

LARSEN & TOUBRO LIMITED



Analyst Presentation – 9M FY12

Disclaimer



This presentation contains certain forward looking statements concerning L&T's future business prospects and business profitability, which are subject to a number of risks and uncertainties and the actual results could materially differ from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, competition (both domestic and international), economic growth in India and the target countries for exports, ability to attract and retain highly skilled professionals, time and cost overruns on contracts, our ability to manage our international operations, government policies and actions with respect to investments, fiscal deficits, regulations, etc., interest and other fiscal costs generally prevailing in the economy. The company does not undertake to make any announcement in case any of these forward looking statements become materially incorrect in future or update any forward looking statements made from time to time by or on behalf of the company.

Presentation Outline



Q3 / 9M FY12 Performance Summary

Segmental Analysis

Performance of Key Subsidiaries

Outlook

Presentation Outline



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Performance Highlights – Q3 / 9M FY12



Q3

9M

23%

Sales

21%

10%

EBITDA

12%

22%

Recurring PAT

17%

28%

Order Inflow

0%

27%

Order Book

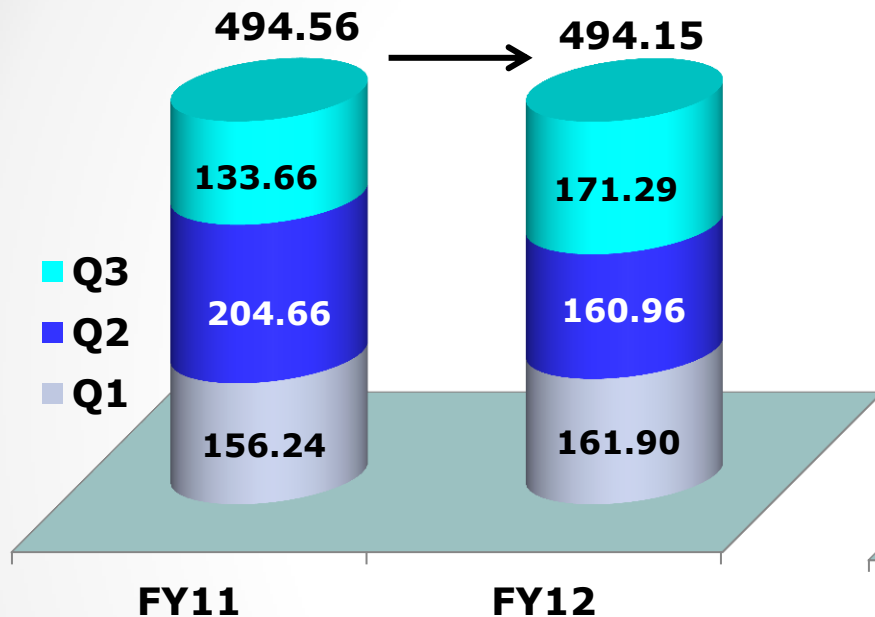
27%

Order Inflow & Order Book

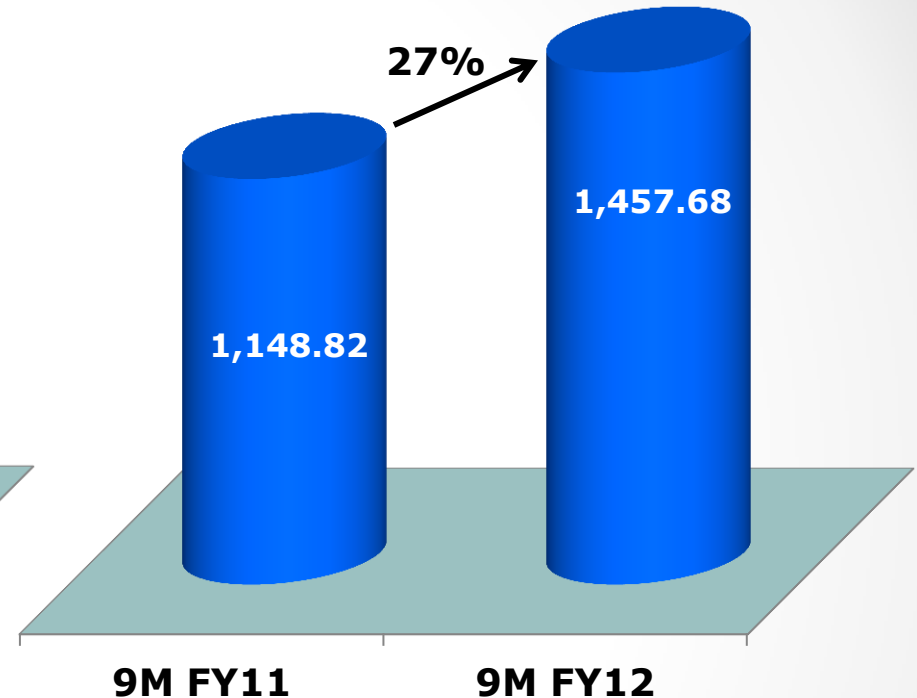


Amount in ₹ Bn

Order Inflow



Order Book



- Flat Order Inflows reflective of challenging environment and heightened competitive pressures
- Infrastructure segment significantly contributing to order inflows
- Sharp drop in power generation orders symptomatic of sectoral constrictions
- Healthy growth in Order Book indicative of large and stable order inflow base

Order Inflow & Order Book – 9M FY12



Order Inflow:
₹ 494.15 Bn



Order Book:
₹ 1457.68 Bn



■ **Infrastructure** ■ **Power** ■ **Hydrocarbon** ■ **Process** ■ **Others**

Infrastructure

- ▶ Roads and Bridges
- ▶ Ports and Harbours
- ▶ Airports
- ▶ Railways
- ▶ Buildings & Factories
- ▶ Urban Infra
- ▶ Water

Power

- ▶ Generation
- ▶ Equipment
- ▶ Industrial Electrification
- ▶ Transmission & Distribution

Hydrocarbons

- ▶ Upstream
- ▶ Mid & Downstream
- ▶ Pipelines
- ▶ Fertilizer

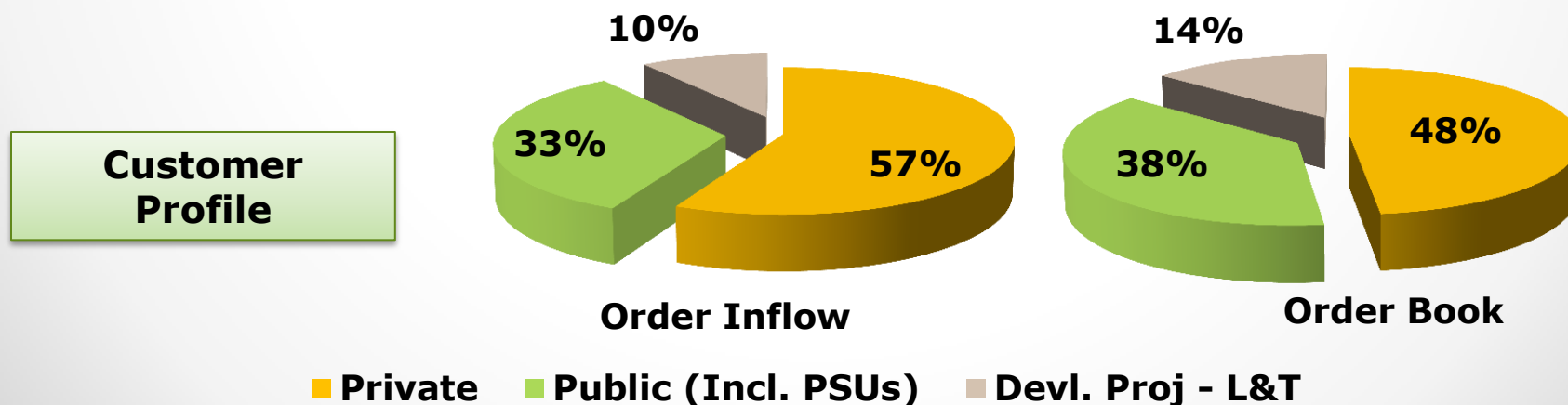
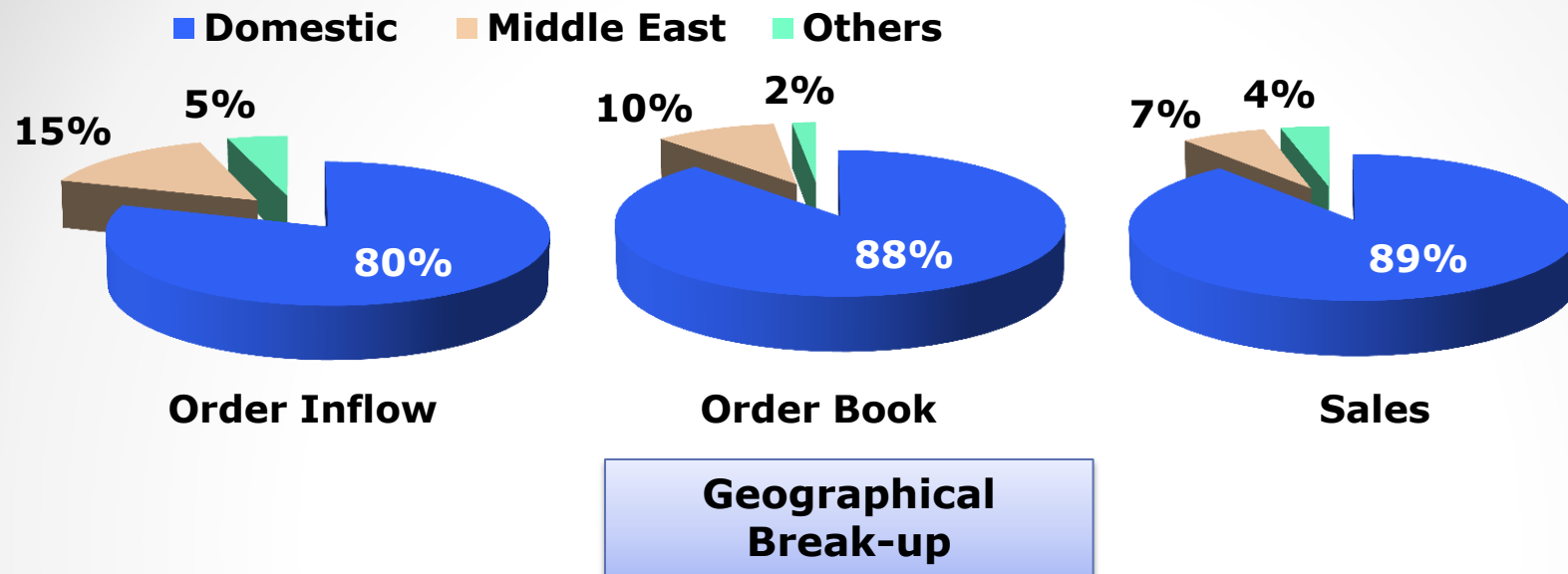
Process

- ▶ Minerals & Metals
- ▶ Bulk Material Handling

Others

- ▶ Shipbuilding
- ▶ Defense & Aerospace
- ▶ Construction & Mining Eqpt.
- ▶ Electrical & Electronic Products
- ▶ Technology Services

Order Inflow & Order Book – 9M FY12



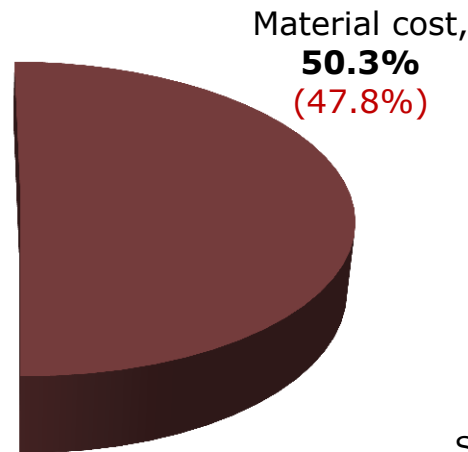
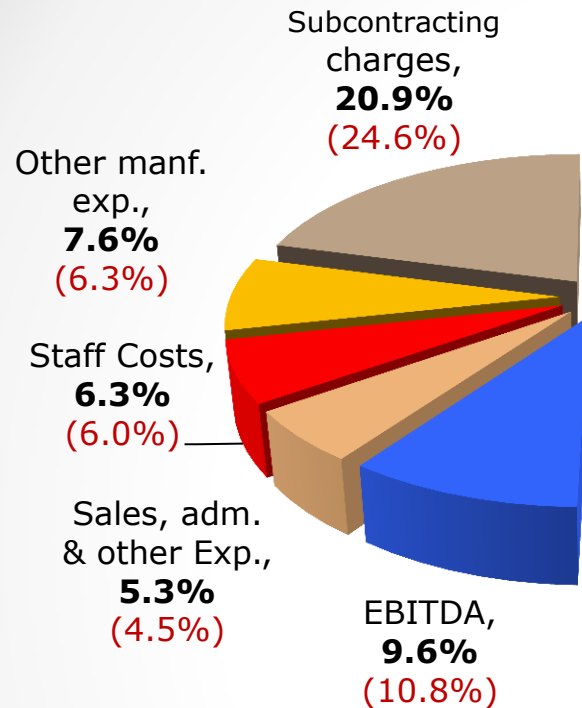
Performance Summary – Sales to EBITDA

Q3 FY12	Q3 FY11	% Change	₹ Billion	9M FY12	9M FY11	% Change	FY11
139.99	113.95	23%	Net Sales / Revenue from Operations ---(A)	347.26	286.49	21%	439.40
110.24	89.68	23%	Mfg, Cons. & Opex (MCO)	266.99	220.34	21%	334.84
8.87	6.84	30%	Staff Costs	27.76	20.89	33%	28.85
7.45	5.17	44%	Sales, adm. & other Exp.	16.11	12.84	25%	19.66
126.56	101.69	24%	Total Opex ---(B)	310.86	254.07	22%	383.35
13.43	12.26	10%	EBITDA ---(A-B)	36.40	32.42	12%	56.05
9.6%	10.8%	-1.2%	EBITDA Margins	10.5%	11.3%	-0.8%	12.8%

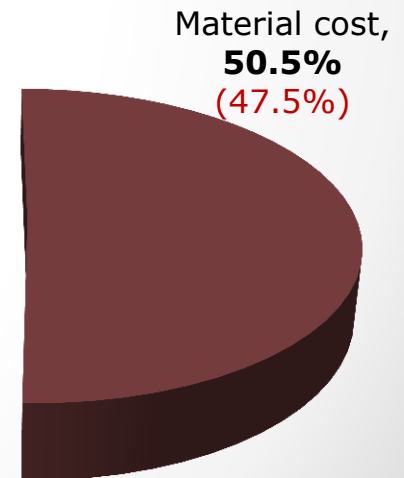
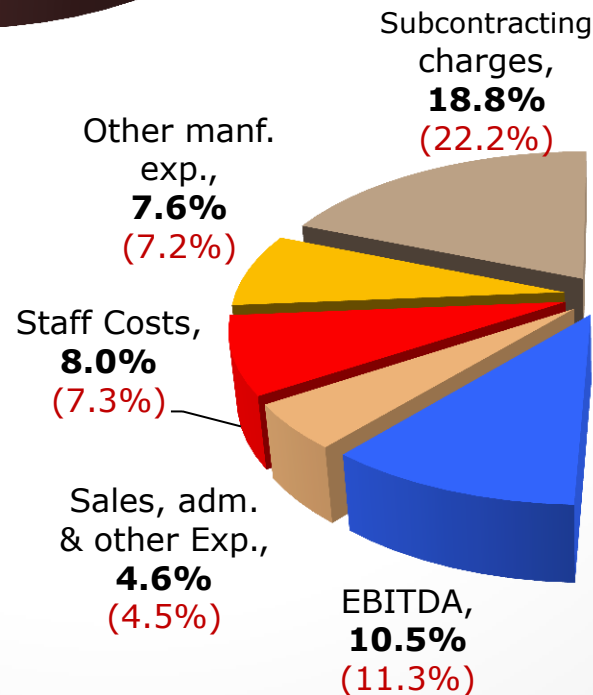
- Steady revenue growth driven by on-track project execution
- Increase in MCO expenses contained through procurement efficiency and contractual pass-through of commodity price variation
- Staff Cost rise mainly on account of manpower addition and compensation restructuring
- Surge in SGA due to forex MTM provisions

Sales Breakup – Operational Costs & Profitability

Q3 FY12



9M FY12



Figures in brackets indicate Previous Year's Composition

Performance Summary – Profitability



Q3 FY12	Q3 FY11	% Change	₹ Billion	9M FY12	9M FY11	% Change	FY11
13.43	12.26	10%	EBITDA	36.40	32.42	12%	56.05
9.6%	10.8%	-1.2%	EBITDA Margins	10.5%	11.3%	-0.8%	12.8%
(1.91)	(1.68)	14%	Interest Expenses	(5.45)	(4.93)	11%	(6.19)
(1.80)	(1.28)	41%	Depreciation	(5.19)	(3.63)	43%	(5.99)
4.49	2.51	79%	Other Income	11.08	8.46	31%	11.85
(4.29)	(3.70)	16%	Provision for Taxes	(11.48)	(10.61)	8%	(18.96)
9.92	8.11	22%	Recurring PAT	25.36	21.71	17%	36.76
	0.30		Extraordinary & Exceptional Items (Net of tax)		1.01		2.82
9.92	8.40	18%	Profit after Tax	25.36	22.72	12%	39.58

- EBITDA margins impacted by high forex MTM provisioning and sticky inflation
- Interest expenses in line with borrowing level
- Spike in depreciation charge – outcome of previous years' capex
- Other Income boosted by S&A Co dividend and treasury earnings

Performance Summary – Balance Sheet



₹ Billion	Dec-11	Mar-11	Incr / (Decr)
Net Worth	241.61	218.46	23.15
Non-Current Liabilities	67.82	59.79	8.03
Current Liabilities	333.29	292.82	40.47
Total Sources	642.72	571.07	71.65
Fixed (Non-Current) Assets	79.13	74.16	4.97
Other Non- Current Investments	9.36	2.45	6.91
Inv.t./ Advance against equity to S&A Cos	95.24	88.65	6.59
ICDs / Loans to S&A Cos	23.18	17.35	5.83
Current Investments	52.64	72.84	(20.20)
Cash & Cash equivalent	7.70	17.30	(9.60)
Long term loans and advances	9.36	8.74	0.62
Other Current Assets	366.11	289.58	76.53
Total Applications	642.72	571.07	71.65

- Well capitalised Balance sheet; Gross D/E: 0.40
- Capex outlay: ₹ 10 Bn
- Support to Subsidiaries primarily for Development business
- Increase in Segmental NWC – from 7.9% to 13.0% of Sales



Performance Summary – Cash Flow

₹ Billion	9M FY12	9M FY11
Operating Profit	41.76	35.48
Adjustments for Working Capital Changes	(41.24)	(4.16)
Direct Taxes (Paid) / Refund - Net	(14.20)	(14.17)
Net Cash from Operations	(13.68)	17.15
Investments in Fixed Assets (Net)	(10.01)	(10.62)
(Investment) / Divestment in S&A and JVs (Net)	(3.25)	(14.54)
(Purchase) /Sale of Long Term & Current Investments (Net)	15.18	13.09
Loans/Deposits made with S&A / Others	(8.65)	(9.20)
Interest & Dividend Received from Investments	8.10	4.33
Net Cash used in Investing Activities	1.37	(16.94)
Proceeds from Issue of Share Capital	1.63	2.86
Net Borrowings	15.05	4.99
Dividends & Interests paid	(13.97)	(13.05)
Net Cash from Financing Activities	2.71	(5.20)
Net (Dec) / Inc in Cash & Cash Equivalents	(9.60)	(4.99)
Cash & Cash Equivalents - Opening	17.30	14.32
Cash & Cash Equivalents - Closing	7.70	9.33

- Incremental borrowings and sale of current investments mainly used to fund higher NWC levels and capex

Presentation Outline



Q3 / 9M FY12 Performance Summary

Segmental Analysis

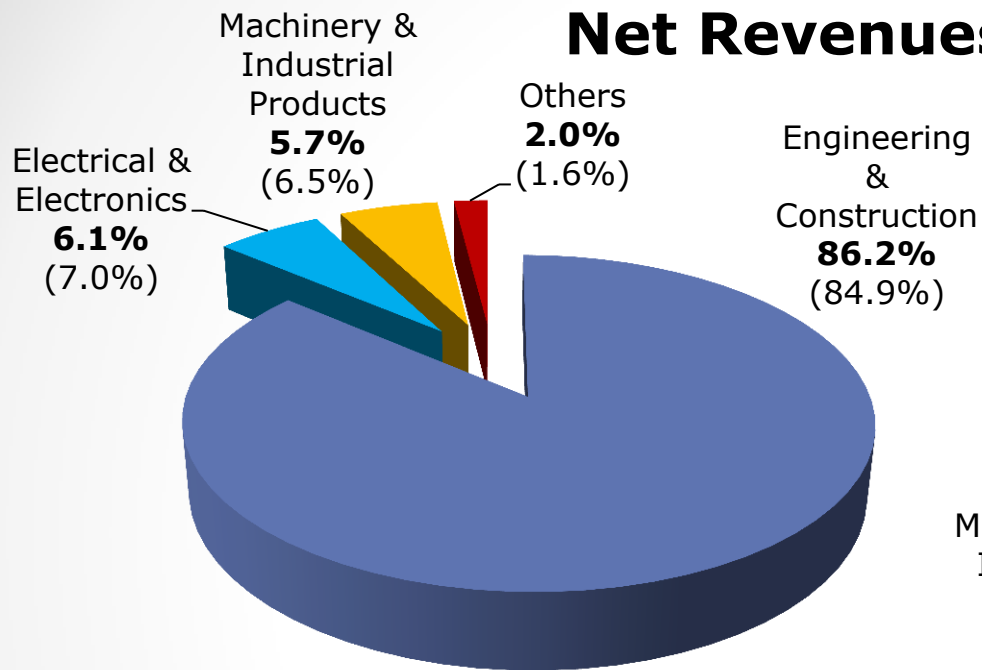
Performance of Key Subsidiaries

Outlook

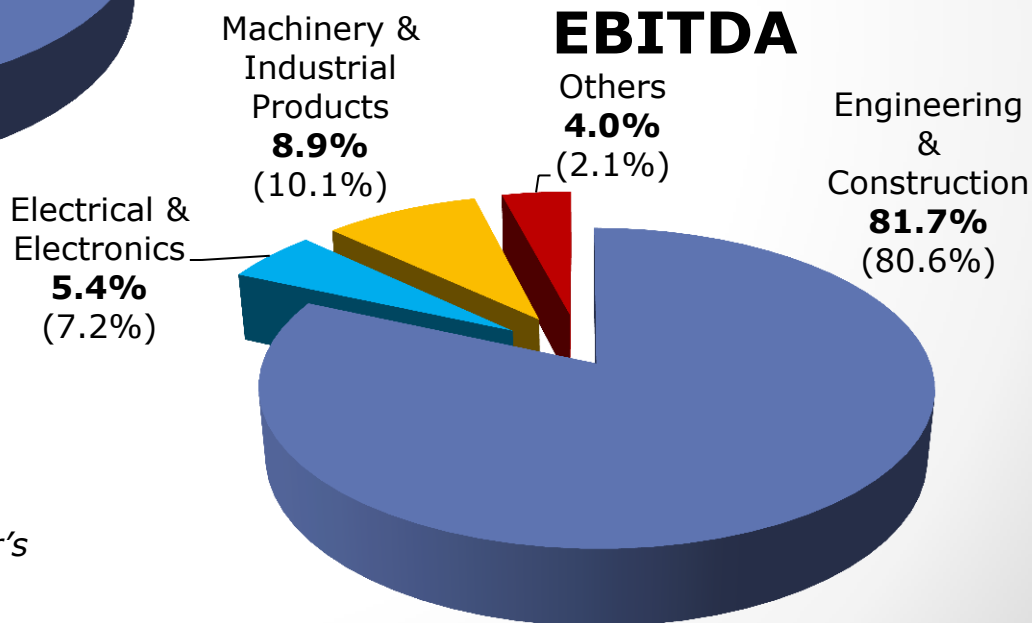
Segmental Break-up – 9M FY12



Net Revenues



EBITDA



Figures in the bracket indicate Previous Year's Composition

'Engineering & Construction' Segment



Q3 FY12	Q3 FY11	% Change	₹ Billion	9M FY12	9M FY11	% Change	FY11
152.83	117.62	30%	Total Order Inflows	442.52	444.84	-1%	730.13
14.92	34.30		--- Exports	88.45	50.82		67.01
			Total Order Book	1,433.41	1,124.66	27%	1,280.00
			--- Exports	163.98	90.49		92.57
123.31	98.49	25%	Total Net Revenues	299.45	243.37	23%	377.78
10.93	8.00		--- Exports	27.69	24.23		37.31
14.12	11.40	24%	EBITDA	35.06	30.16	16%	51.50
11.5%	11.6%	-0.1%	EBITDA Margins	11.7%	12.4%	-0.7%	13.6%
			Net Segment Assets	104.38	70.29	48%	75.33

- Macro headwinds compounded by stretched prospect to award timelines largely responsible for muted Order Inflows
- Power generation EPC slowdown partly mitigated by uptick in T&D spends (domestic and international)
- International markets continue to show promise
- Large order book and execution efficiency driving revenue growth
- EBITDA Margins under pressure on retained inflation and MTM valuation
- Step-up in segment assets ascribable to elongated Working Capital cycles

'Electrical & Electronics' Segment



Q3 FY12	Q3 FY11	% Change	₹ Billion	9M FY12	9M FY11	% Change	FY11
7.30	7.23	1%	Total Net Revenues	21.23	20.14	5%	28.36
0.75	0.41		--- Exports	1.84	1.48		2.04
0.80	0.94	-15%	EBITDA	2.30	2.69	-15%	4.75
10.9%	13.0%	-2.1%	EBITDA Margins	10.8%	13.4%	-2.6%	16.8%
			Net Segment Assets	13.44	12.04	12%	11.86

- Subdued revenues resulting from lower industrial offtake and tight SME customer liquidity; volume reduction in line with industry trend, mitigated through price revisions
- Margins adversely affected by input costs, sales (product) mix and competition
- Increase in Net Segment assets due to inventory and receivables buildup

'Machinery & Industrial Products' Segment



Q3 FY12	Q3 FY11	% Change	₹ Billion	9M FY12	9M FY11	% Change	FY11
6.84	6.55	4%	Total Net Revenues	19.84	18.48	7%	26.66
1.23	0.61	102%	--- Exports	3.41	1.23	178%	2.16
1.39	1.37	1%	EBITDA	3.84	3.80	1%	5.64
20.3%	20.9%	-0.6%	EBITDA Margins	19.4%	20.6%	-1.2%	21.2%
			Net Segment Assets	6.82	3.28	108%	4.70

- ▶ Sluggish growth led by slowdown in mining and other industrial sectors
- ▶ Export growth led by valves and rubber processing machinery
- ▶ EBITDA margins squeezed by higher material and power costs
- ▶ All-round increase in NWC has substantially contributed to increase in Net Segment assets

'Others' Segment



Q3 FY12	Q3 FY11	% Change	₹ Billion	9M FY12	9M FY11	% Change	FY11
2.53	1.70	49%	Total Net Revenues	6.75	4.51	50%	6.60
2.25	1.29		--- Exports	5.81	3.59		5.11
0.74	0.24	208%	EBITDA	1.72	0.78	120%	1.30
29.0%	14.1%	14.9%	EBITDA Margins	25.6%	17.4%	8.2%	19.7%
			Net Segment Assets	6.77	4.21	61%	5.43

- Revenue growth gained from North American / European markets and base effect
- EBITDA margin rise boosted through revenue growth, capacity utilisation and exchange gain
- Increase in Segment assets due to capacity / facility creation

Presentation Outline



Q3 / 9M FY12 Performance Summary

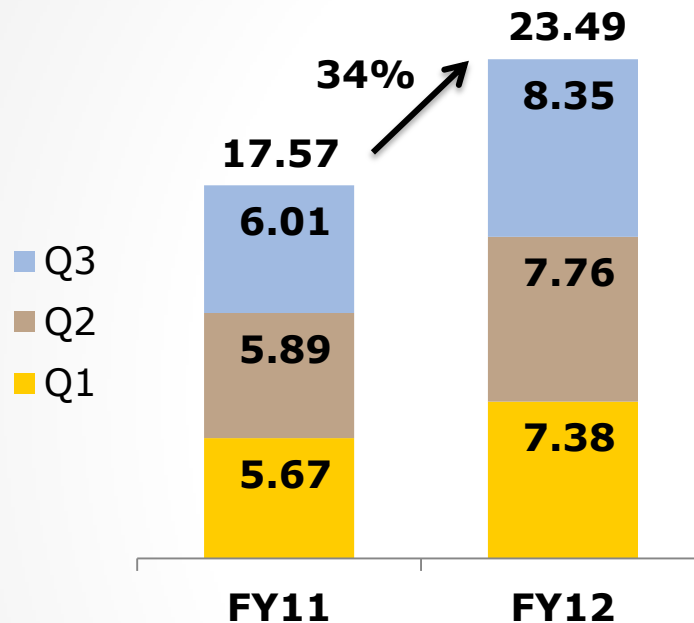
Segmental Analysis

Performance of Key Subsidiaries

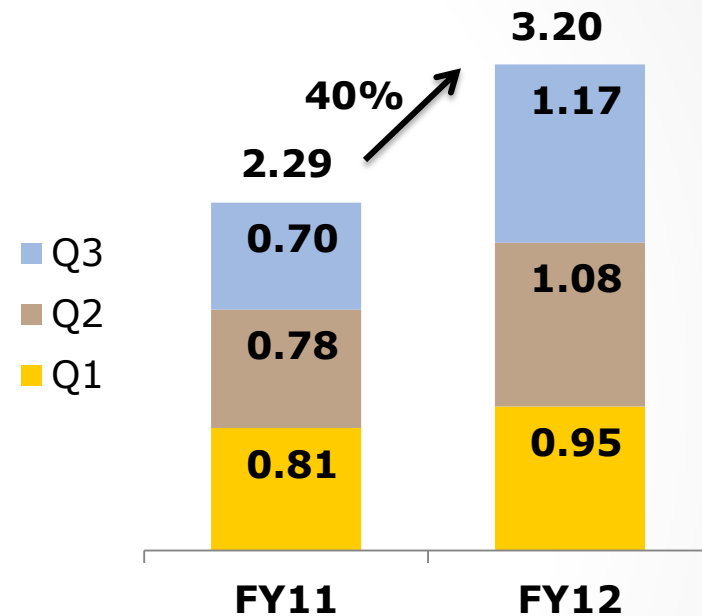
Outlook

Amount in ₹ Bn

Total Income



Profit after Tax



- Revenue buoyancy aided by growth in BFS segment and by tapping existing customer expansion potential in North American markets
- Healthy PAT growth contributed by operating leverage inspite of STPI tax benefit withdrawal in current year

Developmental Projects



Roads & Bridges

- 17 projects
- 7171 Lane Km
- Proj. Cost: ₹ 169 Bn



Power

- 5 projects
- 2828 MW
- Proj. Cost: ₹ 211 Bn



Ports

- 3 projects
- 45 MTPA
- Proj. Cost: ₹ 57 Bn



Metro Rails

- 1 project
- 71.16 Km
- Proj. Cost: ₹ 164 Bn



Urban Infra

- 14 projects
- 25.1 Million sq.ft
- Proj. Cost: ₹ 154 Bn

Total Project Cost (Dec 2011): ₹ 755 Bn

Total Equity Commitment (Dec 2011): ₹ 155 Bn

Total Equity Invested (Dec 2011): ₹ 56 Bn

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Where do we go from here?



Economic

- Political Paralysis
- Inactive Bureaucracy
- Diffused Policy prescription
- Worrisome Fiscal Deficit
- High Oil Prices
- High Interest Rates
- Sluggish Investment Momentum
- Strong GDP Growth still
- High Domestic Savings
- Reasonably good Liquidity
- Favorable Demographics
- High Savings Rate
- Some Green Shoots (Moody's, IIP, Inflation, Indirect Taxes)

Sectoral

- Sharp contraction in Ordering for Power Generation
- Lumpy Hydrocarbon Capex
- Adverse effects of mining ban on Metals Segment
- Intense Competition – often outliers
- Resource Shortages (Coal, Land, Gas, Iron Ore, water)
- Steady Infra project Ordering
- Increased T&D spends
- Middle East promise still holds

Long Term Growth Drivers

- Railways
- Water
- Defense
- Nuclear Power
- Large Concessions Portfolio

Enablers and Strategy

Organisation Strengths

- Strong Balance Sheet
- Large Order Book
- Proven Execution Capabilities
- Diversified Business Portfolio
- Talent Pool
- Governance
- Business Strategy
- Capacity Built up



Thank You



Annexure 1: Major Order Inflows in Q3 FY12

Project Details	₹ Bn
Domestic:	
Design & Build road package (Kishangarh Udaipur Ahmedabad Section) for GMR Projects Private Limited	21.64
Design & Build road package -Maharashtra/ Karnataka Border (Sangareddy Section)	10.20
EPC work on CWSS (Combined Water Supply Scheme) for Tamil Nadu Water Supply and Drainage Board at Vellore & Melur	8.09
Construction of underground storm water pipelines, sewerage, water supply & other associated works for Raipur Development Authority, Chhattisgarh	4.51
Construction of Viaduct including station buildings for Kolkata Metro	3.53
Construction ,Supply & Erection of 400 KV DCDS Raita (Raipur) - Jagdalpur line on turnkey basis for Chhattisgarh State Power Transmission Co. Ltd.	3.35
Construction of Viaduct including Electrical, Signaling and Telecommunication works for Rail Vikas Nigam Limited at Villupuram, Tamil Nadu	3.34
765 KV Double Circuit Wardha - Aurangabad Transmission Line for Power Grid Corporation of India Limited at Maharashtra	2.82
Utility Development Works for Greater Mohali Area Development Authority, Punjab	2.81
Civil construction for RIL Dahej Project	2.50
Export:	
Transmission Lines and Substation in Kuwait, Bahrain and UAE	4.13



Annexure 2: Details of Other Income

Q3 FY12	Q3 FY11	₹ Billion	9M FY12	9M FY11
1.32	0.93	Interest Income	4.19	2.47
2.19	0.46	Dividend from S&A Companies	3.64	1.48
0.03	0.41	Income from Other Investments	0.36	1.39
0.24	0.04	Profit on sale of investments	0.87	0.67
0.71	0.67	Miscellaneous Income	2.02	2.45
4.49	2.51	Total - Other Income	11.08	8.46