declined from Rs.7.5 trillion to Rs.5.8 trillion on a QoQ basis in hydrocarbon.

P. Ramakrishnan: Okay. So, the Hydrocarbon prospects pipeline I think more or less has been as per our own understanding. I would also like to point out and it is available in the public domain, there has been significant amount of ordering that has accrued in the Middle East with respect to Hydrocarbon projects. So, as of March, we had given the order prospects pipeline at Rs.7.5 trillion and now as of June, it is at Rs.5.8 trillion. This is what I communicated. So, the drop is Rs.1.7 trillion and out of which we have received almost I would say Rs 8,000 crore.

Mohit Kumar: Understood sir. Thank you. Best of luck.

Moderator: Thank you. Our next question comes from the line of Sumit Kishore from Axis Capital. Please go ahead.

Sumit Kishore: Thanks for the opportunity. My first question is related to your core business margin guidance. Is there a slight change from the 8.5% guidance that you had given for FY26, an increase of 20 basis points to 8.3% to 8.5% or there is no change?

P. Ramakrishnan: There is no change, Sumit. If you recall, on the 8th of May, what we spoke about that we are targeting an improvement of 20 basis points, and I still want to maintain that we will be in that range of 8.3% to 8.5%.

Sumit Kishore: Got it. Sir, can you segregate the impact of the competitively priced jobs in Hydrocarbon on margin for the segment along with the stage of execution of jobs which was attributed as one of the reasons where you had not crossed margin recognition threshold in large jobs as the reason why Hydrocarbon margins had declined in FY25? Also, with your comment that your Q1 margin for Hydrocarbons was on expected lines and is baked into margin guidance for FY26, so is that something we should be extrapolating as Q1 margin for Hydrocarbons being the new normal for the fiscal or this is likely to evolve through the fiscal?

P. Ramakrishnan: Okay, Sumit, when we gave the guidance of the target of 8.5% for FY26, I did mention in the call that the first two quarters could be the margins in the P&M portfolio would be a little subdued. Now subdued means in this instant case the margins have been stable like of the entire portfolio of 7.6% as compared to again 7.6% in the Q1 of the previous year. Now when we gave this guidance, it is based on the fact that the mapping of the projects in the Hydrocarbon segment, the way it will plan out in the current year has been considered in the overall 8.3%. So, the 7.6% that we have printed for Q1, factors this overall progress of execution of the jobs which were a little competitive price that were awarded in the earlier part maybe two or three years back and which is in the current year into full execution.

Sumit Kishore: Okay. And can you please explain the competitively bid price jobs having impact on margins in Q1 along with stage of execution of jobs?

P. Ramakrishnan: So, the progress of jobs as I mentioned, the jobs that we secured in '21-22, they are going into peak execution in the current year. So, the hydrocarbon margins is reflective of those progress of execution and in a way that is factored in our overall P&M guidance of 8.3%.

Sumit Kishore: Okay. 8.3% to 8.5%?

P. Ramakrishnan: 8.3% to 8.5%. Correct.

Sumit Kishore: Thank you.

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

Aditya Bhartia: Hi. Good evening, P.R.

P. Ramakrishnan: Good evening.

Aditya Bhartia: My first question is on the merger between Subsea7 and Saipem that we are kind of hearing about. I understand that we used to have the LTA contract also with Subsea7. So, just wanted to understand if it can have any implications for us? How should we see that?

P. Ramakrishnan: Whatever contracts that we have along with the counterparty that you mentioned will be as per the plan. There will not be any impact.

Aditya Bhartia: Understood, sir. And how does it go from here on? Do we also need to renew our LTA contract with Saudi Aramco?

P. Ramakrishnan: The discussions are happening, and I think in due course of time we will keep you informed on the progress.

Aditya Bhartia: Perfect, sir. That is helpful. And my last question is on Nabha Power. There have been some media articles about the project likely to be sold to Torrent. So, just wanted to understand if there is anything that you would like to add to that?

P. Ramakrishnan: So, same question we need to ask the media only. So, let me tell you that as part of our overall plan which we have been mentioning that we keep on evaluating all strategic opportunities. But at this juncture, there is nothing we are able to disclose or anything to tell. So, no comments further.

Aditya Bhartia: Sure, sir. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Atul Tiwari from JP Morgan. Please go ahead.

Atul Tiwari: Yes. Sir, thanks a lot and congrats on a very strong quarter yet again. Two questions. So, one is on the Private Sector order book in the domestic orders, I believe the proportion has increased to now 27%. Is all of it being driven by Power BTG orders only or are you seeing some uptick in activity from any other sector on the private side?

P. Ramakrishnan: Okay. So, optically, yes, that private sector BTG orders has actually moved the needle. But let me also tell you, we are seeing substantial traction in the construction side of the segment, especially with respect to the Buildings and Factories, where multiple opportunities are coming from the pure commercial real estate, data centers, hospitals being put up by the private sector, and a couple of Minerals and Metals opportunities as well. Only thing is large scale industrial opportunities or investments that are yet to happen, but definitely the mood or the sentiment is far more positive than what it was possibly in June '24.

Atul Tiwari: Okay. Good to hear, sir. And the second question is on Others segments margin. There is quite a bit of an increase from 23%-odd to 33%. So, anything specific to call out here?

P. Ramakrishnan: No, let me tell you that Real Estate margins get clocked in or revenues get clocked in only on flat owned handovers. To that extent, you can have some quarterly variations in this segment because of the reporting constraints in the Real Estate business.

Atul Tiwari: Okay. Thanks a lot.

Moderator: Our next question comes from the line of Amit Anwani from PL Capital. Please go ahead.

Amit Anwani: Thanks for the opportunity. First question on the Hyderabad metro. You did talk about 30% fare increase and the average fare has gone up from Rs.38 to Rs.43 almost by 12%-13%. But on the other side, I think if I am right, I think the ridership has gone down to 4,17,000 YoY, and this number has been kind of consistently been there for past seven, eight quarters, barring one or two quarters when we did a higher number. Just wanted to understand how one should think of with respect to breakeven in Hyderabad metro, about ridership as well, and earlier we did talk about the refinancing 2-3 years back. Considering that Rs.1,400 crores of interest cost and Rs.300-400 crores of depreciation, how one should think of the breakeven for Hyderabad Metro?

P. Ramakrishnan: Okay. So, thanks Amit. Okay, let me give you a broad construct. So, I will cover the Hyderabad Metro ridership, which was averaging at 4.32L per day in Q1 last year and it was again 4.31L per day in Q4 of last year. It has dropped to 4.17L per day is primarily because of the fare increase. And we do believe that this is temporary, because at the end of the day, the fare increase of roughly Rs.5 from Rs.38 average to Rs.43 after taking that 10% discount to the 30% increase that we had. I think it is a question of time when the ridership will again start inching back to 4.4, 4.5 levels. Now, the ridership revenue on Q1 of last year at 4.32L passengers per day with average Rs.38, the revenue metro fare ridership was around Rs.150-odd crores. Now, despite a lower ridership at 4.17L for the current quarter, but with an additional increase of Rs.5 in the fare, the revenues has actually gone up by another Rs.13 crores to touch Rs.163 crores. The EBITDA for Hyderabad metro was Rs.101 crores Q1 previous year, now, it is at Rs.112 crores in Q1 of the current year. The average depreciation amortization ranges between Rs.75 to Rs.76 crores per quarter. And at the current level of roughly 12,500-odd crores of debt, the Hyderabad metro interest averages around Rs.240 crores to Rs.250 crores. And that is how the overall construct when I gave you the numbers that the loss has been consolidated in L&T books at Rs.208 crores in Q1 of current year as compared to Rs.214 crores of Q1 of the previous year. Now coming back to overall PBT breakeven I guess this has been also communicated last time that the ridership should be going around 700,000 ridership per day and the debt levels which is today around Rs.12,000-odd crores has to be brought down to Rs.8,000 crores. And the plan to reduce the debt levels from Rs.12,000 crores to Rs.8,000 crores is a combination of two things. We are yet to get around Rs.2,100 crores of the State Government interest-free loan assistance and also TOD monetization we expect it to happen over the near term, which will give us another Rs.1,500 crores to Rs.2,000 crores. Now, if you have to do with the current levels of debt at Rs.12,000 crores, the breakeven ridership, I think is too high, that is almost at 12 lakh passengers per day.

Amit Anwani: Understood, sir. Second question is on the Middle East prospect. For the remaining nine months, if you can highlight now what kind of projects which are there in the pipeline, whether it is more of Hydrocarbon, Renewable or LNG terminal or there is some color with respect to the proportion of orders in the Middle East market? And second is that over the past two years, the international dominance with respect to order inflow and domestic has been relatively kind of not growing with respect to prospect. Some color, are we seeing any large scale buildup of domestic order prospect, not this year, maybe with medium-to-longer term perspective, since election and all the major events are over. So some color on when are we expecting that the domestic pipeline will also show strong strength?

P. Ramakrishnan: Okay. So, let me take the second question first. I think the domestic prospects pipeline has been quite robust. But when it is compared to the movement of L&T's international prospects pipeline, I think that is the way it seems to be relatively coming off. But we do see a strong set of public spends happening and I just responded to a previous question. The private sector in some of the segments is actually driving a lot of capex spends and we expect the momentum to continue. Coming to the international prospects pipeline, as I mentioned of the Infra segment, the total prospects pipeline of Rs 7.96 trillion, the international prospects aggregate to almost Rs 2.93 trillion, largely led by Renewables, Power Transmission & Distribution, and some amounts of almost Rs 0.2 to 0.3 trillion across the other Infrastructure segments. So, that is the way I will put it across. Coming to Hydrocarbon, total order prospects for the nine months, I did communicate at Rs 5.78 trillion, out of which I would say 5.51 trillion itself is international. Here again, it is, I would say, 70 to 80% coming from the Middle East, comprising of a major portion coming from offshore and onshore. Besides this, this Rs 5.51 trillion of international prospects also includes offshore wind at 1.31 trillion, which is not necessarily Middle East.

Amit Anwani: Understood. Thank you, sir. Thanks for taking my question.

Moderator: Thank you. Our next question comes from the line of Vinod Chari from PhillipCapital. Please go ahead.

Vinod Chari: Yes, hi. Thanks for the opportunity, PR. Your order book has now crossed Rs.6 lakh crores. I just wanted to understand, is there a peak order book that you look at internally, beyond which execution begins to get cumbersome, any specific number that you have in mind on the order book?

P. Ramakrishnan: A good question, but it is a good challenge to deal with, Vinod. Okay. So, let me put it like this. I think it is not proper of me to communicate or say that the threshold is Rs.7 lakh crores or Rs.8 lakh crores for L&T. It does not work that way because we have to see the capacity available across the multiple segments that we have. So, it is constrained by those areas. And obviously, as we keep looking at the prospects pipeline and if we find that the prospects pipeline of a particular sub-segment continues to be quite strong, L&T has always been building up capacities in advance to address these prospects.

Vinod Chari: Sure. Thanks, PR. The second question I had was on your E2E acquisition. So, you plan to treat it as a standalone asset or will it be like a building block for our Infrastructure solutions? Because a lot of global engineering companies are moving towards such kind of offerings. So, what is our take on this?

P. Ramakrishnan: So, the E2E acquisition has been done primarily to complement our start into the data center business. Okay? So, it should not be considered as if L&T is doing a standalone acquisition. And it is a complement because instead of trying to organic build up the practices for ensuring better data center offerings, we have decided to partner with E2E. So, we will leverage their competencies while we address a more tech-focused data center solutions to Indian clients, and we thought that it would be better to do that, and to ensure that it is complementary and it is working as a collaboration. Both the companies decided that we will take up a strategic investment. And as we speak now, we hold 19% in the equity stake of that Company.

Vinod Chari: Sure. So, we have now started seeing some amount of retrenchment happening in IT services. And our long-term complaint has always been lack of engineers because most engineers want to go into IT. So, now do you see manpower supply structurally improving for capital goods companies or industrial companies, particularly for manufacturing?

P. Ramakrishnan: Okay. I think what I would say is, of course, we have challenges in terms of building up appropriate technical skills within the Company to address the growth momentum that we are seeing both India and abroad. That has been there. With some amount of headwinds, if you hear about the recent news articles, if that is the way to conclude, I think it is premature. Let me tell you both within the entire group, because as a group, we are also looking at engineers which deliver solutions in our basic Projects and Manufacturing portfolio and also addressing the requirements of IT and technology services companies. I think L&T is spending a lot of, I would say, significant amount of investments to ensure that all our engineering talent are in a position to either get built in the IT services domain or get deployed in the varied projects that we are executing in the projects part of the segment.

Vinod Chari: Sure. Thanks, PR. Thanks for the response. I will come back in the queue.

Moderator: Thank you. Our next question comes from the line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, thank you for taking my question. I have just one book-keeping question. When I look at your presentation, the corporate EBITDA is a very large number this time at Rs.520 crores. Historically, this number has been in the Rs.125 to 150, 160 crores range. Anything exceptional that has included there?

P. Ramakrishnan: It is largely treasury income arising out of better yields. That is what I am talking about, better efficient funds management, both at the parent and LTIMindtree, because these two companies have substantial amount of temporary cash surplus, and it is because of a higher quantum of temporary surplus deployed and better yields, I think the other income has moved up by almost Rs.400 crores in the standalone Rs.200-odd crores and Rs.200 crores across the other entities.

Pulkit Patni: Sure, sir. Because it is 25% of our core PAT, so I was wondering. Great. Thank you. That is it from my side, PR. Thank you.

Moderator: Thank you. Our next question comes from the line of Shirom Kapur from Jefferies. Please go ahead.

Shirom Kapur: Hi, thanks for the opportunity. Just a bookkeeping question. Could you break up your overall domestic versus international prospect pipeline for the balance nine months?

P. Ramakrishnan: I think this one I covered. Okay, let me put it like this. I gave a total order prospects of Rs 14.81 trillion at the P&M level. The domestic prospects pipeline aggregate to Rs 6.13 trillion and international Rs 8.68 trillion. Okay? Did I answer your question?

Shirom Kapur: Yes, yes, I just wanted the overall breakup. But if you have any further breakdown of that -?

P. Ramakrishnan: I think I gave it to you, Shirom, while I covered each segment. I gave the order prospects where I gave a breakup of domestic and international. So, this was just to address the total order prospects of Rs 14.8 trillion, which I said at the start of the call, broken up into Rs 6.13 trillion for domestic and international Rs 8.68 trillion. Since I addressed international 8.68 trillion a little time back, I will give you the segment wise breakup of domestic; infra contributes to Rs 5.03 trillion domestic. Hydrocarbon is Rs 0.26 trillion domestic, CarbonLite is Rs 0.55 trillion domestic, and both the Hi-Tech Manufacturing sub-segments of HED and Precision Engineering, Rs 0.24 trillion, and Green and Clean Energy around 0.04 trillion, that adds up to Rs 6.13 trillion.

Shirom Kapur: Noted. Thank you so much for that breakup. And just another question. I know you addressed that you are seeing certain on the private side your capex picking up in certain segments. But is that going to be primarily a driver of domestic order flow going forward? Just basically want to understand the on-ground reality of the overall macro environment in India and how Capex is shaping up there?

P. Ramakrishnan: Okay. In the near term, if you take a domestic order inflow as X, I think even for the current year, we can expect the share of government, State, Centre, plus Public Sector Corporations to be in the range of 75% and Private to be 25%. Sometimes there can be variations because one important thing which has come up in the private sector is the private sector coming to invest into the coal-based power plant opportunities. So, any further order wins could potentially tilt the ratios maybe for that quarter, for that period. But structurally, India is still, as we see it, we will continue to be led by government ordering, which is almost 75%-odd.

Shirom Kapur: Great. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Good evening, everyone, and thanks again for the opportunity. PR, the question that I had was more on your unchanged guidance for working capital. Now, we have seen 12% become 11% in the last two years, and the guidance for 12% again, does not tally well with the cash flows that you were trying to kind of highlight in the first quarter wherein there is a net positive number versus an outflow last year. Just trying to get a sense of why has the guidance as of now been maintained at 12% versus 11% YoY when such large moves are happening on collections?

P. Ramakrishnan: Okay, so, Aditya, the collections, in fact, for the last, I would say, almost two years across eight to 10 quarters, I think the Company has been doing really well, partly because of timely execution, timely billing and customers also making payments of time, and also, part of the orders getting executed through international orders where the payment terms are a little more better as compared to domestic orders. Having said this, we gave the guidance in the month of May 12% for the full year. We are just in the month of July. We just completed the first quarter. First quarter has been good. So, at this juncture, we would like to maintain the guidance of 12%. Hopefully, by the close of the year, maybe when we close out the results for October or possibly as late as even Q3, we will see at that point of time whether we need to upgrade this guidance to a better level.

Aditya Mongia: Understood. The second question that I had was, I am just trying to kind of gauge the hit rates in domestic and international in 1Q. It seems that the hit rates international appear to be a bit on the lower side, low double digits, whereas the hit rates in domestic are larger. I am just trying to get a sense whether there is more keen competition that is now being visible on the international side of things and how to think through the hit rates incrementally that remains on the international side?

P. Ramakrishnan: So, Aditya, you cannot ask hit rate basis one particular, I would say quarter, okay? Because it is possible that if you get one large contract in one particular quarter, we will improve the hit rate relatively speaking. So, I think it is more a statistical data point for a quarter. Structurally, I think we can talk about, when we talk about order prospects at the start of the year, the hit rate in a reasonably modest year ranges between 20% to 25%. On a very good year, it can be 25%. But average, if you see L&T's numbers of the last five years, the order inflows that we have reported for the end of the year as compared to the order prospect at the start of the year, the hit rate has been ranging between 18% to 25%.

Aditya Mongia: Understood. The last question that I had was on this division into onshore and offshore in the Energy portfolio. Now, you gave some color on offshore wind, but if you have to kind of classify onshore and offshore as portfolios within the Energy segment, how would you compare them in terms of comparative intensity and risks and, let's say, so-called hit rates, given L&T's capabilities?

P. Ramakrishnan: So, first and foremost, the reason to create two separate verticals inside the Company under Hydrocarbons was primarily to give increased focus because both the type of jobs has been rewarding as well in terms of good amount of order inflows and also the prospects of continuing spends in those segments by the oil majors, largely in the Middle East. That was one of the reasons we created that and so that it also builds up a better connect with the client ecosystem because the client ecosystem also has a separate project management team for both onshore and offshore. So, it is just to ensure that we try to better connected and build up focused expertise. I think that is the way we are looking at. And because of the size of the opportunities in both the segments continue to be robust. That was the reason that we have done this. I did not get the second part of your question.

Aditya Mongia: Just trying to get a sense that since offshore is a new area of work, and we know less of the competitive intensity, should we be assuming similar hit rates or how to think through that, and the risks associated with the same, yes, in terms of business risks?

P. Ramakrishnan: So, Aditya, let me clarify. Offshore is not a new area for Larsen & Toubro. We have been doing a lot of platforms in the offshore, especially with many of the Indian corporates, you know whom I am referring to. It is not a new, I would say, expertise that we have built up. It is the only thing that a large part of these opportunities are now coming from the Middle East in this area. And also I would like to tell that there are fewer companies which are common as competition in both the segments. So, if you really ask me what we see common in both the segments will be five or six companies from a number perspective, which cater to both onshore, offshore.

Aditya Mongia: Understood. That answers my question very well. Thank you, PR, for your response. Those are my questions.

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

Parikshit Kandpal: Hi, P.R. Congratulations on a great quarter. So, my first question is on the order backlog of Rs 6.13 trillion now. So, while the inflows have been strong, order backlog growth is strong, but still the revenues are not catching up. So, if you can give us some color on the last two years order inflow how the book-to-bill is behaving, is it shortening, elongating, and whether it will catch up in growth in coming quarters?

P. Ramakrishnan: So, apart from one or two segments, I would say that the execution momentum in most of the segments have been in line with the stipulated terms and conditions under the contract. So, we have not seen any slowdown. Like I did convey this in the May call that some amount of slowdown was witnessed in the water and effluent treatment part of the business primarily because of some fund allocations drop or I would say scarcity of fund availability under the Jal Jeevan Mission projects. I think barring for one or two segments in the overall P&M portfolio, the rest of the execution is happening at its planned trajectory.

Parikshit Kandpal: But is there any elongation in book-to-bill for the new orders, much lower than the order inflow and order book growth?

P. Ramakrishnan: I think I would say that it is roughly ranging between 29 months to 3 years. I think that is the average book-and-bill. Barring for the segment that I referred to, we have not seen any sort of headwinds that prevent the execution. They are as per planned schedule.

Parikshit Kandpal: Second question was on NWC. Last quarter, you alluded that because of JJM, if the payments would have come on time, the NWC should have been better. Do you think this quarter is reflective of the collection or do you think that still if the outstanding would have been recovered up to your expectation, the NWC would have been much better versus what you have reported?

P. Ramakrishnan: Okay. Let me tell you, of course, the Jal Jeevan projects, some amount of funding has resumed. But I do not think it has come down to complete normalcy. We do see some amount of fund-related constraints in some of the states where the Jal Jeevan Mission projects are getting executed. So, if you really ask me, the overall net working capital of the P&M segment today is at almost 8.5%. Now, if I just exclude water as a segment, there can be a further improvement of almost 75 basis points.

Parikshit Kandpal: Okay. So, you have still some headroom cushion as the receivables come in on time. Okay. Last question is on the Real Estate side. So, what has been the order booking of the pieces this quarter? And as a year as a whole, how are you looking at this? What kind of capital allocation you are looking at? Because this segment seems to be promising, but it gets hidden in your SOTP or your overall business. How are you thinking about this more on mid-to-longer term?

P. Ramakrishnan: Okay. So, for the Realty business, the order inflow for the quarter was around Rs.1,000 crores and the revenues was around Rs.500 crores. In terms of the overall perspectives, in terms of residential units that we have launched is around 13,000 units, out of which handed over is 6,200 units. Sold but yet to be handed over is around 5,000 units. And we have unsold inventory of around 1,700.

Parikshit Kandpal: And more on the longer term, how do you think this order book of 1000, I mean, we have heard in the press that this number can significantly multiply over the years, but internally, how do you think on an annual basis that the Rs.5,000 to 6,000 crores of pre-sales, if they are going up to Rs.10,000, 12,000 crores in the next two years, how do you think about this segment?

P. Ramakrishnan: Okay. So, as far as the Real Estate business is concerned, we are focusing on a lot of real estate developments, primarily in Mumbai, Navi Mumbai, Chennai, Bangalore, and NCR region. Today, many of the launches have been through own land monetization and also some part of joint development agreements. We are also looking to expand this portfolio meaningfully by getting into some amount of land acquisitions. But at this juncture, it is premature for me to give a number to it, because this whole thing about real estate business will be covered in detail, we frame out of start plan exercise for FY26 to FY27 to '31.

Parikshit Kandpal: Okay. Yes. And just one thing on labor issues, there has been noise around the shortage of labor, some of the other peers have been talking about it. So, any challenge there, whether it had any impact in this quarter? So, year as a whole, I mean, whether it could have any impact? So, how are you bracing yourself to make good this opportunity for growth?

P. Ramakrishnan: Yes, the labor availability, let me tell you the issue is not exactly of labor availability, the issue is of the churn within a year. So, which means practically speaking, if we are talking about in Indian projects, we have almost 400,000 of labor working across the multiple sites. What we are seeing as a phenomenon is every three months, the entire churn portfolio happens. To some extent, retraining costs and bringing a new set of people has an impact. But we are also finding our ways and means of having more of pre-engineered structures and take it directly to the site. But I guess it is a structural issue for the country, and we are trying our level best to overcome it by doing most of the work instead of in-situ location, doing it in the factory level and take it directly to the site. Better construction methods are being deployed. And hopefully, I think we should be in a position to improve the execution ramp up further in the future.

Parikshit Kandpal: Sure. Thank you. Those are my questions. Wish you the best.

P. Ramakrishnan: Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. P. Ramakrishnan for closing comments.

P. Ramakrishnan: So, thank you, everyone for attending this call. It was our pleasure to interact with all of you. Good luck and wishing you all the very best. Thank you.

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