



# Larsen & Toubro

## Analyst Presentation - Q1 FY16

July 31, 2015



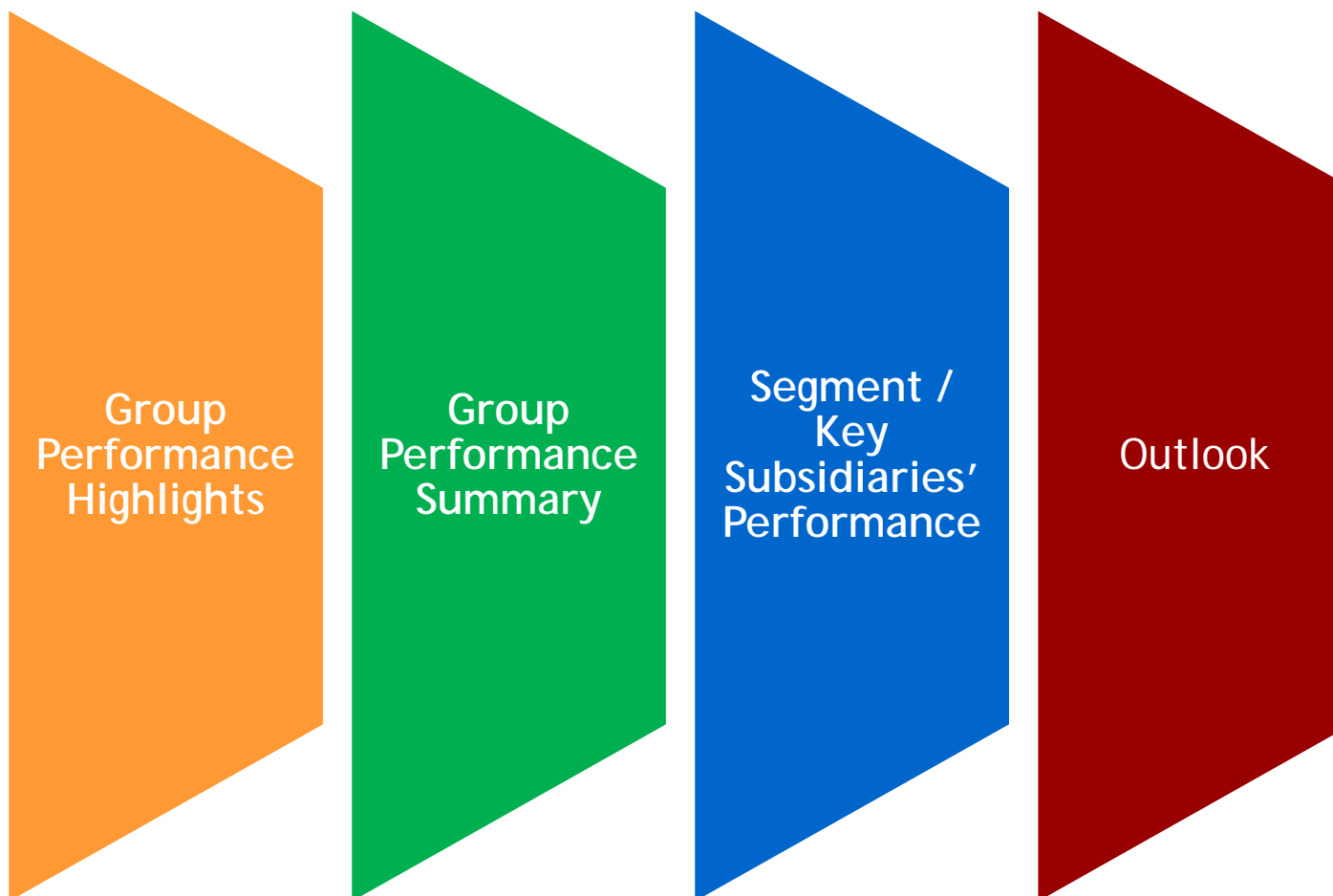
# Disclaimer

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.

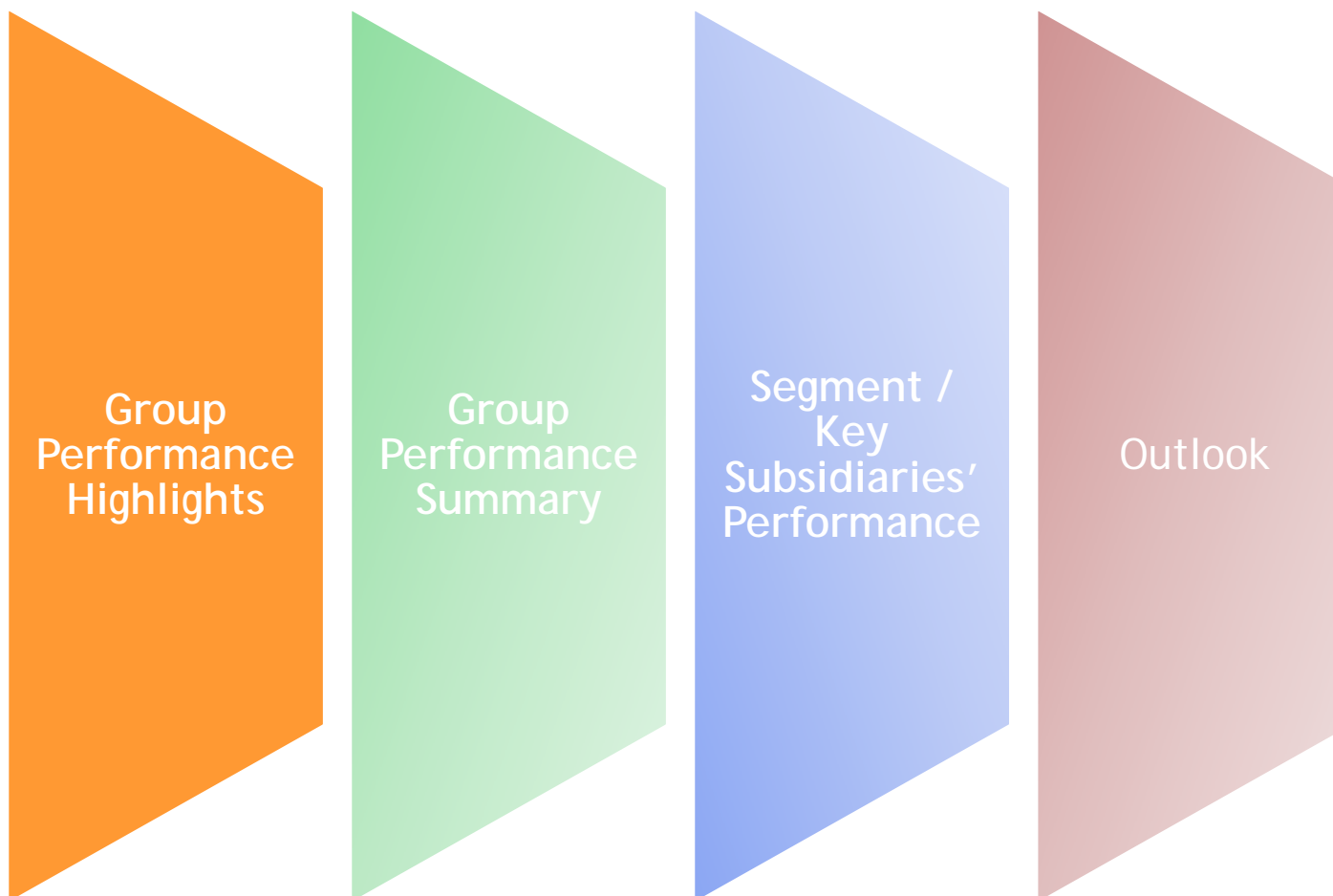
The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, competition (both domestic and international), economic growth in India and the target countries for exports, ability to 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.

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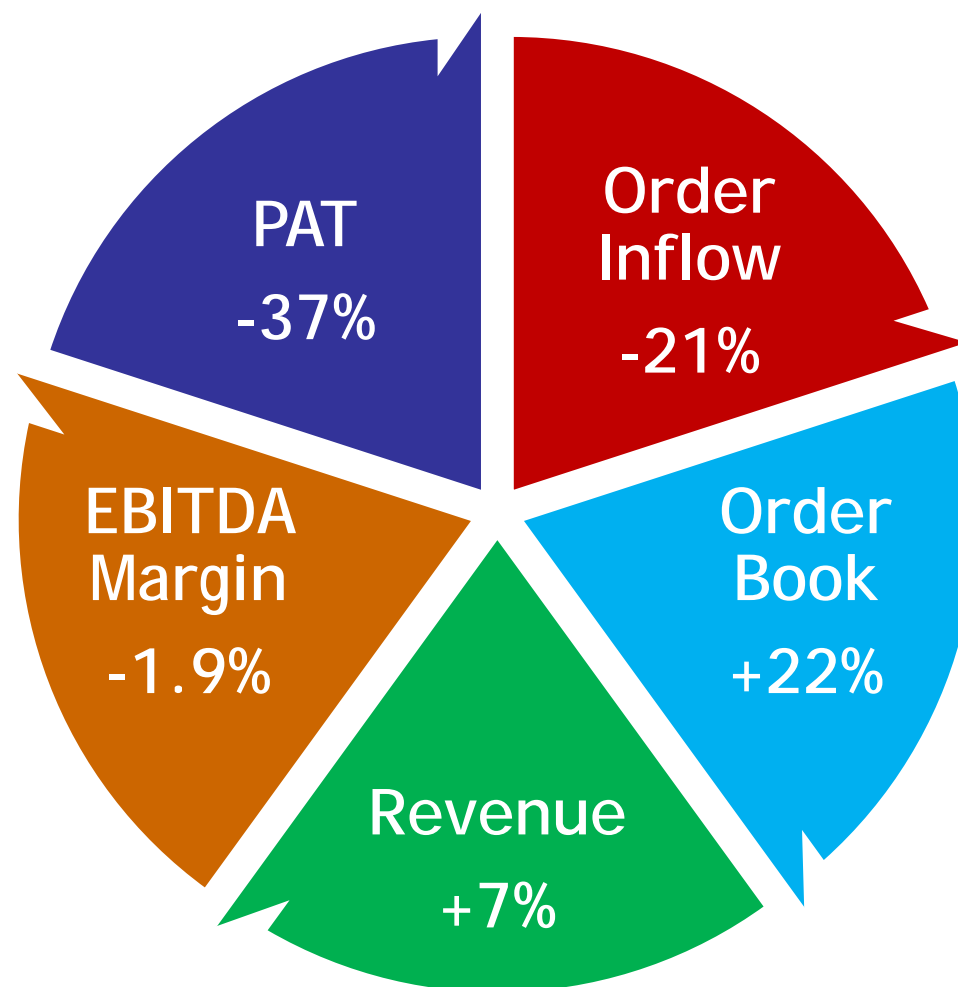
# Presentation Outline



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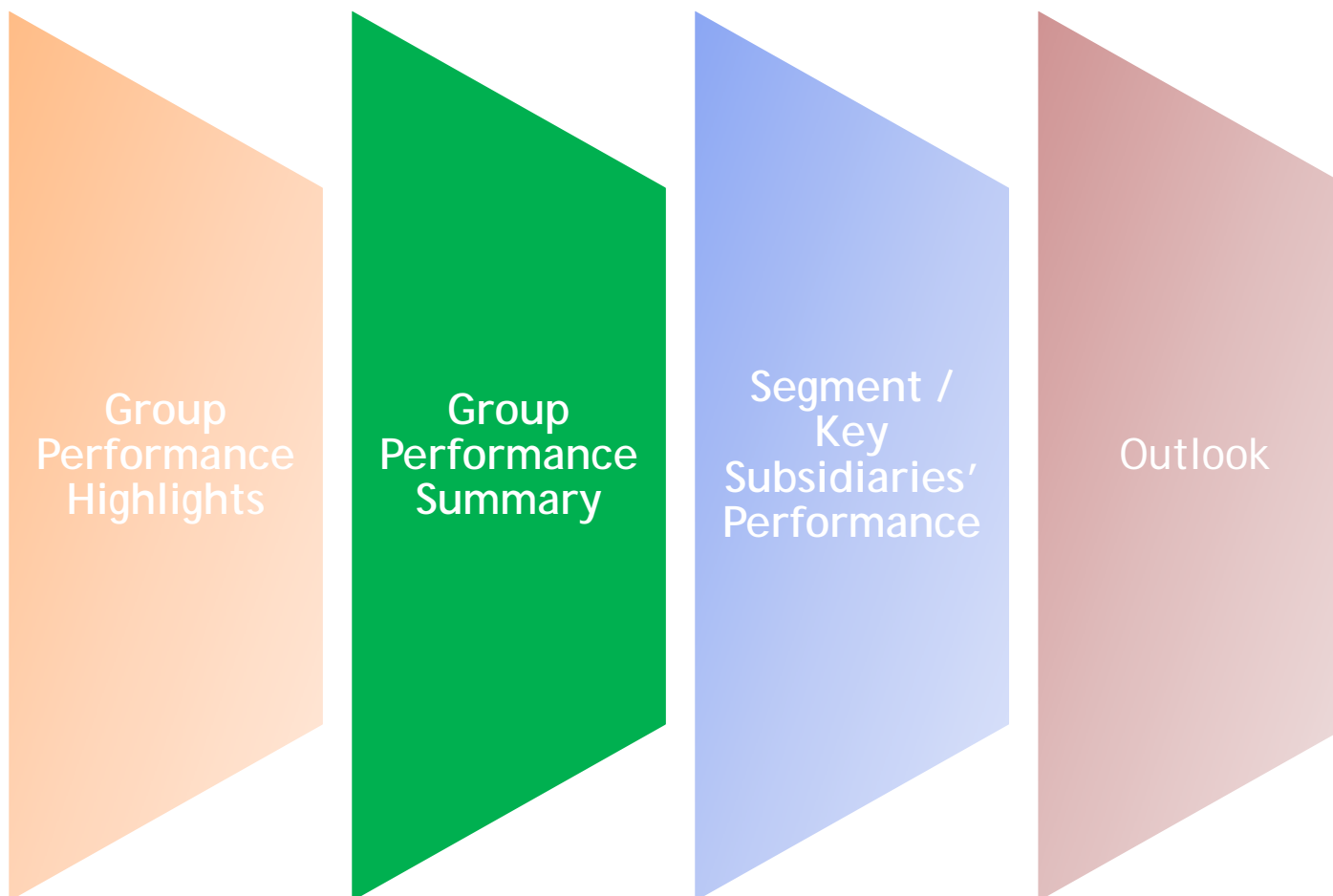


# Q1 FY16 Performance Highlights



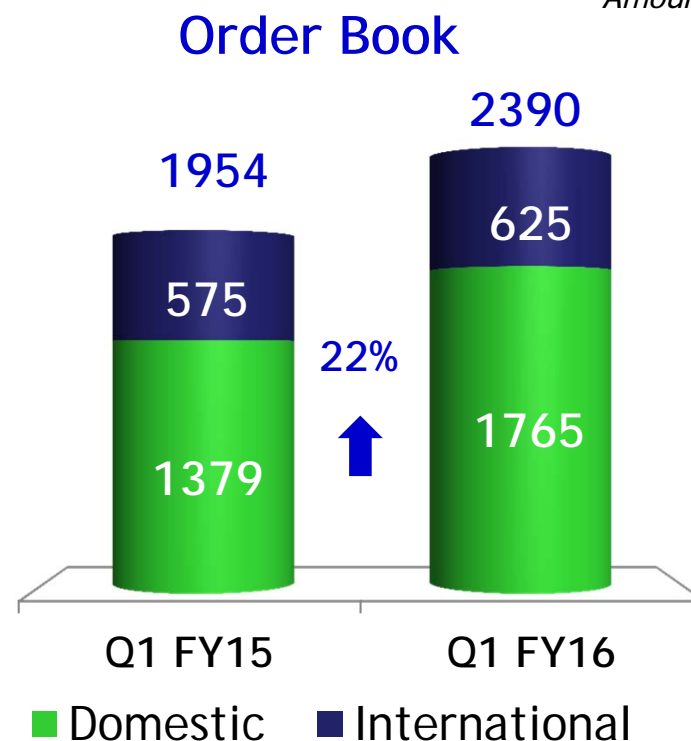
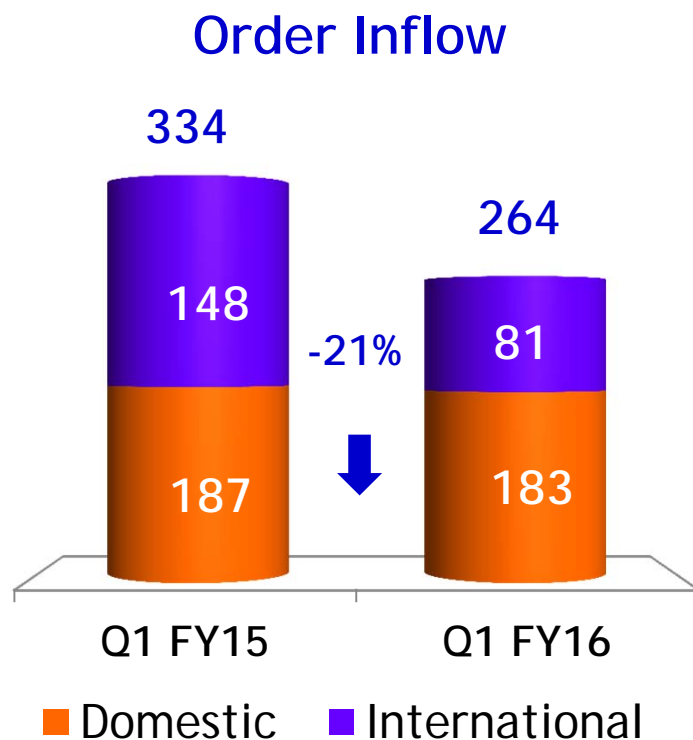


# Presentation Outline



# Group level Order Inflow & Order Book

Amount in ₹ Bn



- Sluggish pace of awards in Infrastructure segment
- Investment momentum in Industrial capex yet to pick up
- Power and Hydrocarbon awards picking up; few target bids lost on price
- Prospect pipeline for balance FY16 appears encouraging

# Group Performance - Sales & Costs

₹ Billion	Q1 FY15	Q1 FY16	% Change	FY15
Net Sales / Revenue from Operations	189.75	202.52	7%	920.05
----International Sales	48.50	66.09	36%	259.26
% of Total Sales	26%	33%	-	28%
Mfg, Cons. & Opex (MCO)	133.29	144.97	9%	673.34
Staff Costs	17.51	20.84	19%	79.25
Sales, adm. & other Exp. (SGA)	13.83	13.81	-0.2%	54.13
Total Opex	164.64	179.62	9%	806.71

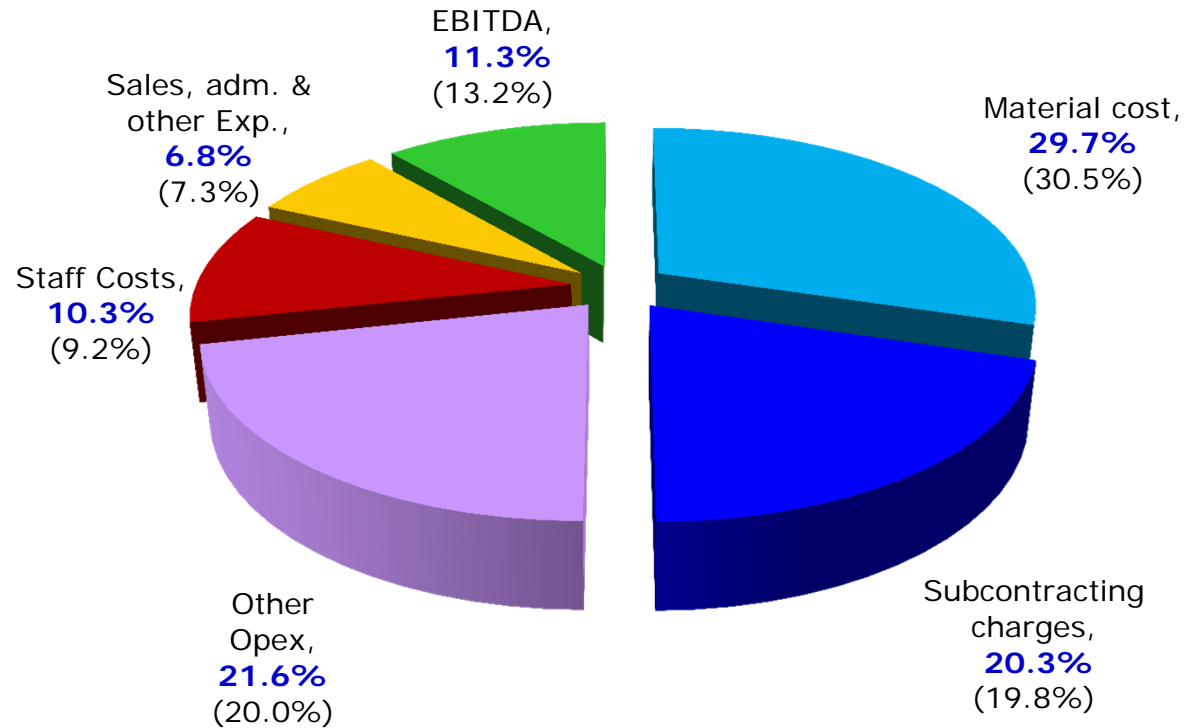
- Execution challenges persist in some sectors
- Project business features sequentially non-linear execution progress
- Increase in MCO charge due to job mix and operationalization of Nabha power project
- Staff cost rise due to pay revisions and enlarged base of Middle East operations
- SGA expenses in line with level of operations



# Performance Summary - Operational Costs & Profitability



## Q1 FY16



*Figures in brackets indicate corresponding period of the Previous Year*

# Group Performance Summary Extracts

₹ Billion	Q1 FY15	Q1 FY16	% Change	FY15
EBITDA	25.11	22.90	-9%	113.33
EBITDA Margin	13.2%	11.3%	-1.9%	12.3%
Interest Expenses	(7.74)	(7.07)	-9%	(28.51)
Depreciation	(8.07)	(6.22)	-23%	(26.23)
Other Income	2.77	2.57	-7%	10.10
Provision for Taxes	(4.49)	(5.46)	22%	(22.84)
PAT after Minority Interest	9.67	6.06	-37%	47.65

- Quarterly EBITDA variation reflects inherent non-linearity of project execution
- EBITDA margin drop due to divestment gain in PY and lower level of operation in segments with reduced order book; partly compensated by hydrocarbon recovery
- Decrease in interest cost on sale of Dhamra Port and loans refinancing
- Other income mainly comprises Treasury Gains
- Post-tax gain of Rs.1.96 Bn Exceptional items included in Q1 FY15

# Group Balance Sheet

₹ Billion	Jun-15	Mar-15	Incr / (Decr)
Net Worth	414.18	409.09	5.09
Minority	56.55	49.99	6.56
Borrowings (Fin. Serv.)	449.97	430.10	19.87
Other Non-Current Liabilities	501.86	405.58	96.27
Other Current Liabilities	670.97	647.06	23.91
<b>Total Sources</b>	<b>2,093.52</b>	<b>1,941.82</b>	<b>151.70</b>
Net Fixed Assets	566.98	474.56	92.42
Goodwill on consolidation	22.23	22.15	0.08
Loans & Advances (Fin. Serv.)	473.32	454.26	19.06
Other Non- Current Assets	145.13	145.25	(0.12)
Cash and Cash Equivalents	157.69	138.21	19.48
Other Current Assets	728.16	707.38	20.78
<b>Total Applications</b>	<b>2,093.52</b>	<b>1,941.82</b>	<b>151.70</b>

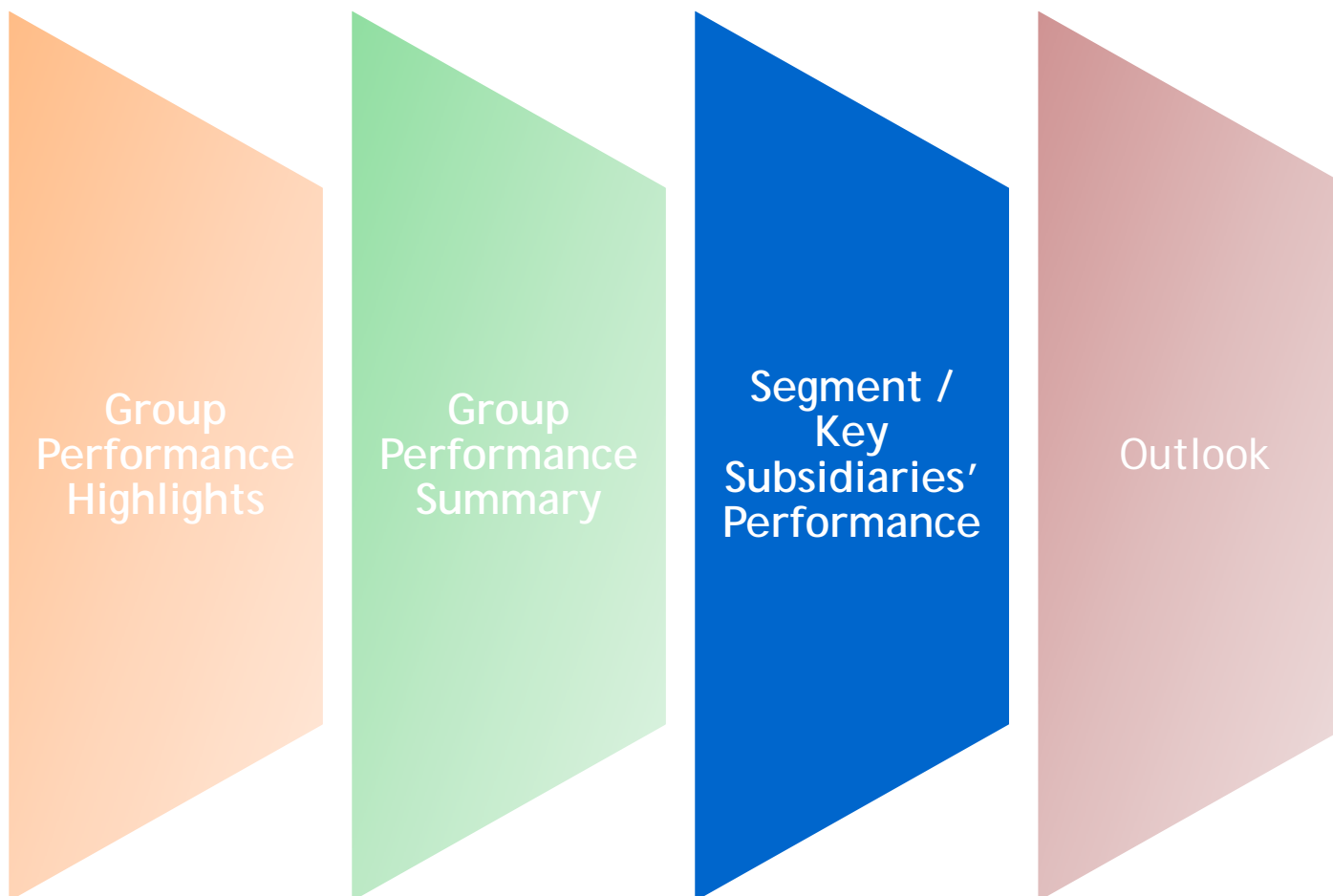
- Gross D/E: 2.29
- Net Working Capital (excl. Fin. Serv.) : 25% of Sales

# Group Cash Flow (Summarised)

₹ Billion	Q1 FY16	Q1 FY15
Operating Profit	23.62	23.70
Adjustments for NWC	(6.34)	(6.02)
Direct Taxes (Paid) / Refund - Net	(5.61)	(5.21)
<b>Net Cash from Operations (A)</b>	<b>11.68</b>	<b>12.48</b>
Investments in Fixed Assets (Net)	(15.90)	(18.29)
ICD Proceeds from/(to) Associate Cos.	(0.01)	6.37
Net Purchase of Long Term & Curr. Inv.	(28.00)	(16.13)
Interest & Div. Received and Others	3.29	1.00
<b>Net Cash from/(used in) Invest. Act. (B)</b>	<b>(40.63)</b>	<b>(27.05)</b>
Issue of Share Capital / Minority	6.26	5.01
Net Borrowings	42.05	18.49
Disbursements towards financing activities*	(19.06)	(6.44)
Interest & Dividend paid	(6.56)	(8.79)
<b>Net Cash from Financing Activities (C)</b>	<b>22.69</b>	<b>8.28</b>
<b>Net (Dec) / Inc in Cash &amp; Bank (A+B+C)</b>	<b>(6.26)</b>	<b>(6.29)</b>

\* included under Net Cash from operations under statutory financial statements

# Presentation Outline

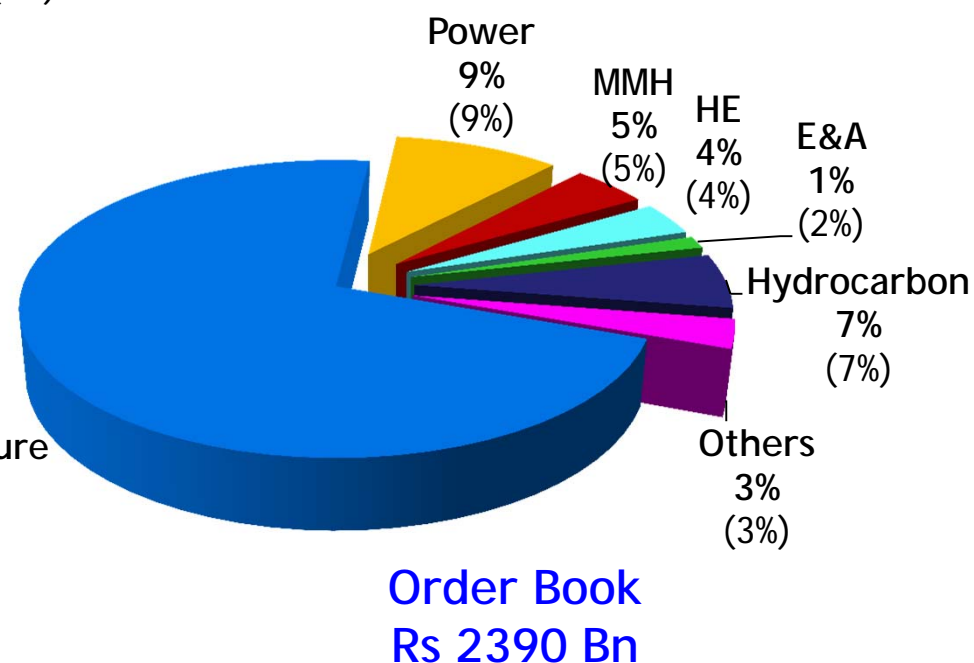
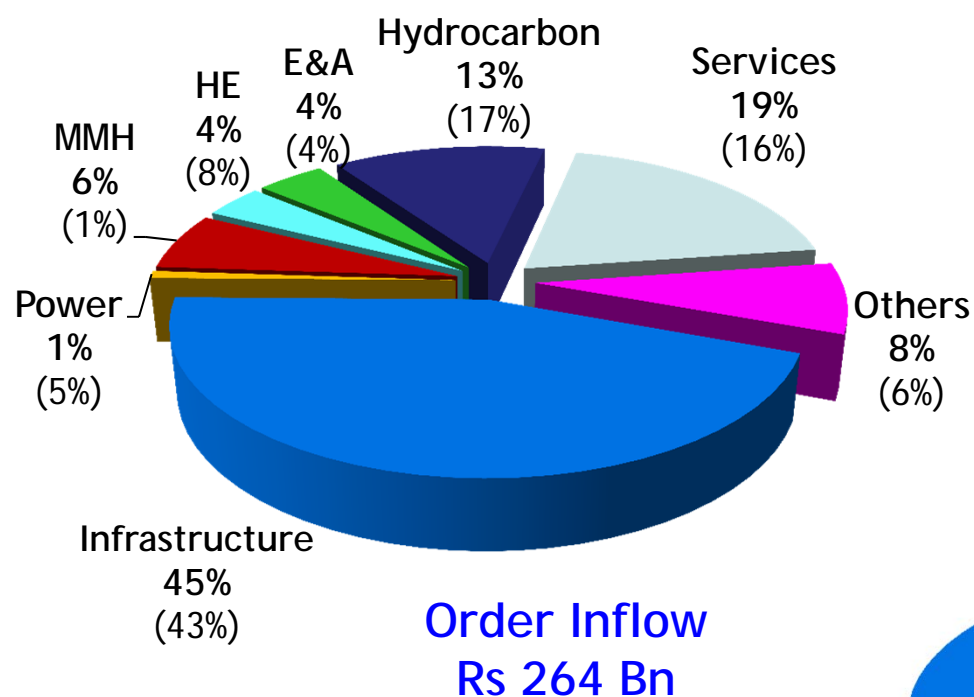


# Segment Composition

<b>Infrastructure</b>	<b>Power</b>	<b>Metallurgical &amp; Material Handling</b>	<b>Heavy Engineering</b>	<b>Electrical &amp; Automation</b>
Building & Factories	EPC - Coal & Gas	Ferrous	Process Plant Equipment	Electrical Standard Products
Transportation Infra	Thermal Power Plant Construction	Non Ferrous	Nuclear Power Plant Equipment	Electrical Systems & Equipment
Heavy Civil Infra	Critical Piping and ESP	Bulk Material Handling	Defence & Aerospace	Metering & Protection
Water, Smart World & Communications				Control & Automation
Power T&D				
<b>Hydrocarbon</b>	<b>Developmental Projects</b>	<b>IT &amp; TS</b>	<b>Financial Services</b>	<b>Others</b>
Upstream	Roads	Information Technology	Retail & Corporate	Shipbuilding
Mid & Downstream	Metros		Infrastructure	Realty
Construction & Pipelines	Ports	Technology Services	General Insurance	Construction & Mining Equipment
	Power		Mutual Fund Asset Management	Machinery & Industrial Products



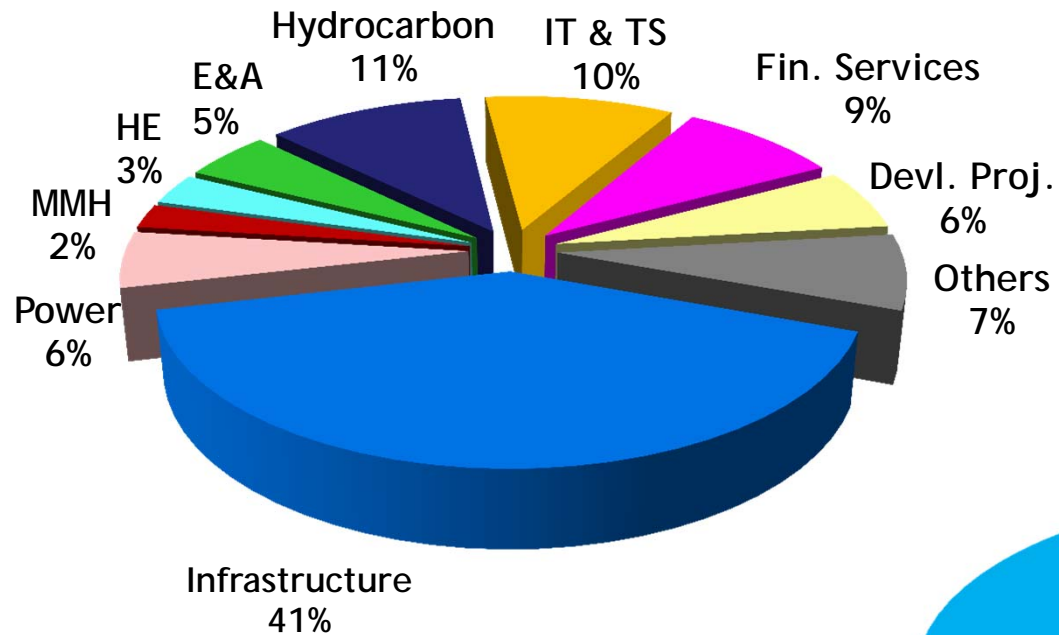
# Segmental Breakup of Orders - Q1 FY16



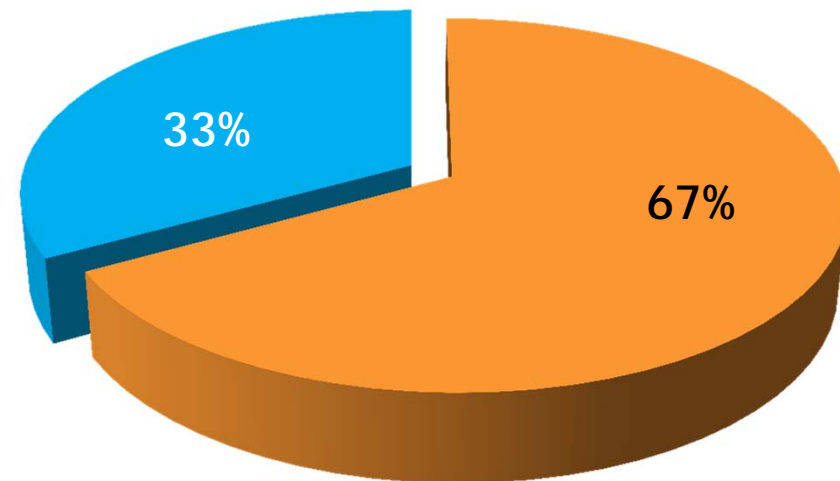
*Figures in brackets indicate corresponding period of the Previous Year*

# Revenue Breakup - Q1 FY16

## Segmental Breakup



## Geographical breakup

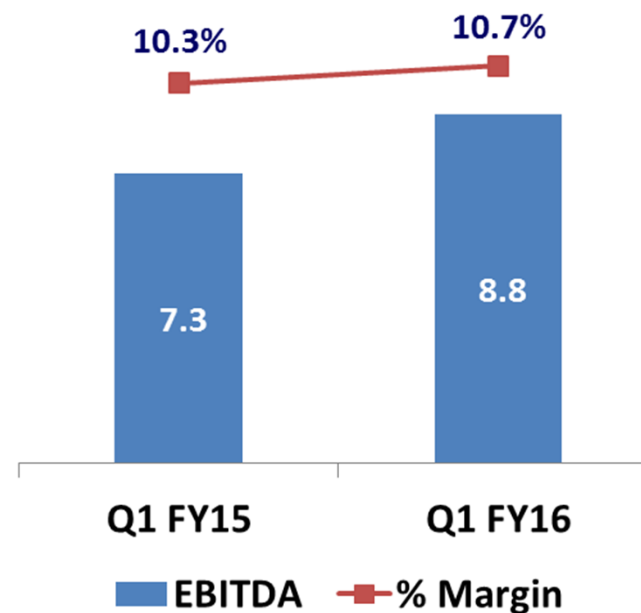
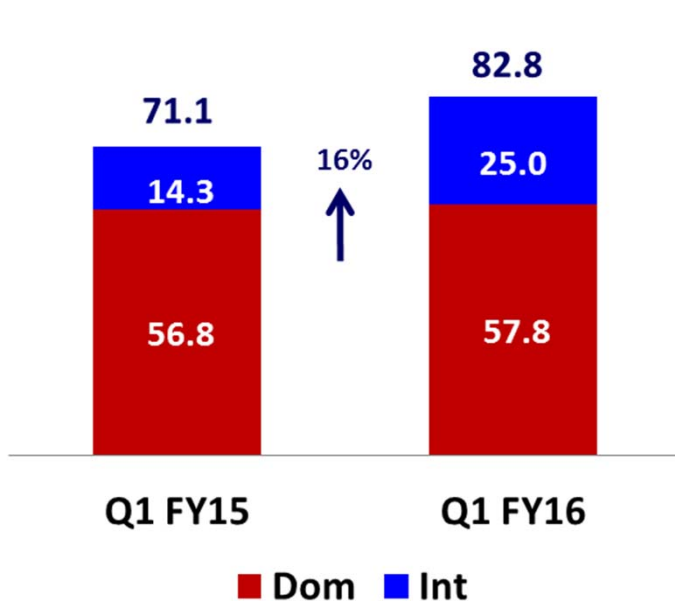


Domestic International

# Infrastructure Segment

Amount in ₹ Bn

## Revenues & Margin

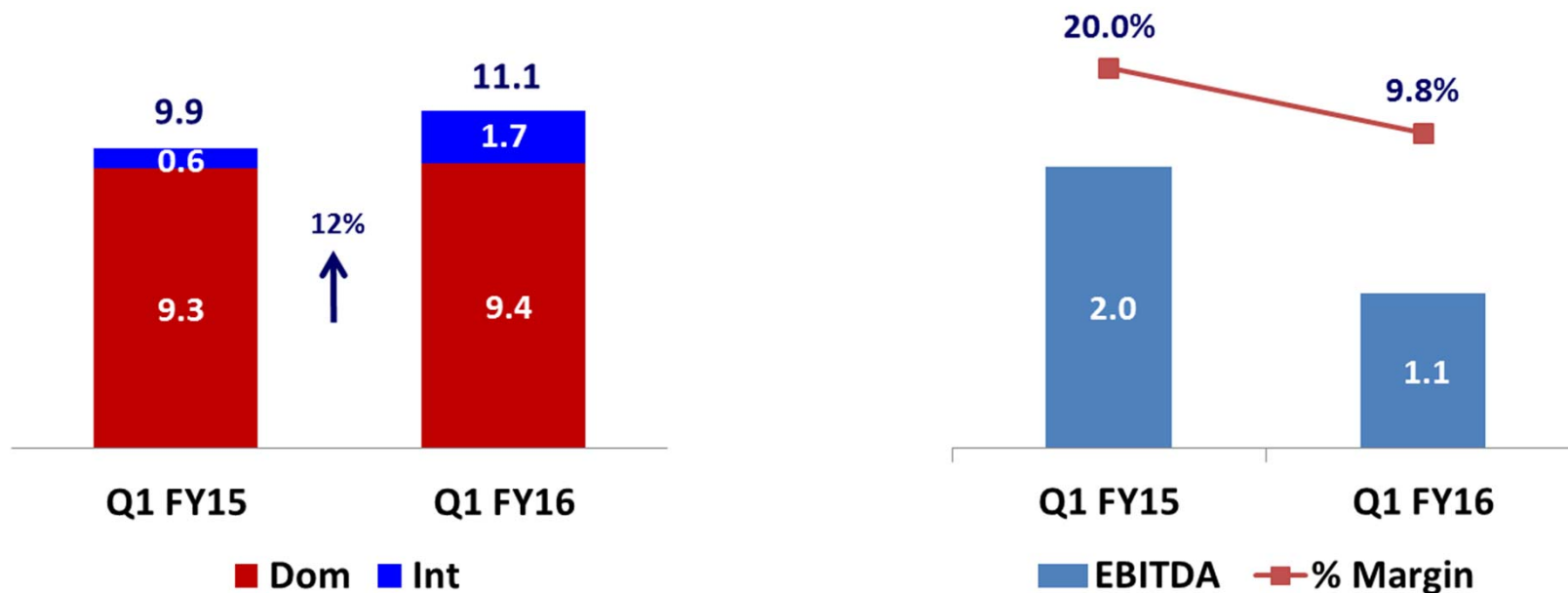


- Robust revenue growth driven by large order backlog
- International growth contributed by Power T&D, Transportation Infra and Heavy Civil Infra
- Steady margins achieved through efficient execution and stable commodity prices

# Power Segment

## Revenues & Margin

Amount in ₹ Bn

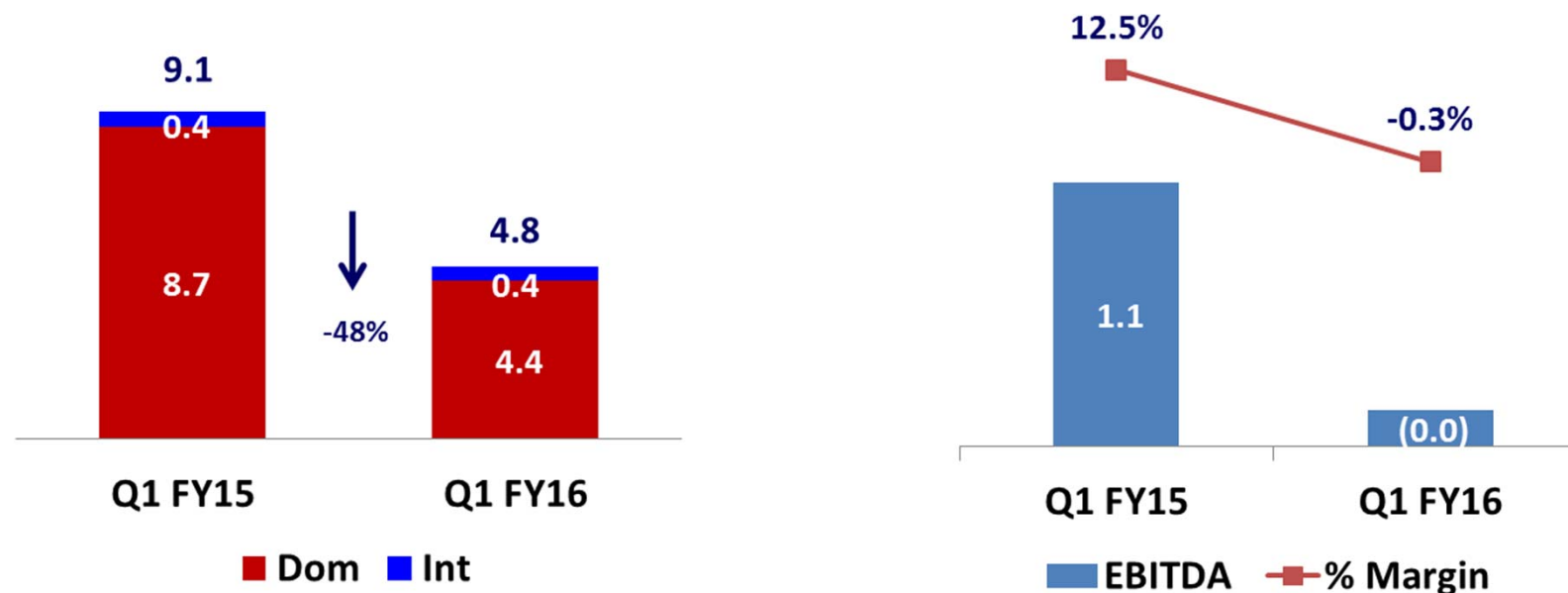


- Revenue growth driven by improved opening order book position
- International revenues contributed by Bangladesh job
- Margin variation due to job mix and early stage execution of new orders

# Metallurgical & Material Handling (MMH) Segment

Amount in ₹ Bn

## Revenues & Margin

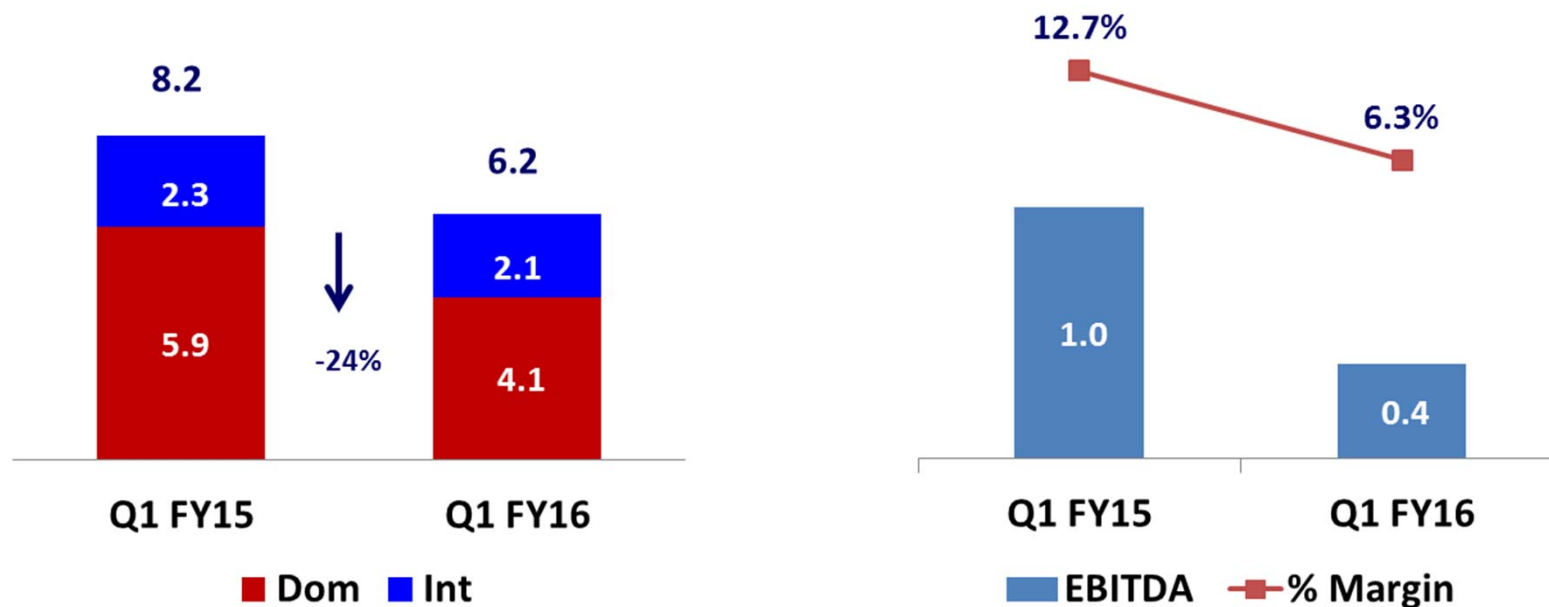


- Revenue decline due to reduced order book and slow pace of execution in some jobs
- Recent order wins yet to start contributing
- Margin drop due to lower level of operations and cost provisions

# Heavy Engineering Segment

## Revenues & Margin

Amount in ₹ Bn



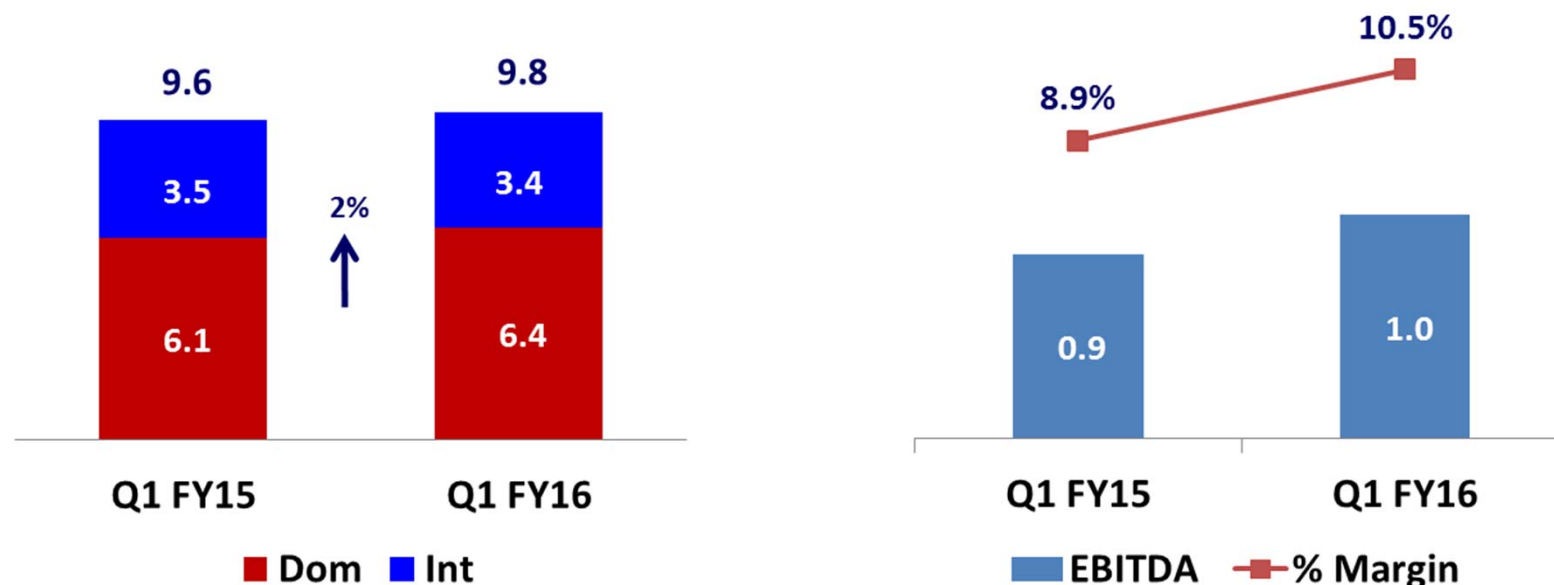
- Investment environment remains lacklustre
- Contraction in revenues arising out of depleted order book
- Lower realisations, sub-optimal volumes and cost & time overruns affecting margins



# Electrical & Automation (E&A) Segment

Amount in ₹ Bn

## Revenues & Margin

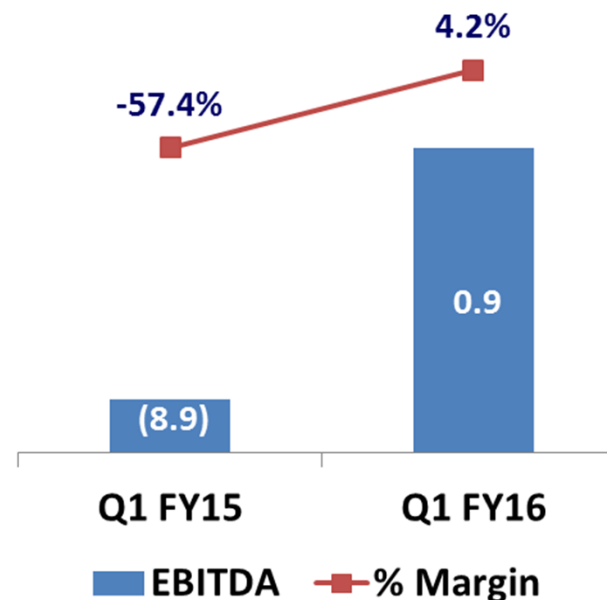
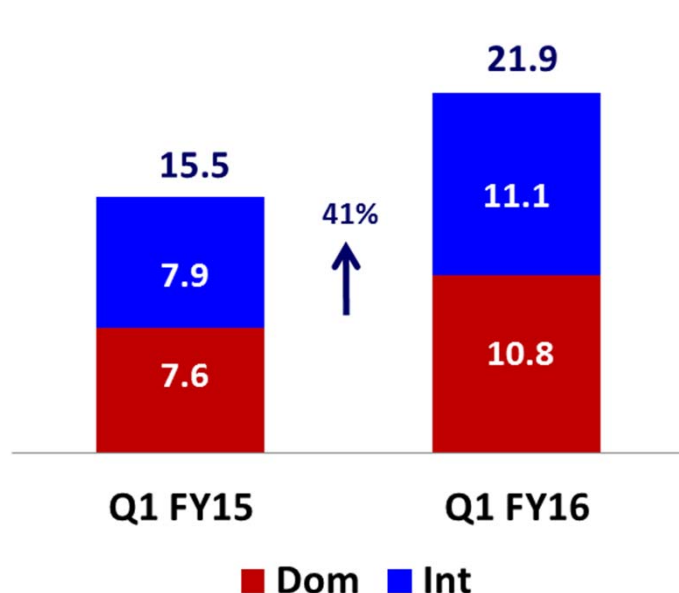


- Muted revenue growth achieved in the face of sluggish industrial demand conditions
- Margin improvement due to soft commodity prices and operational efficiency

# Hydrocarbon Segment

## Revenues & Margin

Amount in ₹ Bn



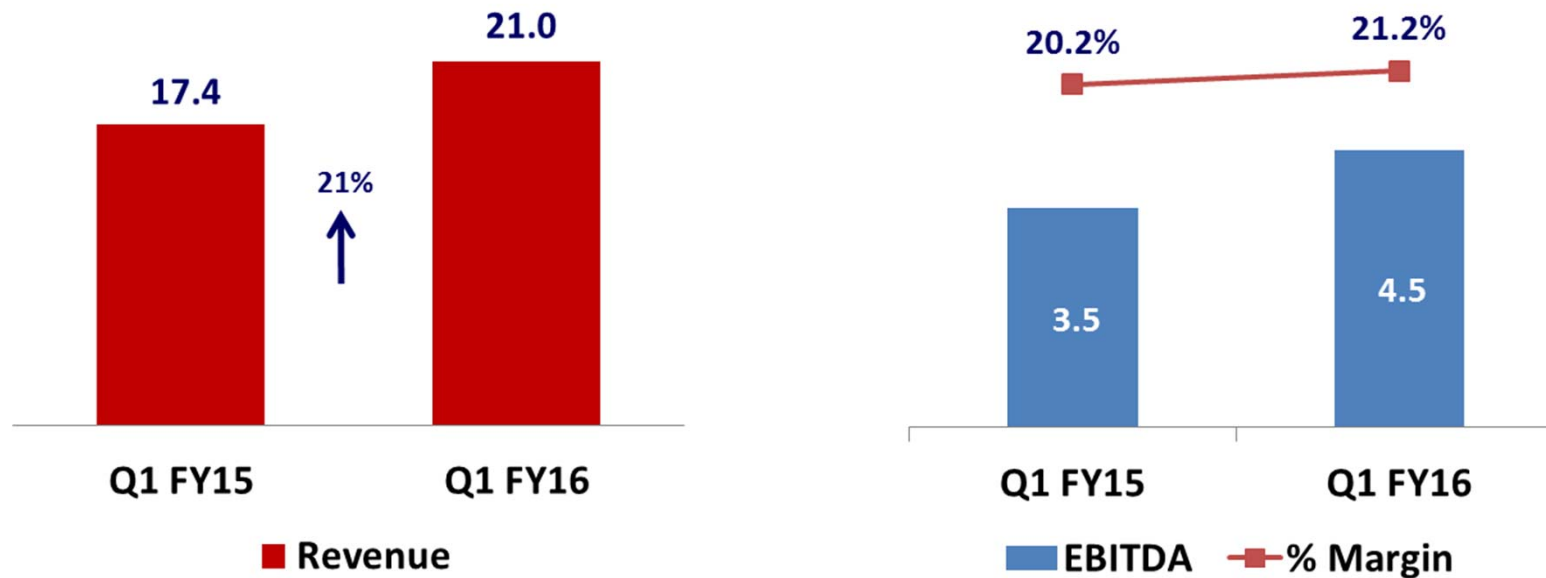
- Orders booked in FY15 (International and Domestic) contributing to revenue growth
- Challenging legacy Middle East projects in the process of being closed out
- The business has invested in a localised organisational build up in GCC region
- Muted EBITDA margins in Q1 FY16 due to pending claims settlement and under recovery of international overheads

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# IT & Technology Services Segment

Amount in ₹ Bn

## Revenues & Margin

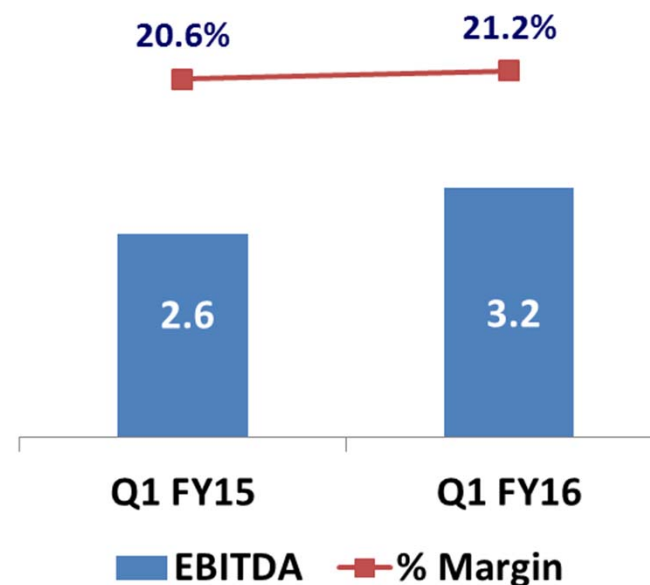
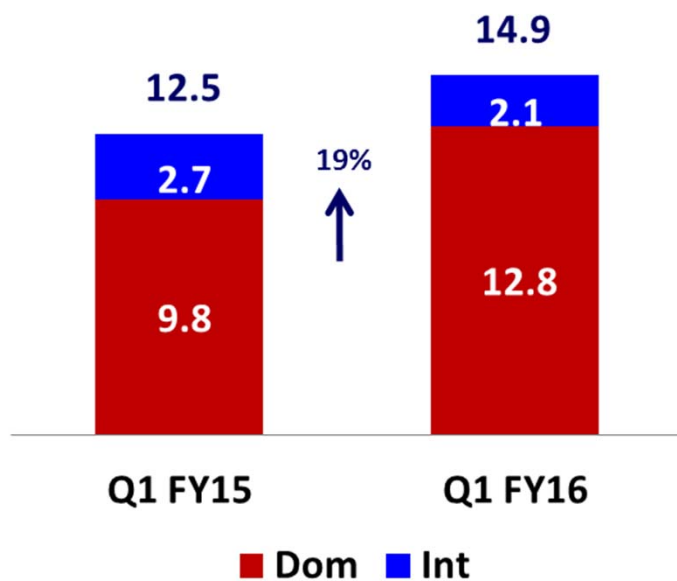


- Robust growth in revenues contributed by BFSI segments in IT and Industrial Products segment in TS
- Stable margins maintained through continued execution efficiency and favourable currency

# Others Segment

Amount in ₹ Bn

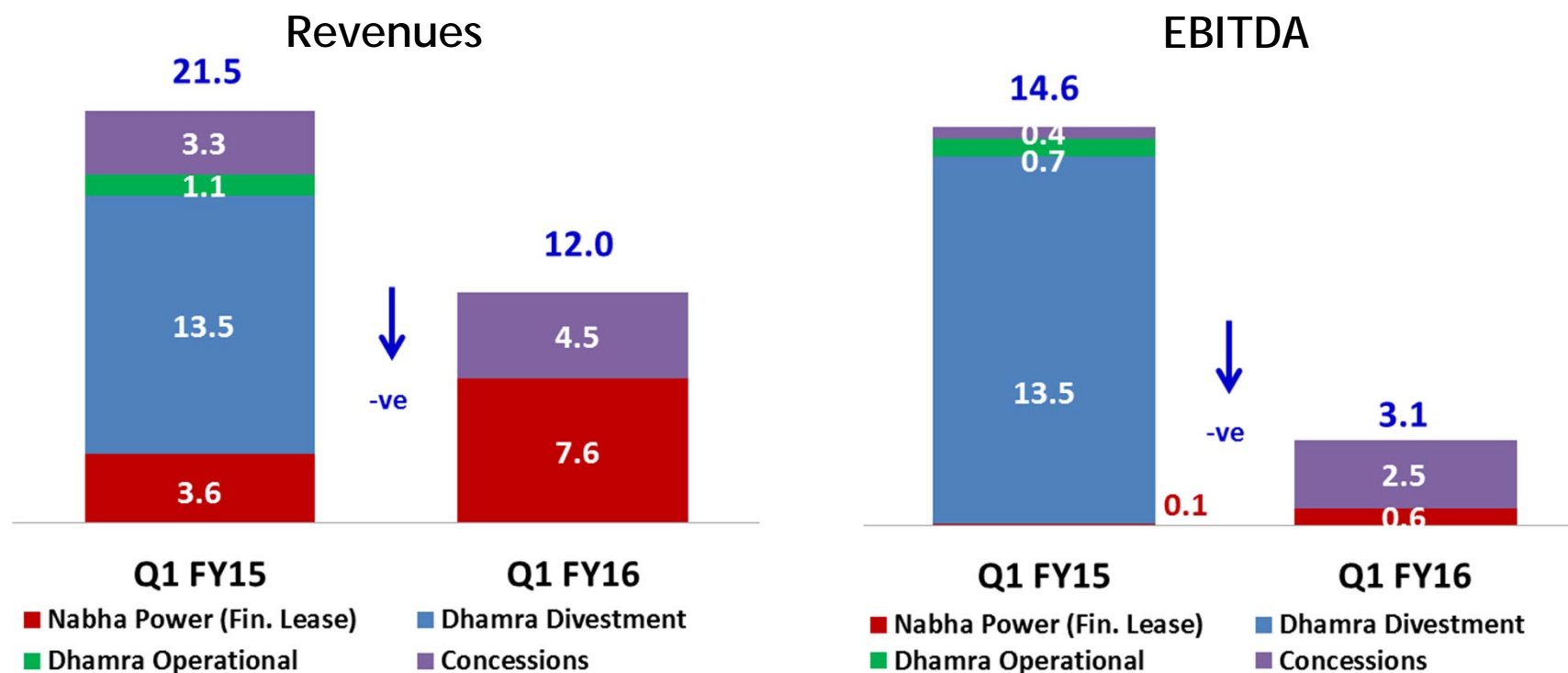
## Revenues & Margin



- Revenue growth driven by Construction Equipment and Valves businesses
- Margin improvement contributed by Realty and Construction Equipment businesses

# Developmental Projects Segment

Amount in ₹ Bn



- Increase in Concessions business due to traffic growth and 3 new operational road SPVs
- Nabha Power (2x700 MW) revenue increase due to operationalization of 2<sup>nd</sup> Unit

# Concessions Business Portfolio - 26 SPVs



## *Roads and Bridges:*

Portfolio: 17 projects (1764 Km); 14 Operational  
Project Cost: ₹187 Bn

## *Power:*

Portfolio: 5 projects (2270 MW); 1 Operational  
Project Cost: ₹178 Bn



## *Ports:*

Portfolio: 2 projects (18.5 MTPA) - Operational  
Project Cost: ₹21 Bn

## *Metros:*

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



## *Transmission Lines:*

Portfolio: 1 project (482 Km) - Under-implementation  
Project Cost: ₹14 Bn

**Total Project Cost (June 2015): ₹ 570 Bn**

**Equity Invested (June 2015): ₹ 89 Bn**

**Balance Equity Commitment (June 2015): ₹ 45 Bn**

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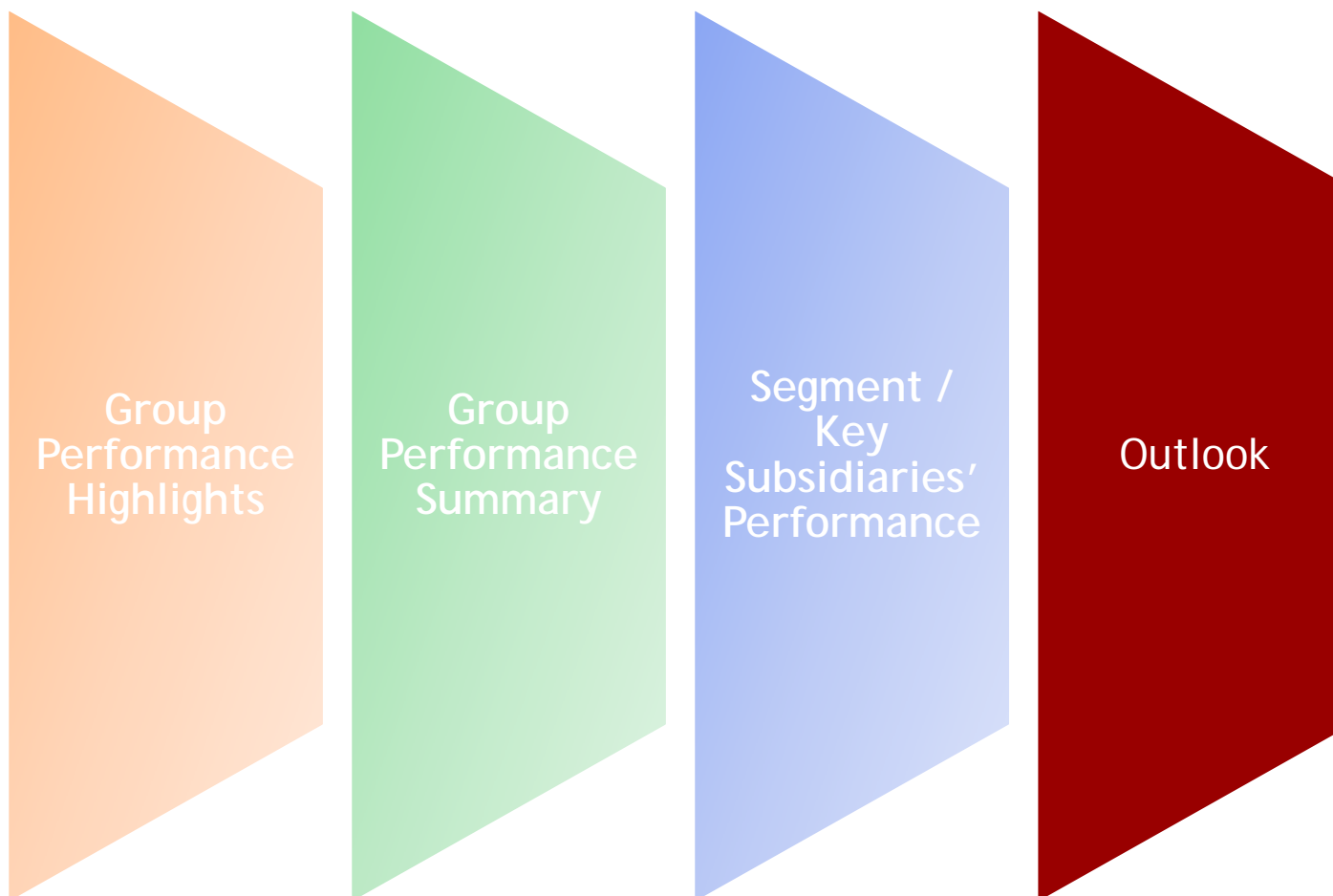


# L&T Finance Holdings

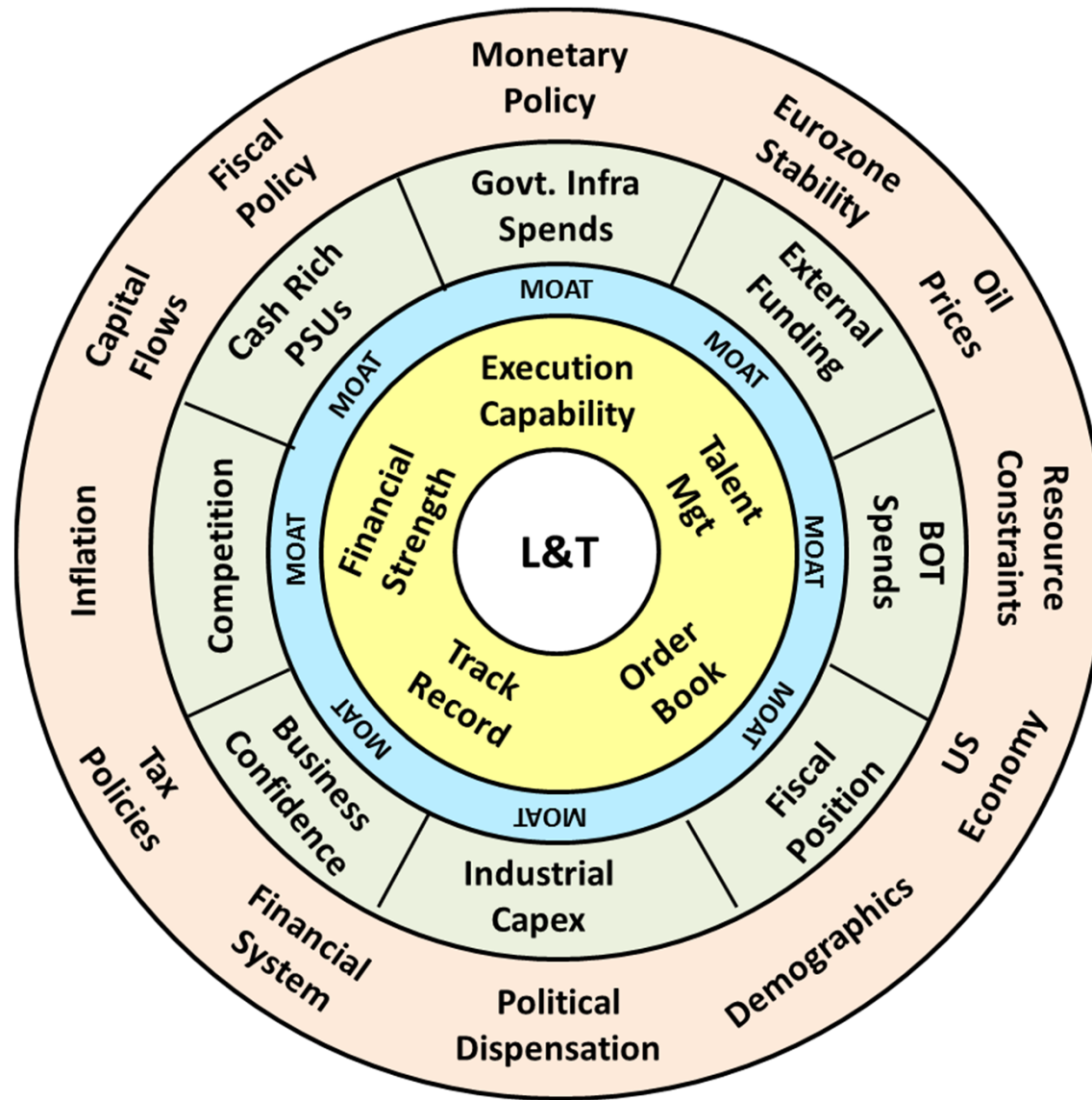
₹ Billion	Q1 FY15	Q1 FY16	% Change	FY15
Networth (Incl. Pref. Cap.)	73.68	85.29	16%	77.40
Borrowings	362.76	441.37	22%	420.91
Loans and Advances	407.64	492.19	21%	472.32
Mutual Fund Average AUM	198.95	222.13	12%	224.97
Gross NPA (%) - 150 DPD	4.63%	3.05%	-1.6%	3.08%
Net NPA (%) - 150 DPD	3.72%	2.00%	-1.7%	2.10%
PAT (before exceptionals)	1.67	1.92	15%	7.36

- Healthy growth in loan assets aided by disbursements in B2C and SME segments, as well as operational infrastructure assets
- Steady Mutual Fund AUM with shift towards equity / hybrid assets
- NPA recognition at 150 DPD (Days Past Due) from Q1FY16

# Presentation Outline



# Outlook - Wide circles of influence



# Thank You

# Annexure-1: Group Profit & Loss

₹ Billion	IT & TS	Fin. Services *	Devl. Projects	L&T & Others (Incl. Eliminations)	L&T Group		
					Q1 FY16	Q1 FY15	% Change
Revenue from Operations	21.01	17.83	12.03	151.66	202.52	189.75	7%
EBITDA	4.44	2.38	3.13	12.96	22.90	25.11	-9%
Interest Expenses	(0.02)	(0.02)	(3.30)	(3.72)	(7.07)	(7.74)	-9%
Depreciation	(0.60)	(0.25)	(1.01)	(4.37)	(6.22)	(8.07)	-23%
Other Income	0.04	0.50	0.01	2.02	2.57	2.77	-7%
Exceptional Items	-	-	-	-	-	2.49	
Provision for Taxes	(0.67)	(0.83)	(0.24)	(3.71)	(5.46)	(4.49)	22%
<b>PAT from Ordinary Activites</b>	<b>3.18</b>	<b>1.78</b>	<b>(1.41)</b>	<b>3.17</b>	<b>6.73</b>	<b>10.07</b>	<b>-33%</b>
Share in profit of Associates	-	-	0.01	0.01	0.02	0.02	
Adjustments for Minority Interest	(0.00)	(0.86)	0.12	0.06	(0.69)	(0.41)	
<b>Profit After Tax</b>	<b>3.18</b>	<b>0.92</b>	<b>(1.28)</b>	<b>3.24</b>	<b>6.06</b>	<b>9.67</b>	<b>-37%</b>

\* Includes Insurance Business

## Annexure 2: Group Balance Sheet

₹ Billion	IT & TS	Fin. Services *	Devl. Projects	L&T & Others (Incl. Eliminations)	L&T Group		
					Jun-15	Mar-15	Inc / (Dec)
Net Worth (Excl. Pref. Cap.)	25.2	39.5	56.5	293.0	414.2	409.1	5.1
Minority Interest	0.0	39.3	10.5	6.8	56.5	50.0	6.6
Borrowings	7.9	450^	290.9^	201.0	949.7	905.7	44.0
Deferred Payment Liabilities	-	-	111.1	0.2	111.3	30.3	81.0
Other Current & Non-Current Liab.	15.3	24.0	33.2	489.3	561.8	546.8	15.0
<b>Total Sources</b>	<b>48.3</b>	<b>552.8</b>	<b>502.1</b>	<b>990.3</b>	<b>2,093.5</b>	<b>1,941.8</b>	<b>151.7</b>
Net Segment Assets	48.3	552.8	502.1	990.3	2,093.5	1,941.8	151.7
<b>Total Applications</b>	<b>48.3</b>	<b>552.8</b>	<b>502.1</b>	<b>990.3</b>	<b>2,093.5</b>	<b>1,941.8</b>	<b>151.7</b>

\* Includes Insurance Business

^ Partly netted off from Capital Employed in Reported Segment



## Annexure 3: Group Cash Flow (Summarised)

₹ Billion	IT&TS	Fin. Services@	Devl. Projects	L&T & Others (Incl. Eliminations)	L&T Group	
					Q1 FY16	Q1 FY15
Operating Profit	4.40	2.51	3.06	13.66	23.62	23.70
Changes in Working Capital	(0.41)	(0.60)	(3.80)	(1.53)	(6.34)	(6.02)
Direct Taxes (Paid) / Refund - Net	(0.47)	(1.05)	(0.12)	(3.97)	(5.61)	(5.21)
<b>Net Cash from Operations (A)</b>	<b>3.52</b>	<b>0.85</b>	<b>(0.86)</b>	<b>8.16</b>	<b>11.68</b>	<b>12.48</b>
Investments in Fixed Assets (Net)	(1.00)	(0.51)	(9.01)	(5.38)	(15.90)	(18.29)
(Purchase) /Sale of Long Term & Current Inv. (Net)	0.23	(7.39)	0.69	(21.53)	(28.00)	(16.13)
ICD Proceeds from/(to) Associate Cos.	0.00	-	-	(0.01)	(0.01)	6.37
Interest & Dividend Received and Others	0.04	0.39	0.03	2.83	3.29	1.00
<b>Net Cash used in Investing Activities (B)</b>	<b>(0.74)</b>	<b>(7.51)</b>	<b>(8.28)</b>	<b>(24.10)</b>	<b>(40.63)</b>	<b>(27.05)</b>
Issue of Share Capital / Minority	-	6.02	-	0.24	6.26	5.01
Net Borrowings	0.08	19.87	12.12	9.98	42.05	18.49
Disbursements towards financing activities*	-	(19.06)	-	-	(19.06)	(6.44)
Interest & Dividend paid (Incl. Dividend tax)	0.25	-	(2.81)	(4.00)	(6.56)	(8.79)
<b>Net Cash from Financing Activities (C)</b>	<b>0.33</b>	<b>6.83</b>	<b>9.31</b>	<b>6.22</b>	<b>22.69</b>	<b>8.28</b>
<b>Net (Dec) / Inc in Cash &amp; Bank (A+B+C)</b>	<b>3.11</b>	<b>0.17</b>	<b>0.17</b>	<b>(9.71)</b>	<b>(6.26)</b>	<b>(6.29)</b>

@ Includes Insurance Business

\* included under Net Cash from operations under statutory financial statements