

Larsen & Toubro

Analyst Presentation - Q3 / 9M FY17

January 28, 2017



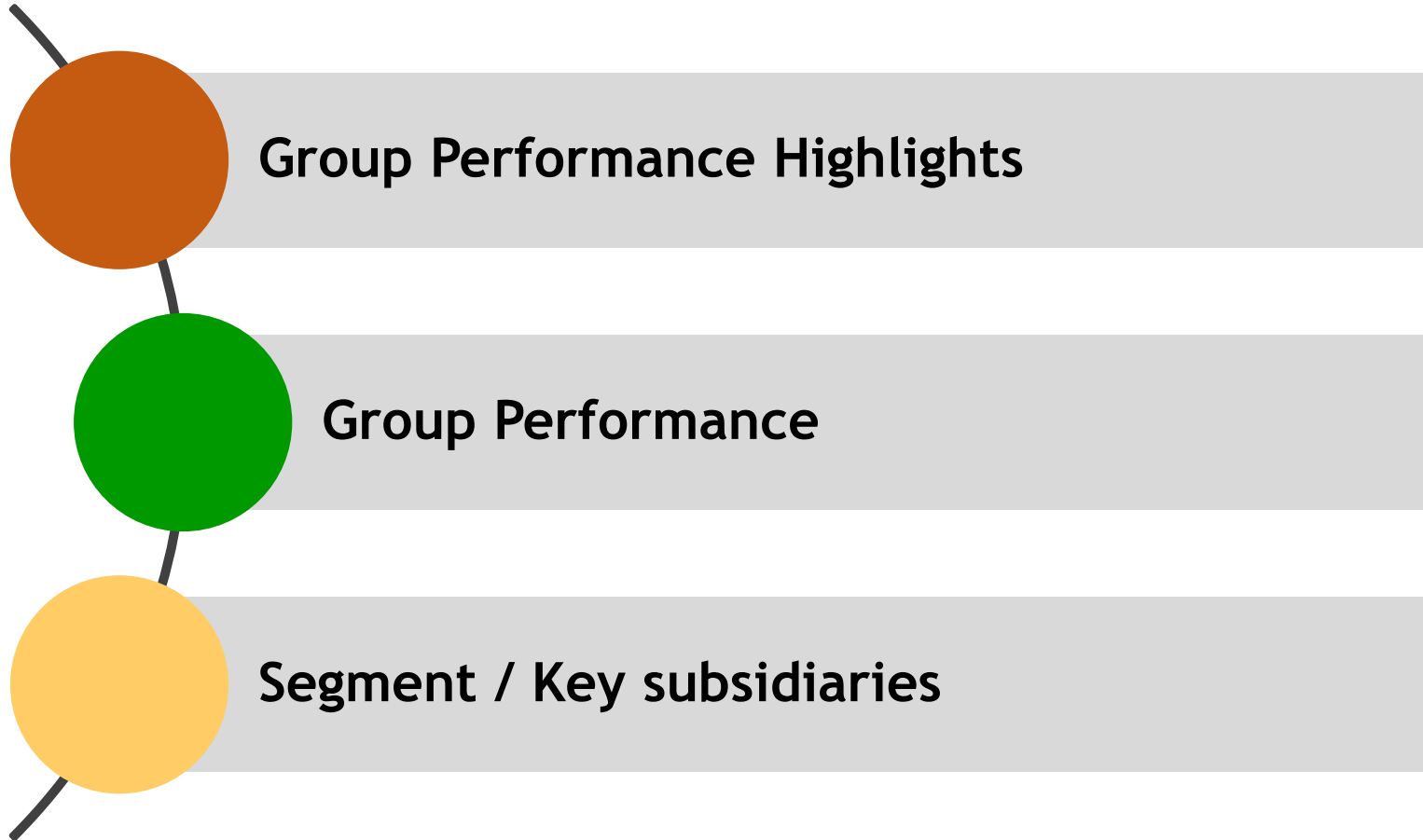
Disclaimer

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.

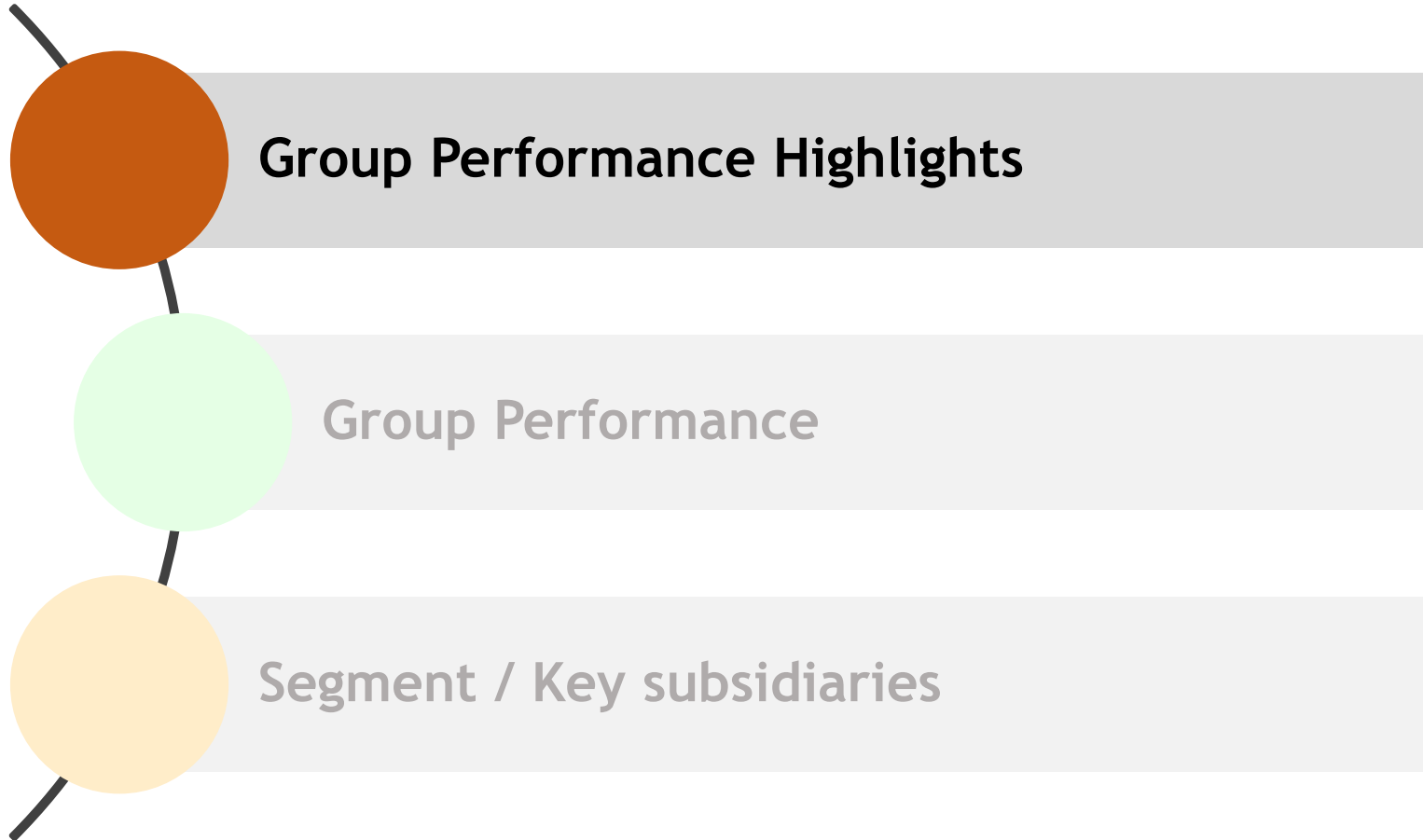
The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, competition (both domestic and international), economic growth in India and the target countries for exports, ability to attract and retain highly skilled professionals, time and cost over runs 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. Past performance may not be indicative of future performance.

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.

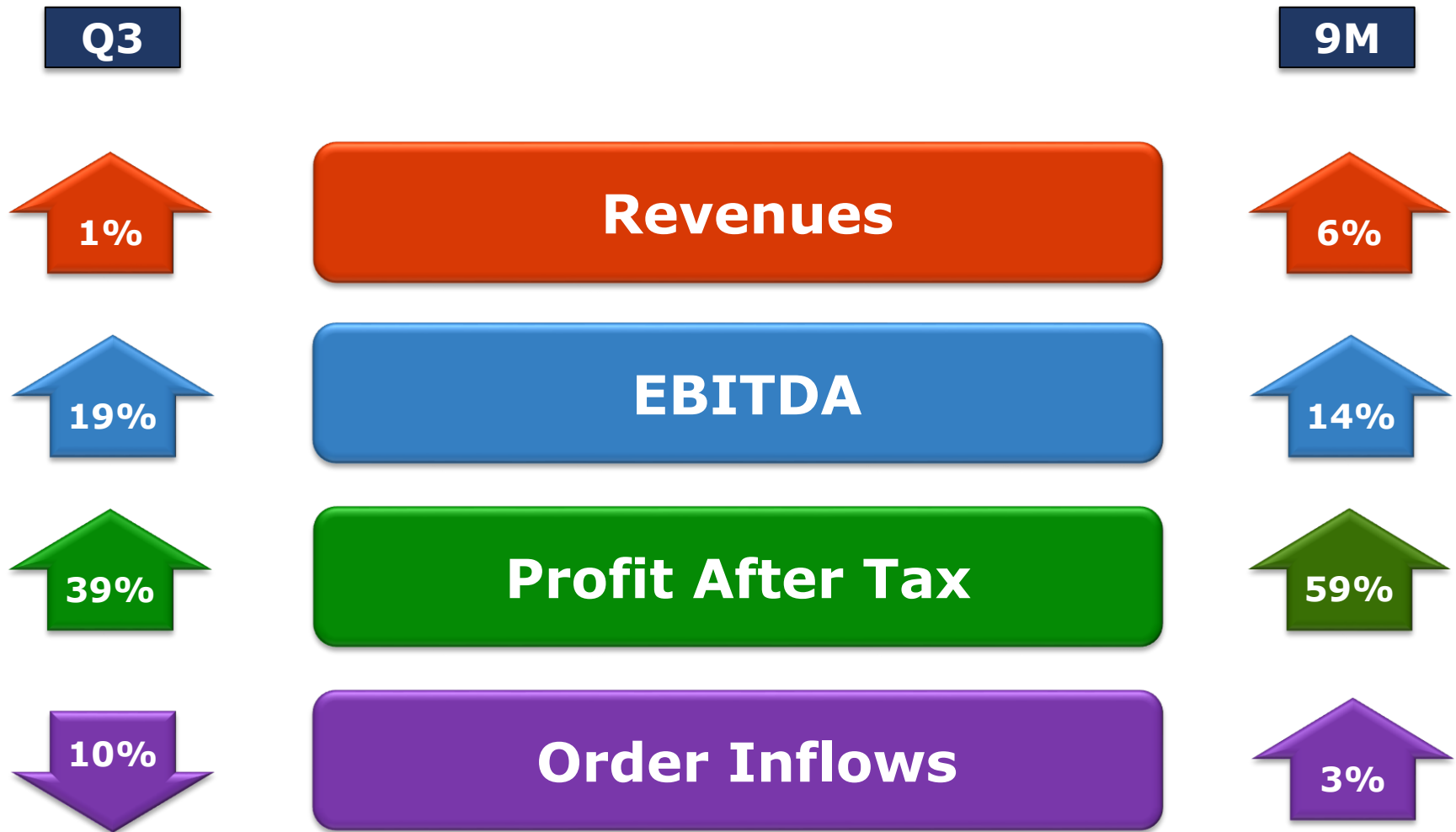
Presentation Outline



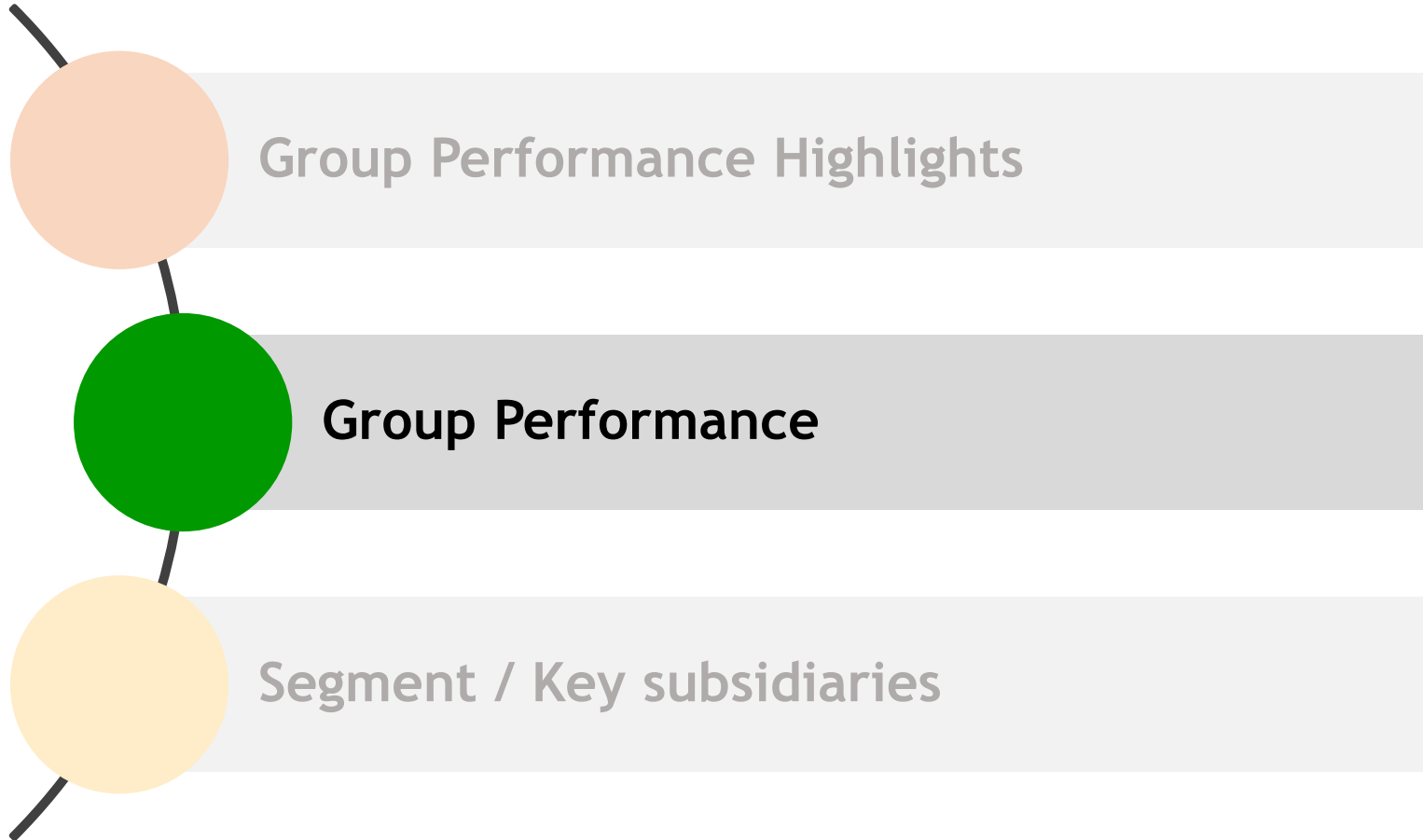
Presentation Outline



Performance Highlights

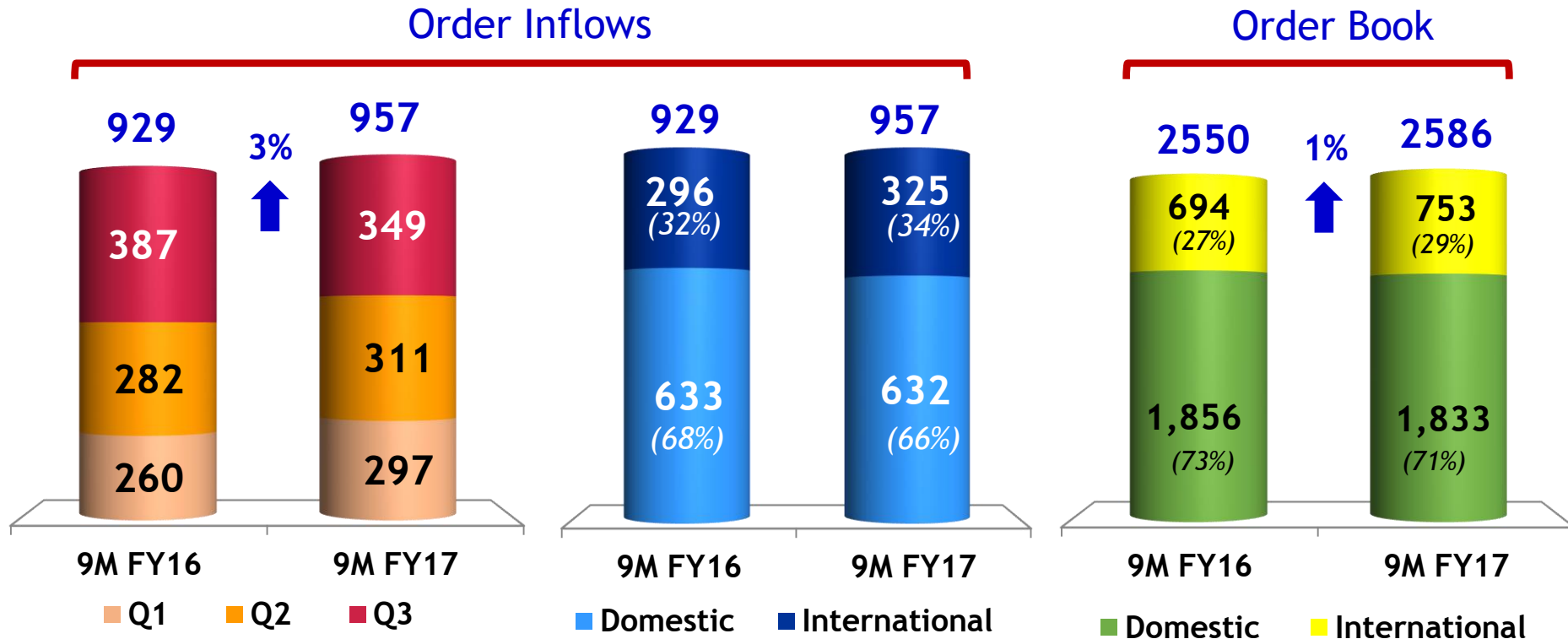


Presentation Outline



Group level Order Inflow & Order Book

Amount in ₹ Bn



- Order Inflow decline due to muted domestic capex and delay in awards
- 10% growth in International orders led by B&F, Heavy Civil and Hydrocarbon Businesses
- Order Book at more than 2x TTM Revenues

Group Performance - Sales & Costs

Q3 FY16	Q3 FY17	% Change	₹ Billion	9M FY16	9M FY17	% Change	FY16
259.28	262.87	1%	Revenue from Operations	691.00	731.83	6%	1,019.75
88.21	95.90	9%	International Revenue	227.20	261.42	15%	323.37
34%	36%		% of Revenue	33%	36%		32%
175.81	172.83	-2%	Mfg, Cons. & Opex (MCO)	453.67	474.23	5%	674.21
12.12	13.32	10%	Finance Cost of Fin. Services and Fin. Lease Activities	36.26	40.22	11%	49.67
34.17	34.97	2%	Staff Costs	99.02	103.53	5%	133.25
15.92	16.52	4%	Sales & Admin. Expense (SGA)	43.24	46.73	8%	58.77
238.02	237.64	0%	Total Opex	632.18	664.71	5%	915.90

- Revenue growth in International market neutralized by domestic execution environment
- Hydrocarbon and Infrastructure business aid revenue growth
- Operational efficiencies in Hydrocarbon, MMH and Heavy Engg. Businesses led to favourable MCO expenses
- Moderate increase in staff cost on productivity improvements
- SGA includes higher provisioning by Financial Services Business

Group Performance Summary - Profitability

Q3 FY16	Q3 FY17	% Change	₹ Billion	9M FY16	9M FY17	% Change	FY16
21.26	25.23	19%	EBITDA	58.81	67.12	14%	103.85
8.2%	9.6%	1.4%	EBITDA Margin	8.5%	9.2%	0.7%	10.2%
(4.04)	(3.79)	-6%	Interest Expenses	(12.16)	(10.43)	-14%	(16.55)
(3.68)	(7.22)	96%	Depreciation	(13.62)	(16.47)	21%	(17.87)
2.41	2.57	7%	Other Income	8.46	10.29	22%	9.82
(5.12)	(4.40)	-14%	Provision for Taxes	(14.75)	(16.69)	13%	(24.16)
(2.94)	(1.48)		Share in profit / (loss) of JVs / Associates	(6.57)	(4.79)		(9.90)
(0.9)	(1.18)		Non-controlling Interest	(1.65)	(2.88)		(3.20)
7.00	9.72	39%	PAT (Before Exceptionals)	18.52	26.14	41%	42.00
-	-		Exceptional (Net of Tax)	0.46	4.02		0.79
7.00	9.72	39%	Reported PAT	18.98	30.17	59%	42.79

- Margin improvement driven by Infrastructure, Heavy Engg. and Hydrocarbon businesses
- Decline in Interest cost on efficient fund management
- Depreciation includes asset value restatement of a Retail Mall upon monetization
- Increase in Other Income due to higher Treasury earnings

Group Balance Sheet

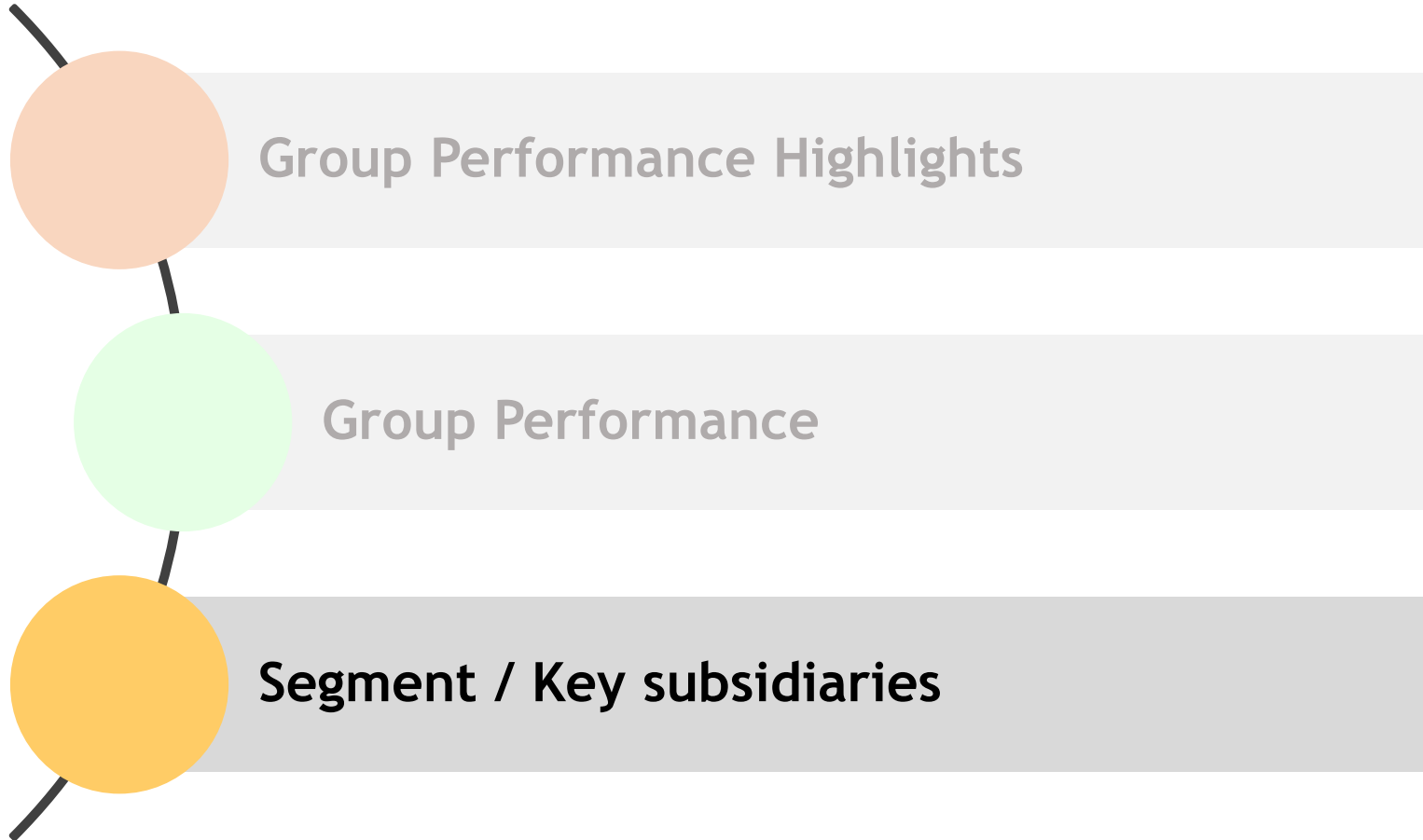
₹ Billion	Dec-16	Mar-16	Incr / (Decr)
Equity & Reserve	471.02	444.55	26.48
Non Controlling Interest	32.55	27.11	5.44
Borrowings - Financial Services	585.32	545.86	39.46
Development Projects	152.99	142.03	10.96
Others	186.19	193.43	(7.24)
Other Non-Current Liabilities	24.30	8.44	15.86
Sources of Funds	1,452.37	1,361.41	90.96
Fixed Assets (Tangible / Intangible / Goodwill)	183.63	188.06	(4.43)
Development Projects Fixed Assets	145.19	123.22	21.97
Finance lease receivable	96.11	98.16	(2.05)
Loans towards Financing Activities	599.82	557.03	42.78
Other Non-Current Assets (Incl. S&A / JV Investment)	81.98	87.31	(5.34)
Current Investments	119.61	74.91	44.69
Working Capital	226.03	232.71	(6.67)
Application of Funds	1,452.37	1,361.41	90.96

Group Cash Flow

Q3 FY16	9M FY16	₹ Billion	Q3 FY17	9M FY17
24.79	65.83	Operating Profit	26.12	69.62
(6.28)	(5.24)	Changes in Working Capital	10.22	9.59
(8.75)	(22.49)	Direct Taxes paid	(9.51)	(22.84)
9.75	38.10	Net Cash from Operations (A)	26.83	56.37
(7.27)	(33.75)	Investments in Fixed Assets (Net)	(8.64)	(27.33)
22.06	(0.29)	Net Purchase of Long Term & Curr. Inv.	(27.90)	(48.38)
(0.55)	(2.14)	Loans/Deposits made with Associate Cos.	(0.52)	(3.10)
0.03	0.40	Interest & Dividend Received & Others	1.47	3.42
-	0.74	Divestment Proceeds (Incl. Advances)	14.30	19.56
14.27	(35.05)	Net Cash from/(used in) Invest. Act. (B)	(21.29)	(55.84)
3.88	9.90	Issue of Share Capital / Minority	(0.02)	20.57
29.47	104.23	Net Borrowings	16.24	43.75
(43.93)	(80.60)	Disbursements towards financing activities*	(17.59)	(31.11)
(6.72)	(37.32)	Interest & Dividend paid	(3.88)	(32.93)
(17.29)	(3.79)	Net Cash from Financing Activities (C)	(5.25)	0.28
6.73	(0.74)	Net (Dec) / Inc in Cash & Bank (A+B+C)	0.28	0.81

* included under Net Cash from operations under statutory financial statements

Presentation Outline



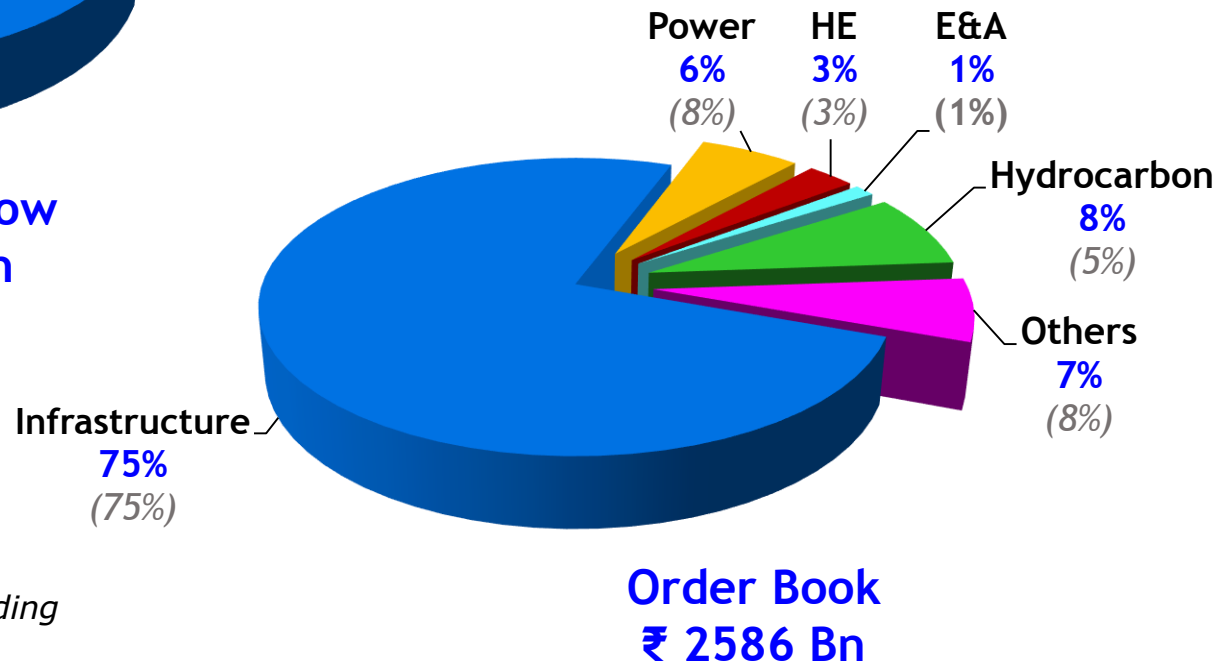
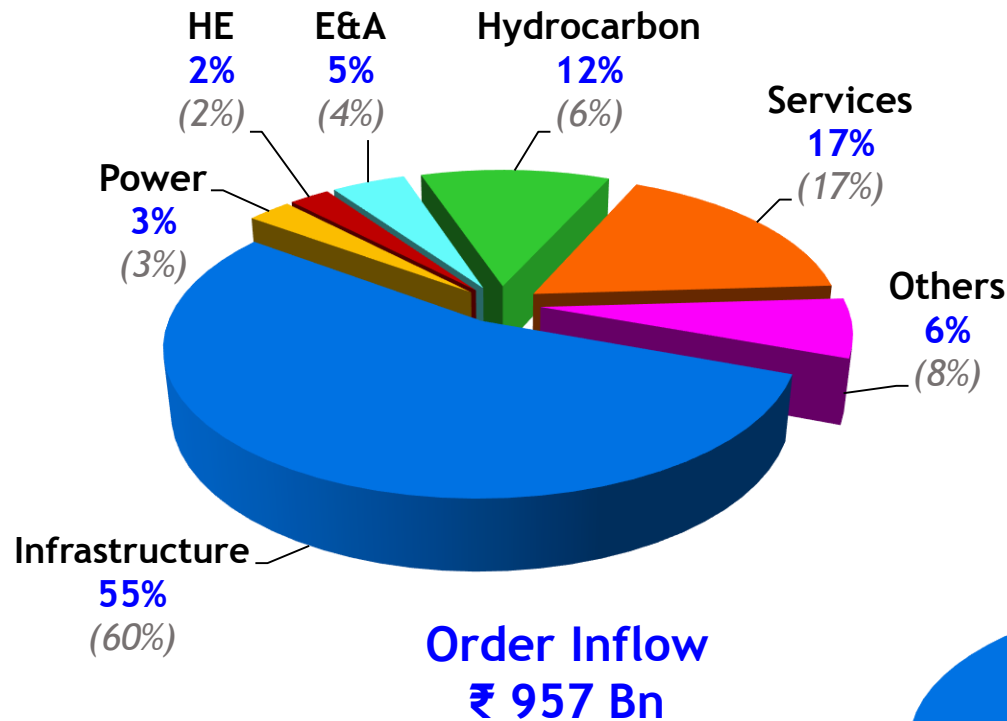
Segment Composition

Infrastructure		Power	Heavy Engineering	Electrical & Automation	
Buildings & Factories		EPC - Coal & Gas	Process Plant Equipment	Electrical Standard Products	
Transportation Infra			Nuclear Power Plant Equipment	Electrical Systems & Equipment	
Heavy Civil Infra		Defence & Aerospace		Metering & Protection	
Water & Effluent Treatment			Piping Centre	Control & Automation	
Power T&D					
Smart World & Communication					

Carbon	Developmental Projects	IT & TS	Financial Services	Others
	Roads*	Information Technology	Retail & Corporate	Shipbuilding
	Metros		Infrastructure	Realty
	Ports	Technology Services	Mutual Fund Asset Management	Metallurgical & Material Handling
	Power			
				Machinery & Industrial Products

* Consolidated at PAT level

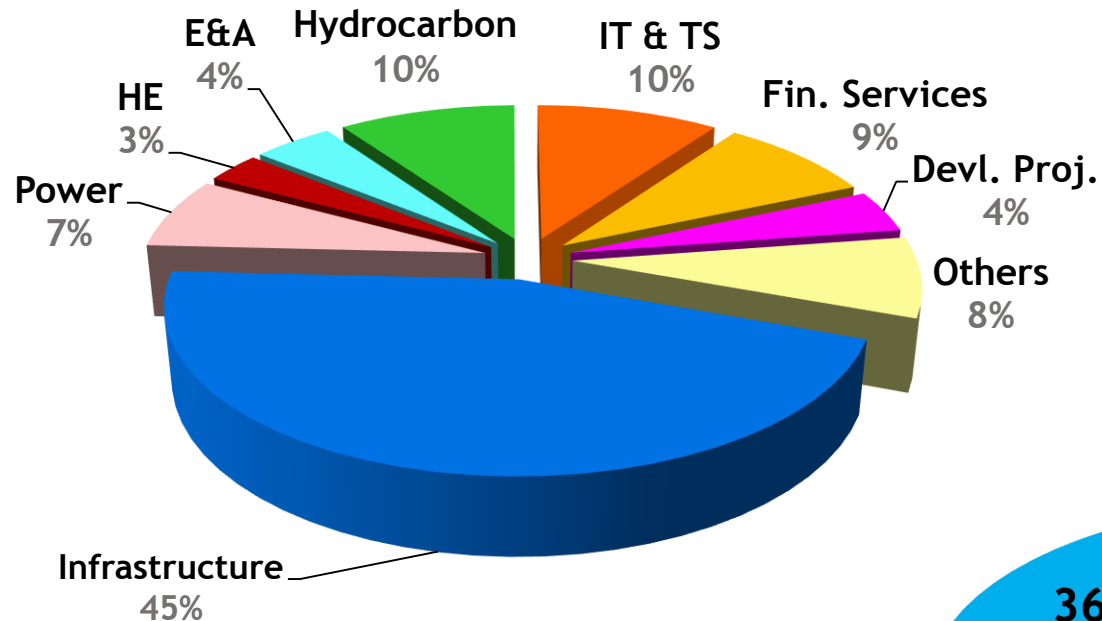
Segmental Breakup of Orders - 9M FY17



Figures in brackets indicate corresponding period of the Previous Year

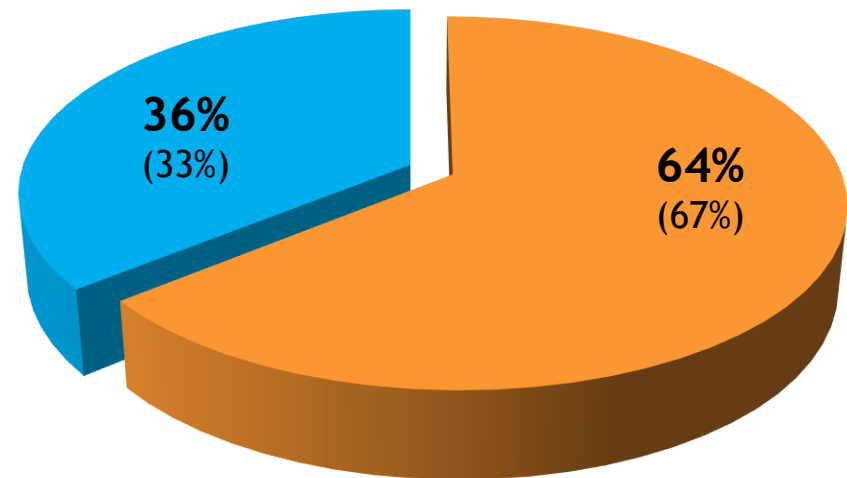
Revenue Breakup - 9M FY17

Segmental Breakup



Figures in brackets indicate corresponding period of the Previous Year

Geographical breakup

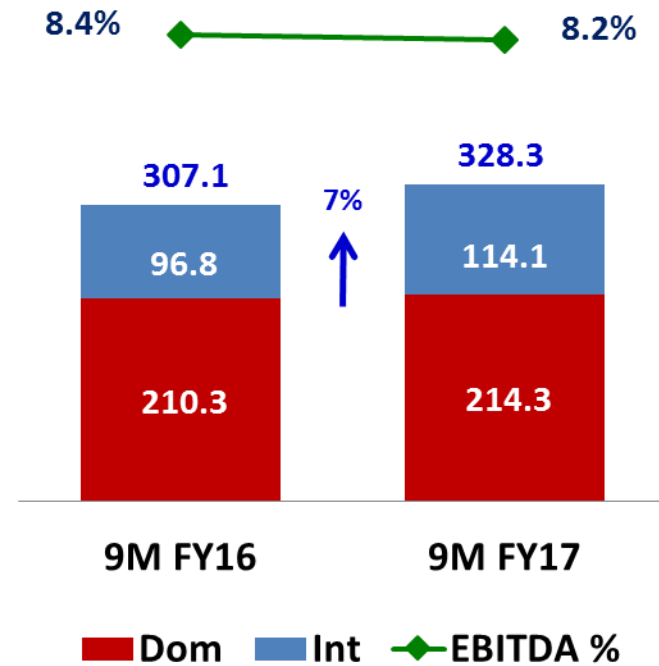
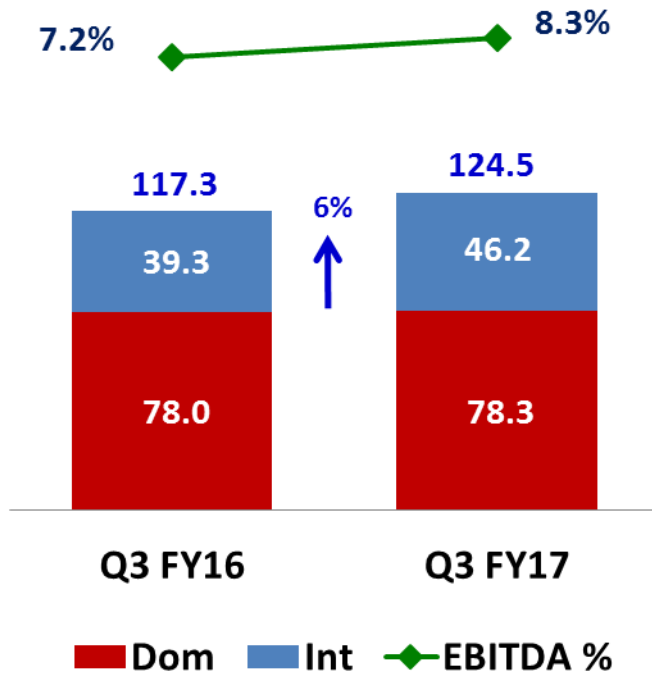


■ Domestic ■ International

Infrastructure Segment

Amount in ₹ Bn

Net Revenues & Margin

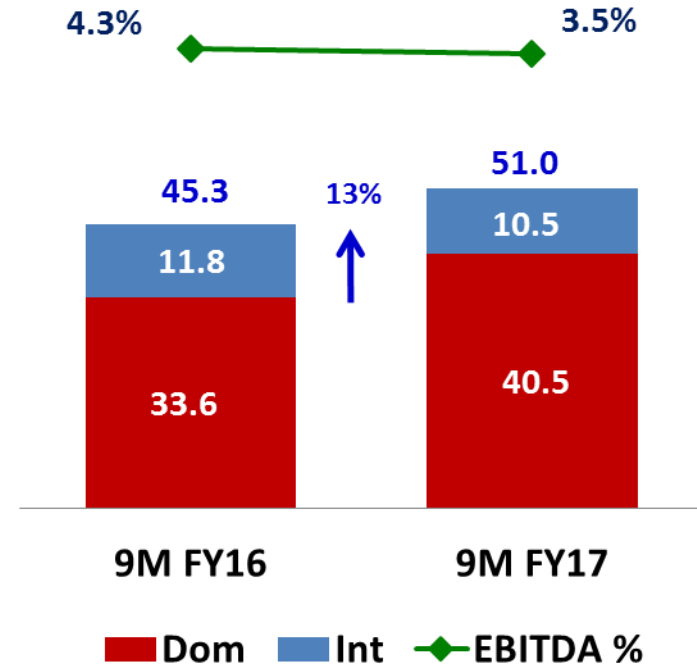
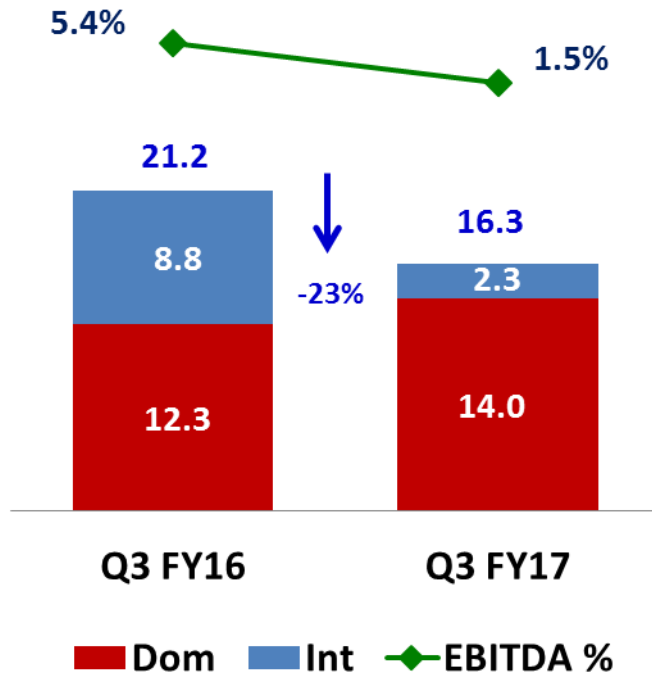


- Modest sales growth on execution headwinds and slower payment cycles
- Heavy Civil and Power T&D registers better margin
- Q3 Margin benefits from cost reduction & design optimization initiatives

Power Segment

Amount in ₹ Bn

Net Revenues & Margin

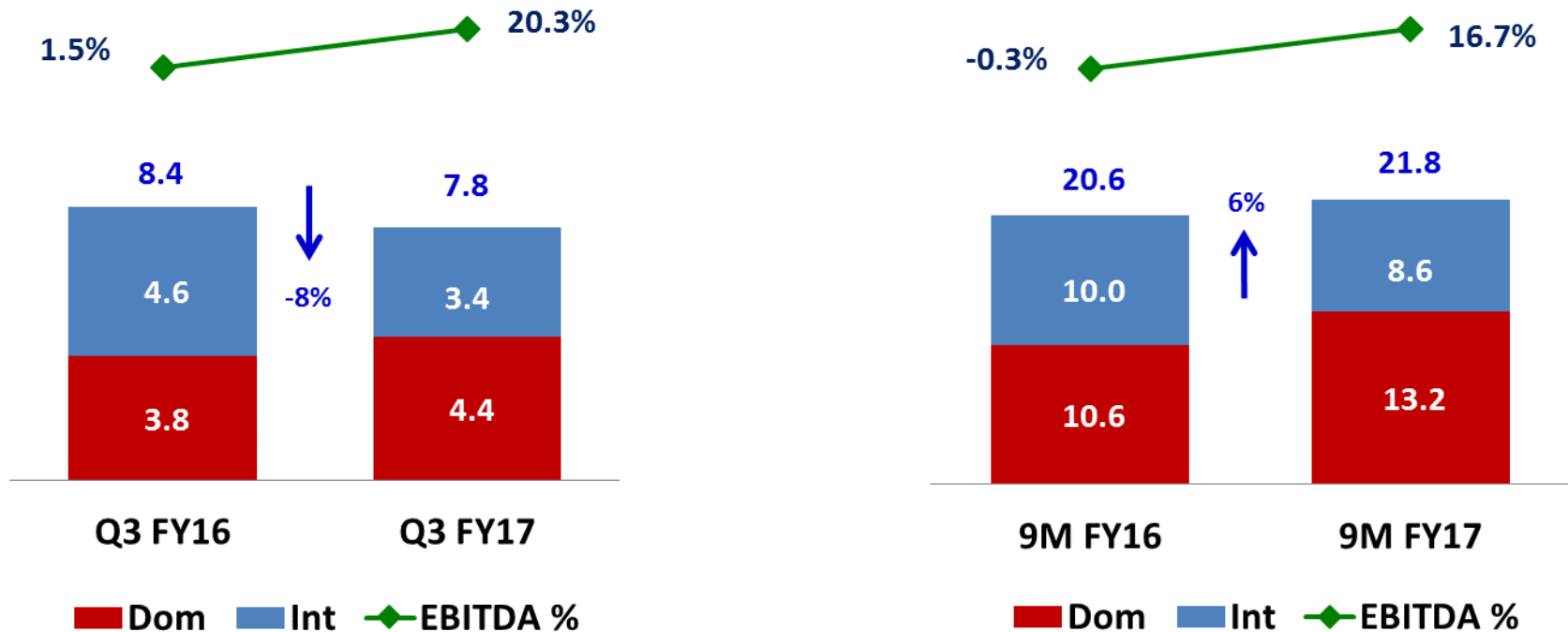


- Revenue decline due to lower order-book and international revenue taper
- Lower Margins in Q3 due to higher proportion of cost jobs
- MHPS JVs consolidated at PAT level

Heavy Engineering Segment

Amount in ₹ Bn

Net Revenues & Margin

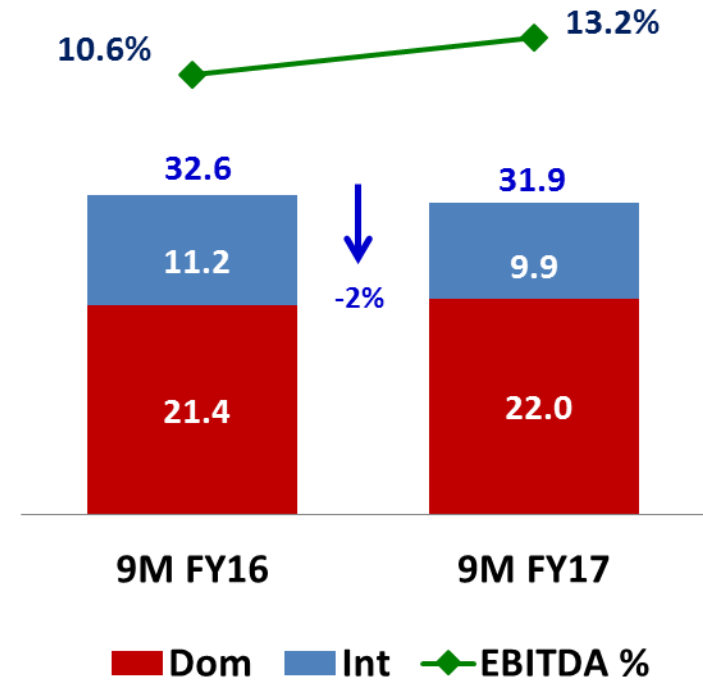
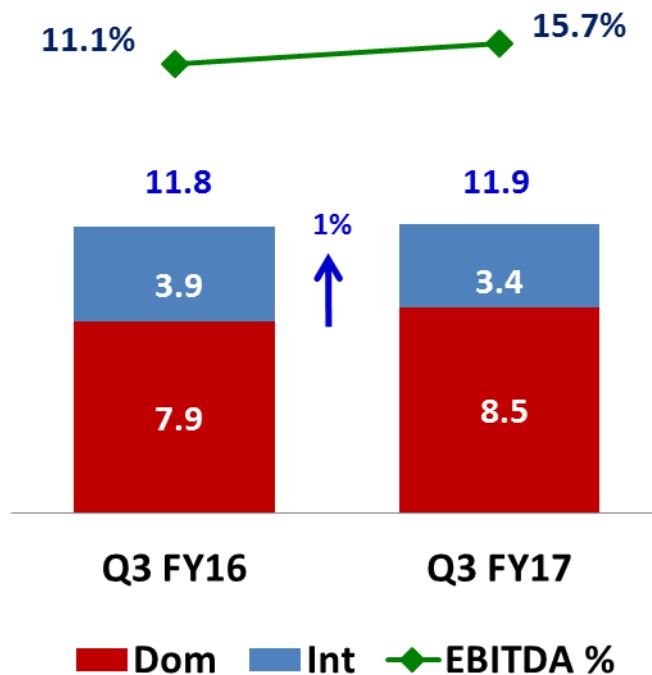


- Revenue growth impacted by lower order book and stage of execution
- Previous year margin impacted by cost and time overruns
- CY margin improved both in PPN and D&A Business

Electrical & Automation (E&A) Segment

Amount in ₹ Bn

Net Revenues & Margin

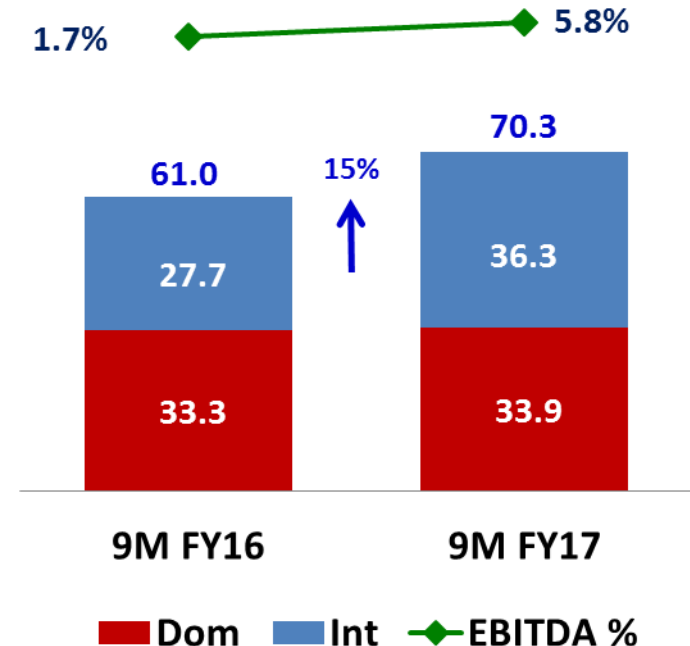
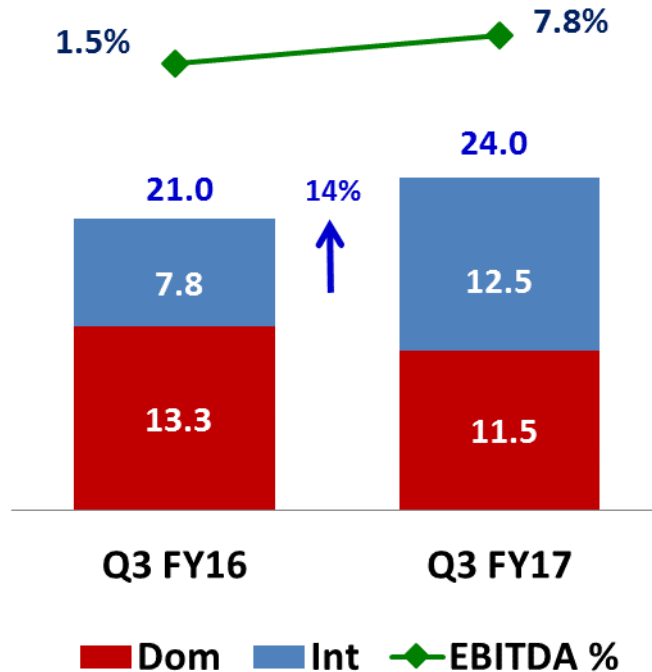


- Lack of industrial demand continues to hamper growth
- Electrical Standard Product (ESP) and Control & Automation Business registers growth
- Margin improvement due to operational efficiencies

Hydrocarbon Segment

Amount in ₹ Bn

Net Revenues & Margin

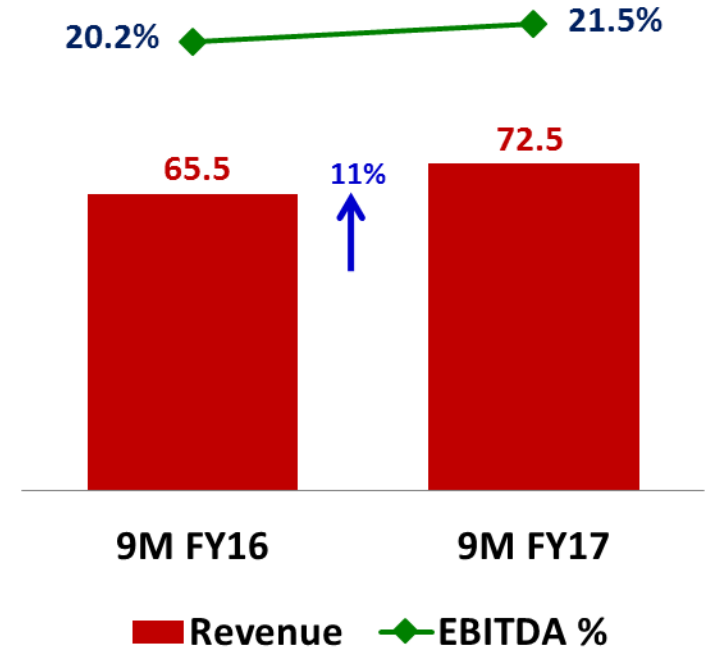
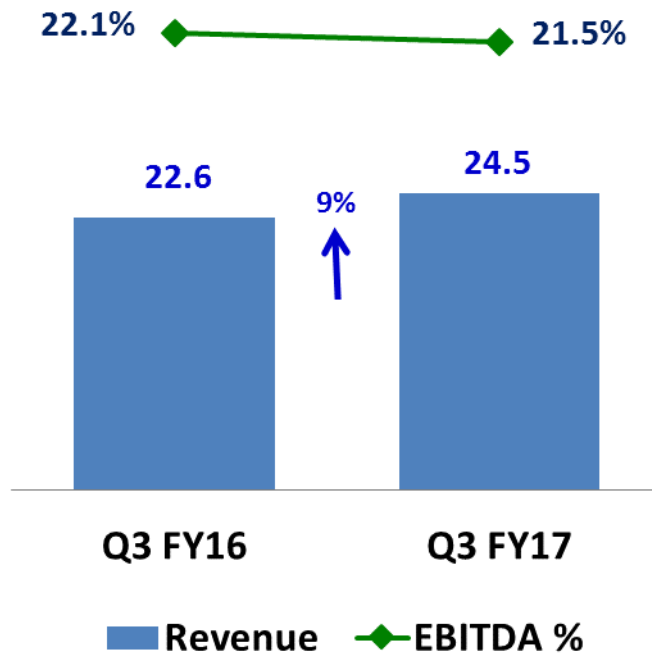


- Revenue growth as conversion of orders pick-up
- Margin improvement on execution progress, operational efficiency and close out of legacy jobs

IT & Technology Services Segment

Amount in ₹ Bn

Net Revenues & Margin

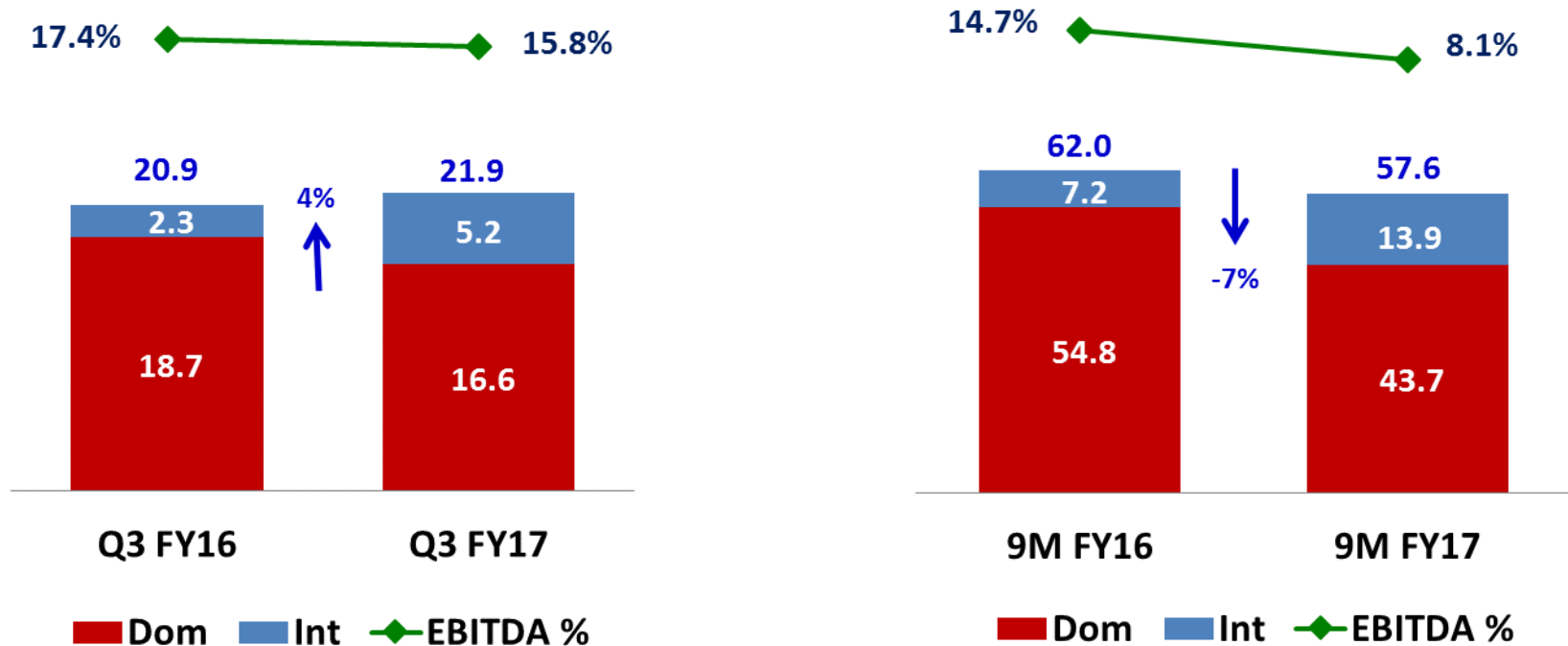


- Revenue growth contributed by Insurance, Auto & Aero for IT business and Transportation & Medical Devices for Tech Services Business
- Margin decline on investment for scaling up of operations
- Thrust on mining existing customers, analytics and automation

Others Segment

Amount in ₹ Bn

Net Revenues & Margin

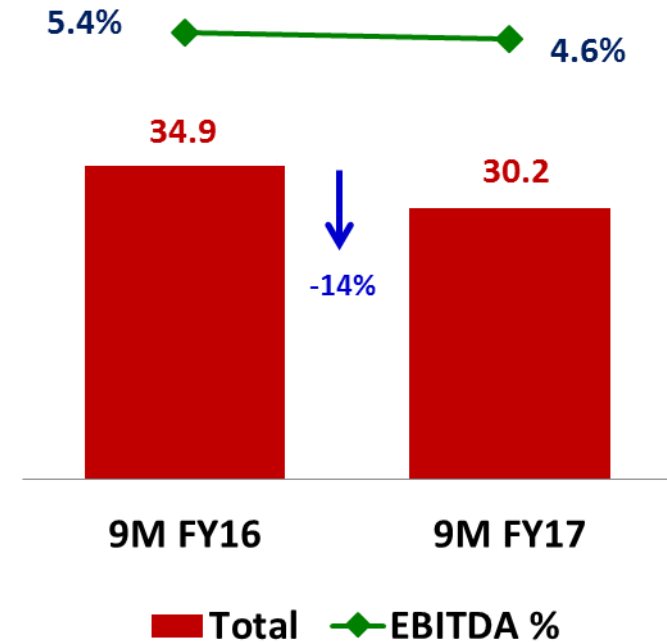
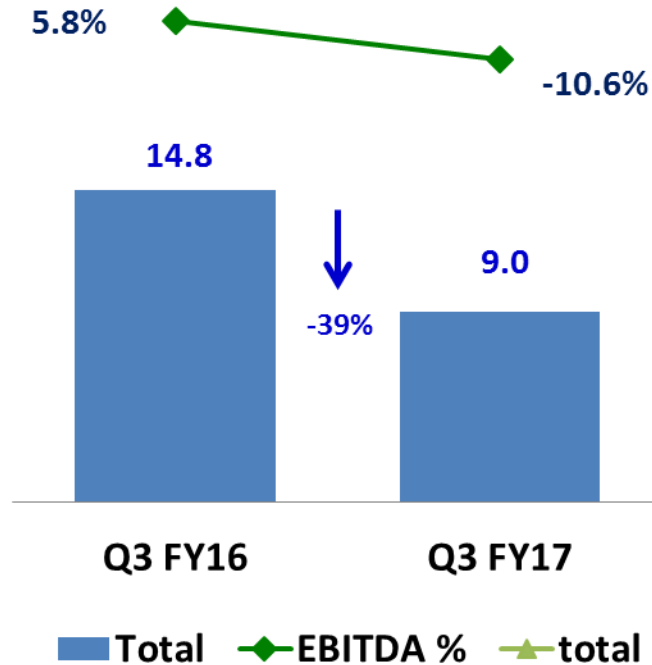


- Weak industrial demand and low capacity utilization indicative of the business environment
- MMH business witnessed robust revenue growth on execution pick-up
- Lower offtake in construction and mining equipment and Realty projects
- Delayed defence ordering impacts Shipbuilding performance

Developmental Projects Segment

Amount in ₹ Bn

Net Revenues & Margin



- Segment includes Power Development, Port and Hyderabad Metro
- IDPL (Roads & TL) consolidated only at PAT level
- Lower construction revenue in Hyderabad Metro and maintenance shutdown of Nabha Power Plant impacts revenue
- Margins impacted due to provisioning for disputed receivables

L&T Finance Holdings (I-GAAP)

₹ Billion	Q3 FY16	Q3 FY17	% Change
Networth (Incl. Pref.Cap and Warrants)	92.38	91.35	-1%
Consolidated Debt	488.30	550.68	13%
Loans and Advances	561.19	619.70	10%
Mutual Fund Average AUM	250.59	351.91	40%
Income from Operations	18.20	20.94	15%
Net NPA (%) - 120 DPD	3.89%	3.10%	-0.79%
PAT	2.12	2.71	28%

- Third successive quarter of ROE improvement - ROE stands at 12.81% in Q3FY17 as against 9.29% in Q3FY16 and 11.72% in Q2FY17
- Cost to Income reduced from 30% to 25%
- Focussed business growth of 15%

Thank You

Annexure-1: Group Profit & Loss Extract

₹ Billion	IT & TS	Fin. Services *	Devl. Projects	L&T & Others (Incl. Eliminations)	L&T Group		
					9M FY17	9M FY16	% Change
Revenue from Operations	72.47	63.38	30.21	565.77	731.83	691.00	6%
EBITDA	15.28	6.93	1.10	43.81	67.12	58.81	14%
Interest Expenses	(0.03)	(0.01)	(1.07)	(9.32)	(10.43)	(12.16)	-14%
Depreciation	(1.86)	(0.64)	(0.43)	(13.54)	(16.47)	(13.62)	21%
Other Income	0.28	2.10	0.28	7.63	10.29	8.46	22%
Provision for Taxes	(3.20)	(2.66)	(0.39)	(10.44)	(16.69)	(14.75)	13%
Share in profit/(loss) of JVs / Associates	-	0.03	(4.08)	(0.73)	(4.79)	(6.57)	
Adjustments for non -controlling interest in Subs., etc.	(0.98)	(2.13)	0.73	(0.49)	(2.88)	(1.65)	
Net PAT	9.48	3.62	(3.86)	20.93	30.17	18.98	59%

* Includes Insurance Business

Annexure-2: Share in Profit/ (Loss) of JVs/ Associates

₹ Billion	9M FY17	9M FY16
MHPS JVs	0.77	0.19
IDPL & Subs.	(4.08)	(5.30)
Others	(1.48)	(1.46)
Total	(4.79)	(6.57)

Annexure-3: Other Comprehensive Income (OCI)

₹ Billion	9M FY16	9M FY17
Changes arising out of re-measurement of defined benefit plans for employees	0.13	(0.44)
MTM of investment in Debt instruments	(0.33)	0.06
Changes in Foreign Currency Translation Reserve	(0.32)	(0.83)
MTM of Off-Balance Sheet Hedges	(0.44)	(0.77)
Total	(0.96)	(1.98)

- OCI represents movement in components of Equity (Net Worth) in Balance Sheet
- Components:
 - Re-measurement of defined benefit (retirement) plans - Volatile and dependent on G-Sec rate movement due to actuarial valuation; no flow back to P&L
 - MTM of Debt investments - Flow back to P&L on actual sale
 - Changes in FCTR represents MTM on Consolidation of Balance Sheets of Businesses with Foreign Functional Currency - Flow back to P&L only on sale of business
 - MTM of Off-Balance Sheet Hedges - Flow back to P&L on entry of underlyings into Balance Sheet

Annexure 4: Concessions Business Portfolio - 21 SPVs



Roads and Bridges:

Portfolio: 15 projects (1661 Km); 13 Operational
Project Cost: ₹161 Bn

Power (Excl. Projects under DPR):

Portfolio: 2 projects (1499 MW); 1 Operational
Project Cost: ₹112 Bn



Ports:

Portfolio: 2 projects (18 MTPA) - Operational
Project Cost: ₹20 Bn

Metros:

Portfolio: 1 project (71.16 Km) - Under-implementation
Project Cost (Fin. Closure): ₹170 Bn



Transmission Lines:

Portfolio: 1 project (482 Km)
Project Cost: ₹13.5 Bn

Total Project Cost (Dec 2016): ₹ 476 Bn

Equity Invested (Dec 2016): ₹ 97 Bn

Balance Equity Commitment (Dec 2016): ₹ 18 Bn

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