

# Larsen & Toubro

## Analyst Presentation - Q2 / H1 FY17

November 22, 2016



# 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



Group Performance Highlights



Group Performance Summary



Segment / Key subsidiaries



Outlook

# Presentation Outline



Group Performance Highlights



Group Performance Summary

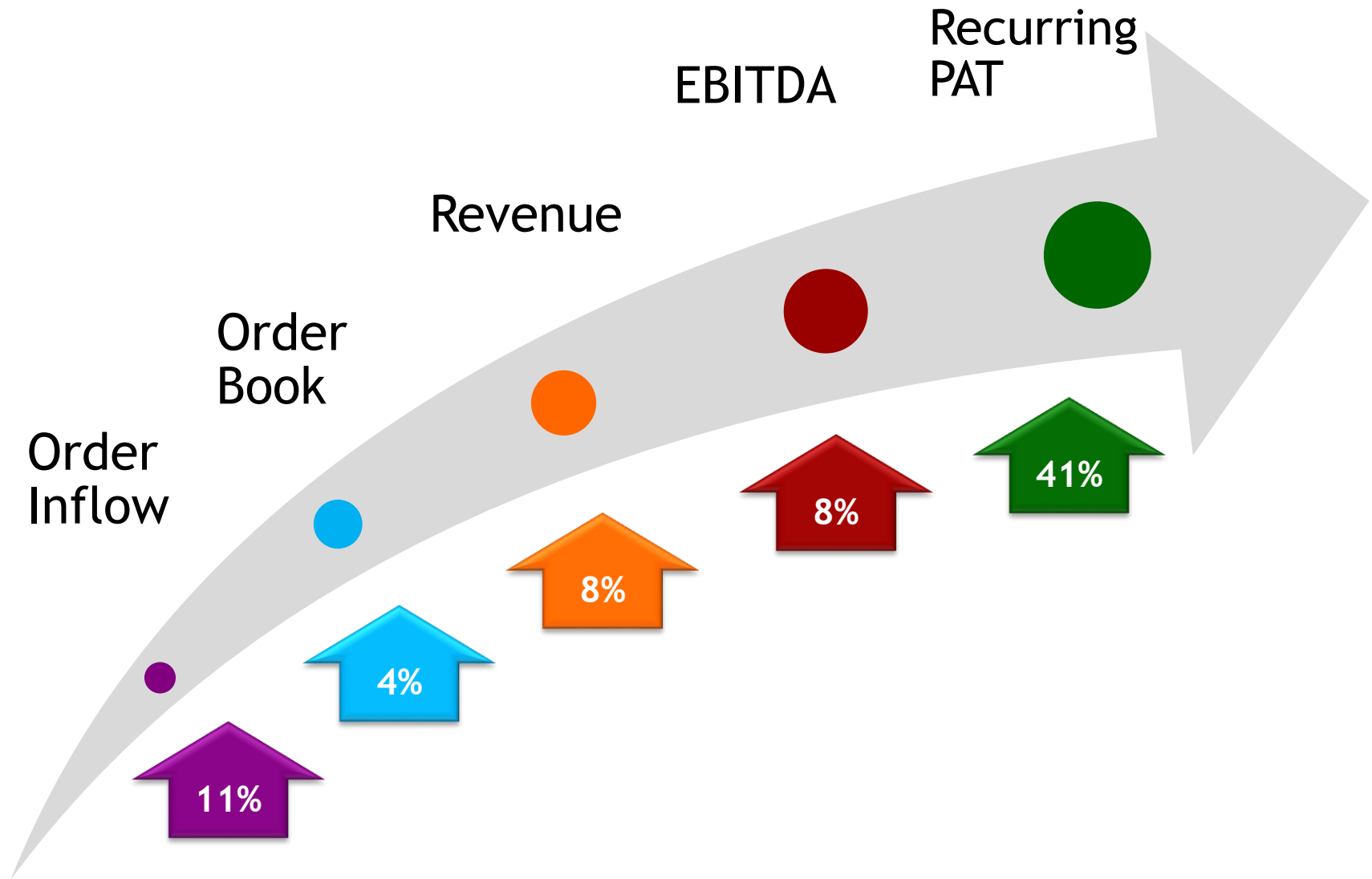


Segment / Key subsidiaries



Outlook

# Performance Highlights - Q2 FY17



# Presentation Outline



Group Performance Highlights



**Group Performance Summary**



Segment / Key subsidiaries

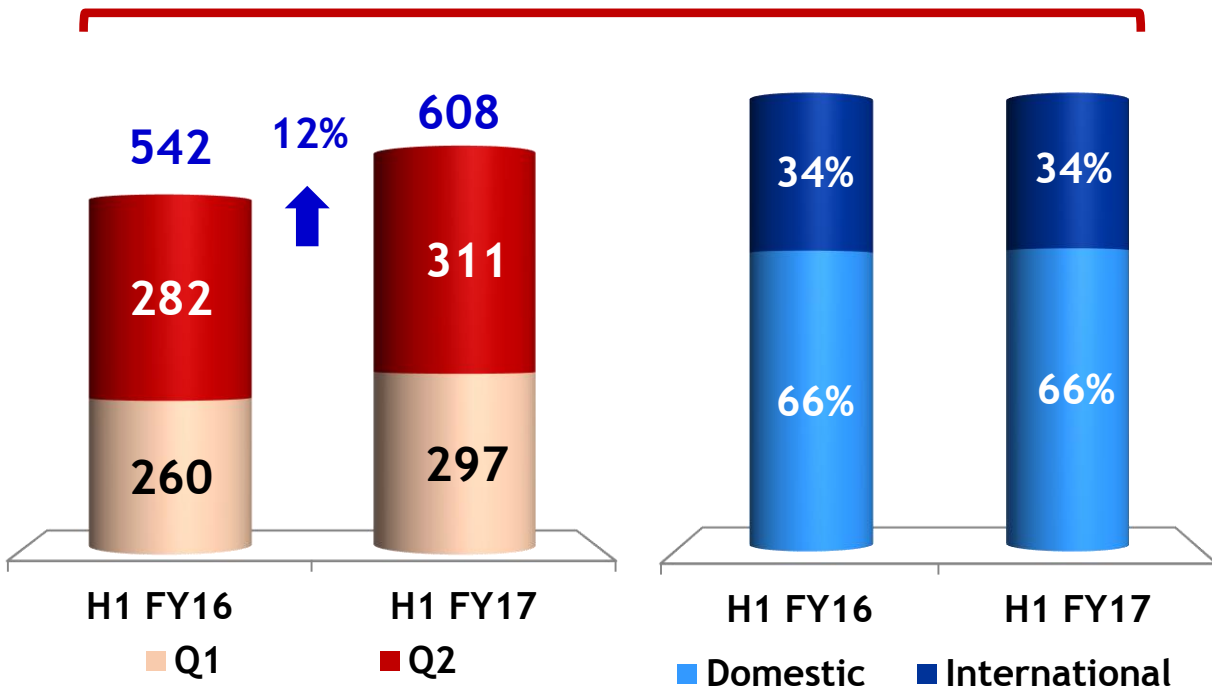


Outlook

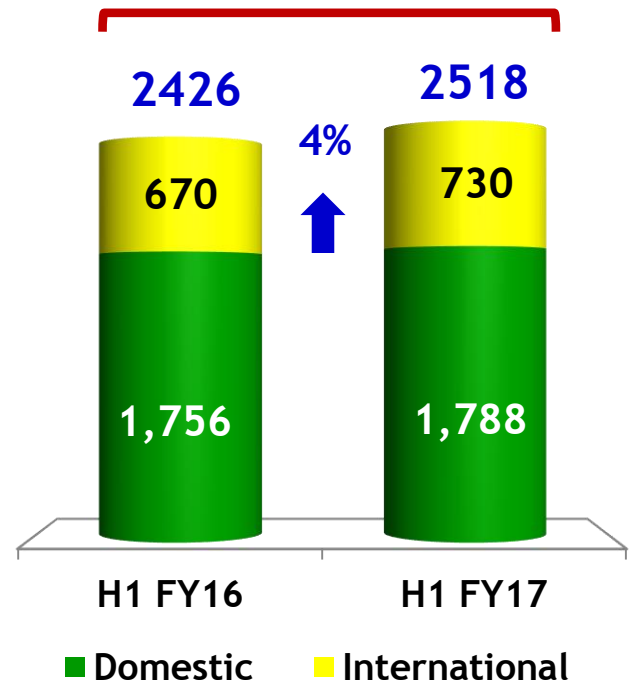
# Group level Order Inflow & Order Book

Amount in ₹ Bn

## Order Inflows



## Order Book



- Order Inflow growth mainly from Domestic Infrastructure and International Hydrocarbon verticals
- Domestic capex picking up in selective areas
- Order Book at 2x+ TTM Revenues

# Group Performance - Sales & Costs

Q2 FY16	Q2 FY17	% Change	₹ Billion	H1 FY16	H1 FY17	% Change	FY16
231.24	250.11	8%	Revenue from Operations	431.72	468.85	9%	1,019.64
74.51	89.30	20%	International Revenue	138.99	165.53	19%	323.37
32.2%	35.7%	3%	% of Revenue	32%	35%	3%	32%
150.77	164.82	9%	Mfg, Cons. & Opex (MCO)	277.86	301.40	8%	674.46
12.06	13.43	11%	Finance Cost of Fin. Services and Fin. Lease Activities	23.97	26.65	11%	49.67
33.35	34.37	3%	Staff Costs	64.85	68.57	6%	133.25
13.75	14.52	6%	Sales & Admin. Expense (SGA)	27.32	30.21	11%	58.77
209.93	227.13	8%	Total Opex	394.00	426.82	8%	916.15

- Revenue growth driven by Hydrocarbon, Power, Heavy Engineering and Services businesses
- MCO charge in line with level of operations
- Staff Cost changes consistent with manpower rationalisation initiatives
- Increase in SGA charge mainly due to NPA provisioning and exchange variation



# Group Performance Summary - Profitability

Q2 FY16	Q2 FY17	% Change	₹ Billion	H1 FY16	H1 FY17	% Change	FY16
21.31	22.98	8%	EBITDA	37.72	42.03	11%	103.49
9.2%	9.2%	0.0%	EBITDA Margin	8.7%	9.0%	0.2%	10.2%
(4.39)	(3.52)	-20%	Interest Expenses	(8.28)	(6.89)	-17%	(16.40)
(5.29)	(4.60)	-13%	Depreciation	(9.94)	(9.25)	-7%	(17.87)
3.22	4.81	50%	Other Income	6.05	7.84	30%	10.03
(5.35)	(6.81)	27%	Provision for Taxes	(9.63)	(12.30)	28%	(24.16)
(1.67)	(1.57)		Share in profit / (loss) of JVs / Associates	(3.63)	(3.30)		(9.90)
(0.5)	(0.98)		Non-controlling Interest	(0.77)	(1.71)		(3.20)
7.33	10.32	41%	PAT (Before Exceptionals)	11.52	16.42	43%	42.00
0.46	4.02		Exceptional (Net of Tax)	0.46	4.02		0.79
7.78	14.35	84%	Reported PAT	11.97	20.44	71%	42.79

- Margin improvement mainly driven by Heavy Engineering, Hydrocarbon and Services Businesses
- Interest expense decline mainly due to refinancing
- Growth in Other Income contributed by Treasury operations
- CY Exceptional represents sale of stake in subsidiary company

# Group Balance Sheet

₹ Billion	Sep-16	Mar-16	Incr / (Decr)
Equity & Reserve	462.41	444.54	17.86
Non Controlling Interest	31.75	27.11	4.64
Borrowings - Financial Services	568.25	545.86	22.39
Development Projects	148.10	142.03	6.07
Others	191.61	193.52	(1.90)
Other Non-Current Liabilities	9.29	8.77	0.52
<b>Sources of Funds</b>	<b>1,411.41</b>	<b>1,361.83</b>	<b>49.58</b>
Fixed Assets (Tangible / Intangible / Goodwill)	187.94	188.06	(0.12)
Development Projects Fixed Assets	137.41	123.22	14.19
Finance lease receivable	92.88	94.28	(1.41)
Loans towards Financing Activities	585.10	571.66	13.44
Other Non-Current Assets (Incl. S&A / JV Investment)	66.94	80.28	(13.35)
Current Investments	97.58	74.91	22.67
Net Working Capital	214.09	216.99	(2.90)
Corporate Working Capital	29.47	12.41	17.06
<b>Application of Funds</b>	<b>1,411.41</b>	<b>1,361.83</b>	<b>49.58</b>

# Reconciliation of Net PAT (FY 2015-16)

Adjustments	₹ Billion	
<b>Net Profit After Tax as per previous IGAAP</b>		<b>50.91</b>
Provision for Expected Credit Loss	0.14	
Gain/loss on divestment of stake in subsidiary	(2.64)	
Provision for Employee Benefits based on constructive obligations	(0.37)	
Gain on fair valuation of investments	(1.47)	
Increase in borrowing cost pursuant to application of Effective Interest Rate method	(0.88)	
Reclassification of net actuarial gain on Employee Defined Benefit Obligations to OCI	0.14	
Increase in borrowing cost due to initial fair valuation of long term financial liabilities	(3.05)	
Others	0.11	
Deferred and current taxes in respect of above adjustments	(0.08)	(8.11)
<b>Net Profit After Tax as per IND AS</b>		<b>42.79</b>

# Components of Other Comprehensive Income (OCI)

₹ Billion	H1FY16	H1FY17
Changes arising out of re-measurement of defined benefit plans for employees	0.07	(0.41)
MTM of investment in Debt instruments	0.02	0.28
Changes in Foreign Currency Translation Reserve	(0.41)	(0.29)
MTM of Off-Balance Sheet Hedges	(1.31)	0.04
<b>Total</b>	<b>(1.64)</b>	<b>(0.37)</b>

- 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

# Group Cash Flow

Q2 FY16	H1 FY16	₹ Billion	Q2 FY17	H1 FY17
23.43	41.04	Operating Profit	23.04	43.50
4.00	1.04	Changes in Working Capital	20.82	(0.63)
(7.90)	(13.73)	Direct Taxes paid	(7.74)	(13.33)
<b>19.53</b>	<b>28.35</b>	<b>Net Cash from Operations (A)</b>	<b>36.12</b>	<b>29.54</b>
(14.06)	(26.49)	Investments in Fixed Assets (Net)	(10.28)	(18.69)
4.01	(21.61)	Net Purchase of Long Term & Curr. Inv.	(7.75)	(20.48)
(0.80)	(1.59)	Loans/Deposits made with Associate Cos.	(1.80)	(2.58)
0.24	0.37	Interest & Div. Received and Others	6.86	7.21
<b>(10.61)</b>	<b>(49.32)</b>	<b>Net Cash from/(used in) Invest. Act. (B)</b>	<b>(12.96)</b>	<b>(34.54)</b>
5.72	6.02	Issue of Share Capital / Minority	20.41	20.59
26.70	74.75	Net Borrowings	1.24	27.51
(17.28)	(36.67)	Disbursements towards financing activities*	(15.88)	(13.52)
(25.73)	(30.60)	Interest & Dividend paid	(24.87)	(29.06)
<b>(10.59)</b>	<b>13.50</b>	<b>Net Cash from Financing Activities (C)</b>	<b>(19.10)</b>	<b>5.53</b>
<b>(1.66)</b>	<b>(7.47)</b>	<b>Net (Dec) / Inc in Cash &amp; Bank (A+B+C)</b>	<b>4.05</b>	<b>0.53</b>

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

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**Segment / Key subsidiaries**

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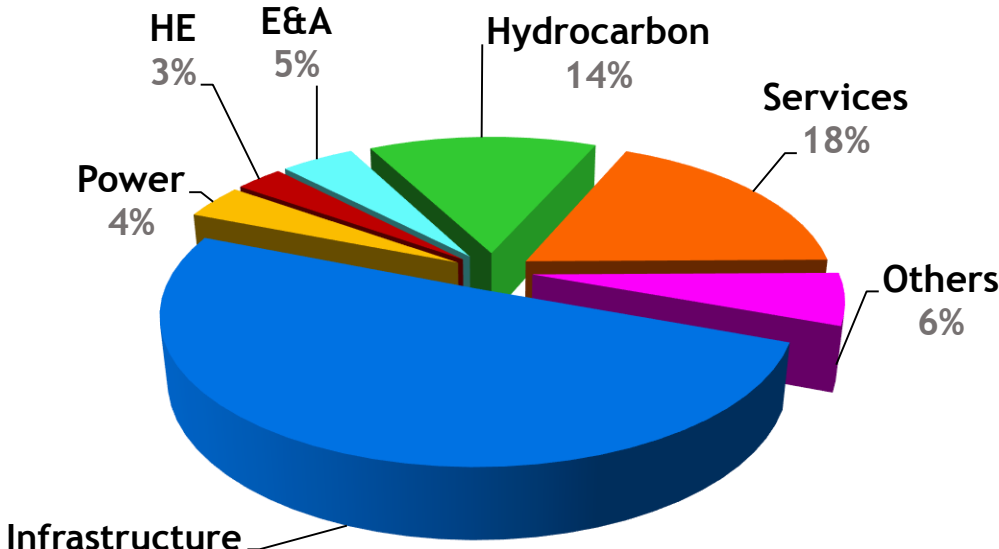
# Segment Composition

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		Thermal Power Plant Construction	Defence & Aerospace
Water & Effluent Treatment	Electrostatic Precipitators	Piping Centre	Control & Automation
Power T&D			
Smart World & Communication			

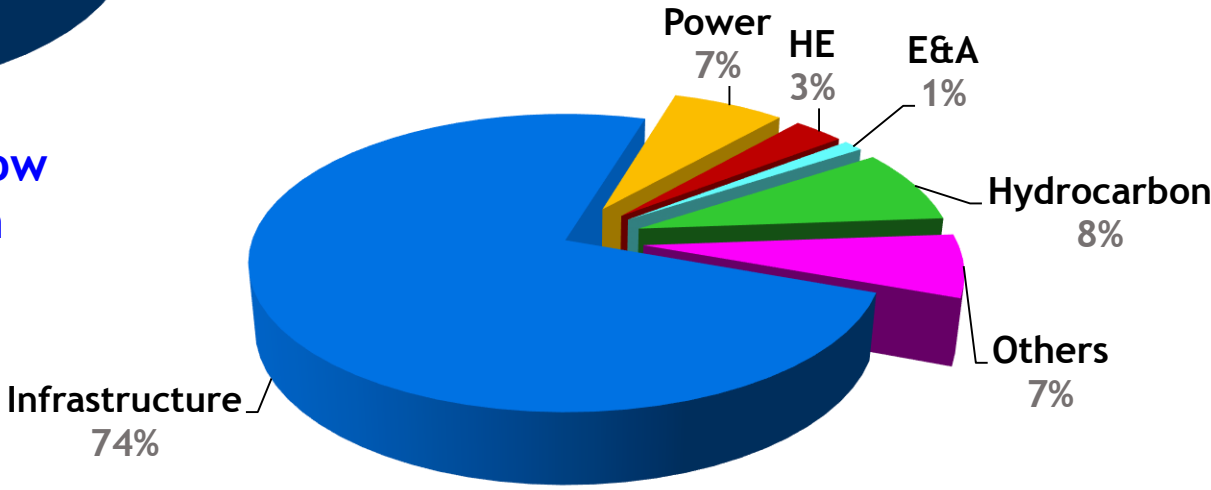
Hydrocarbon	Developmental Projects	IT & TS	Financial Services	Others
Onshore	Roads*	Information Technology	Retail & Corporate	Shipbuilding
Offshore	Metros		Technology Services	Infrastructure
	Ports	Mutual Fund Asset Management		Metallurgical & Material Handling
	Power		Construction & Mining Equipment	
			Machinery & Industrial Products	

\* Consolidated at PAT level

# Segmental Breakup of Orders - H1 FY17



**Order Inflow**  
₹ 608 Bn

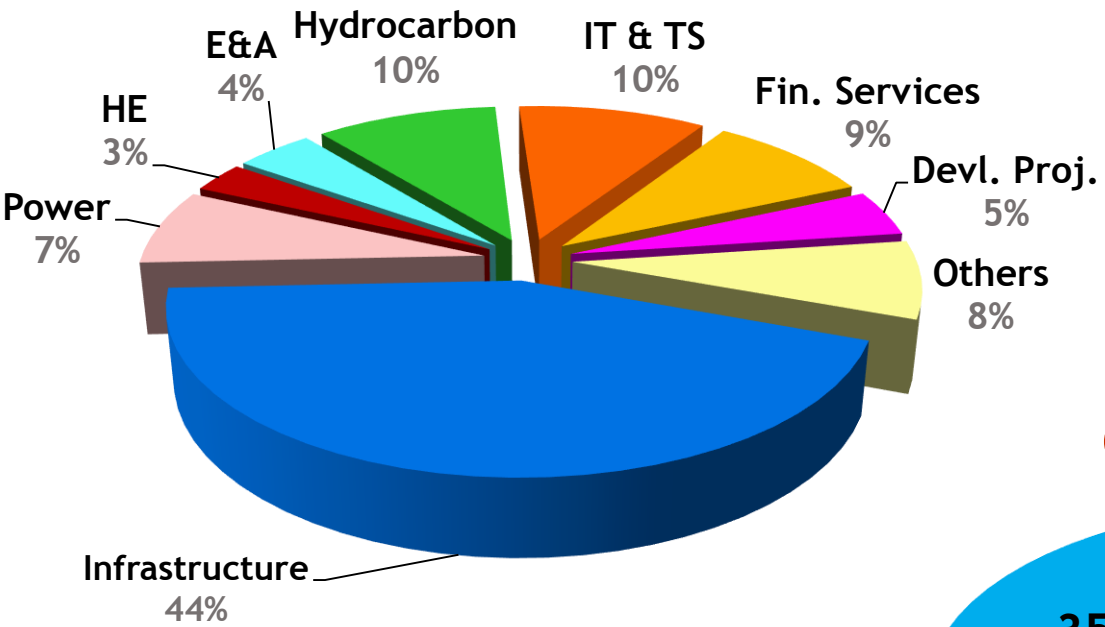


**Order Book**  
₹ 2518 Bn

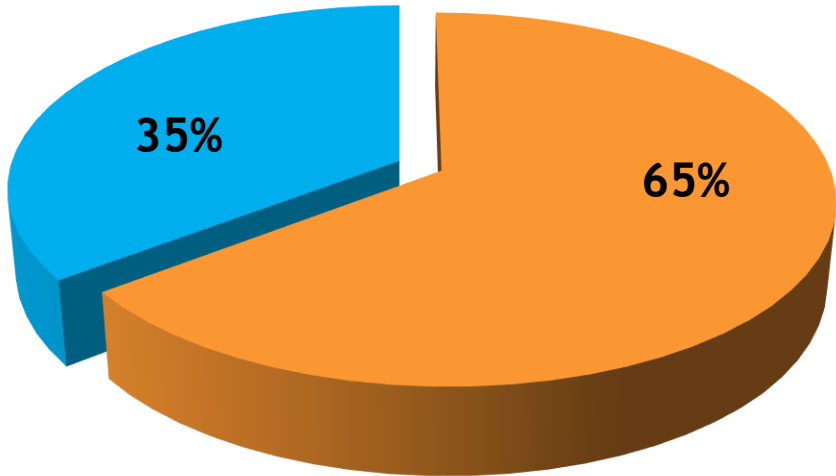


# Revenue Breakup - H1 FY17

## Segmental Breakup



## Geographical breakup

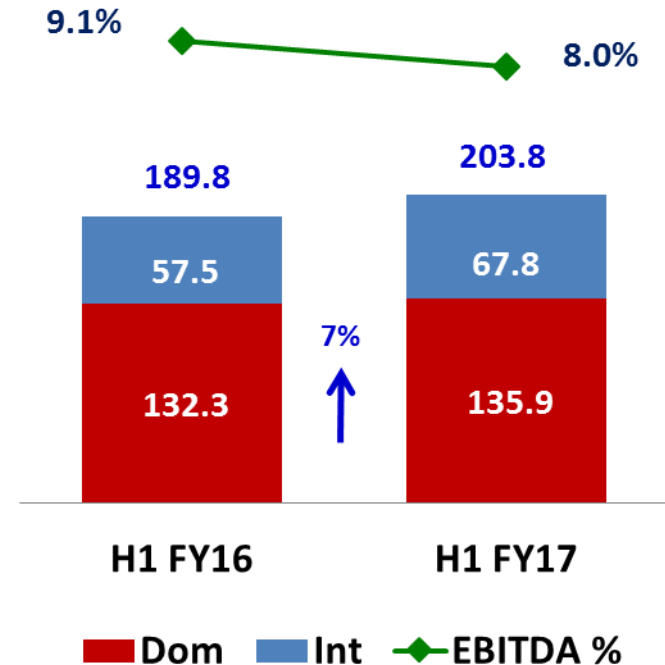
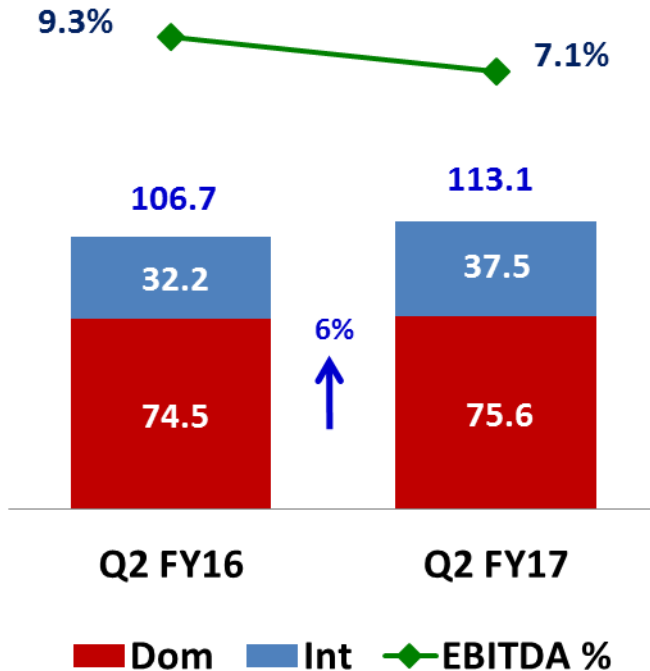


■ Domestic ■ International

# Infrastructure Segment

Amount in ₹ Bn

## Net Revenues & Margin

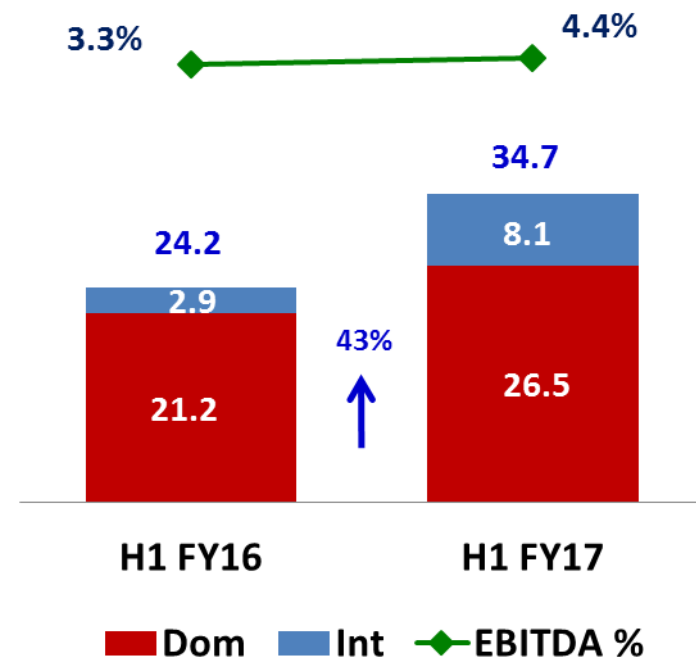
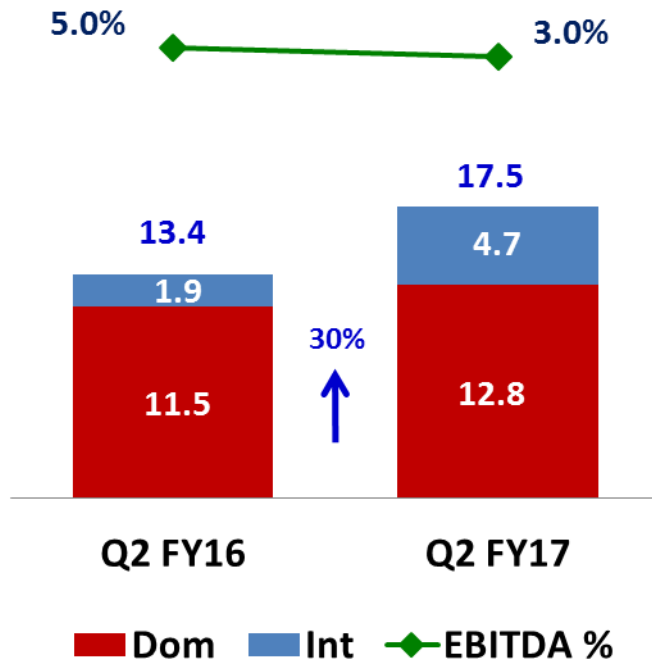


- Muted sales growth in Q2 mainly due to delayed client readiness including workfront availability and payment preparedness
- International jobs in Transportation and Heavy Civil Infra seeing execution ramp-up
- Q2 Margin decline on account of client side issues and unexpected natural/climatic conditions

# Power Segment

Amount in ₹ Bn

## Net Revenues & Margin

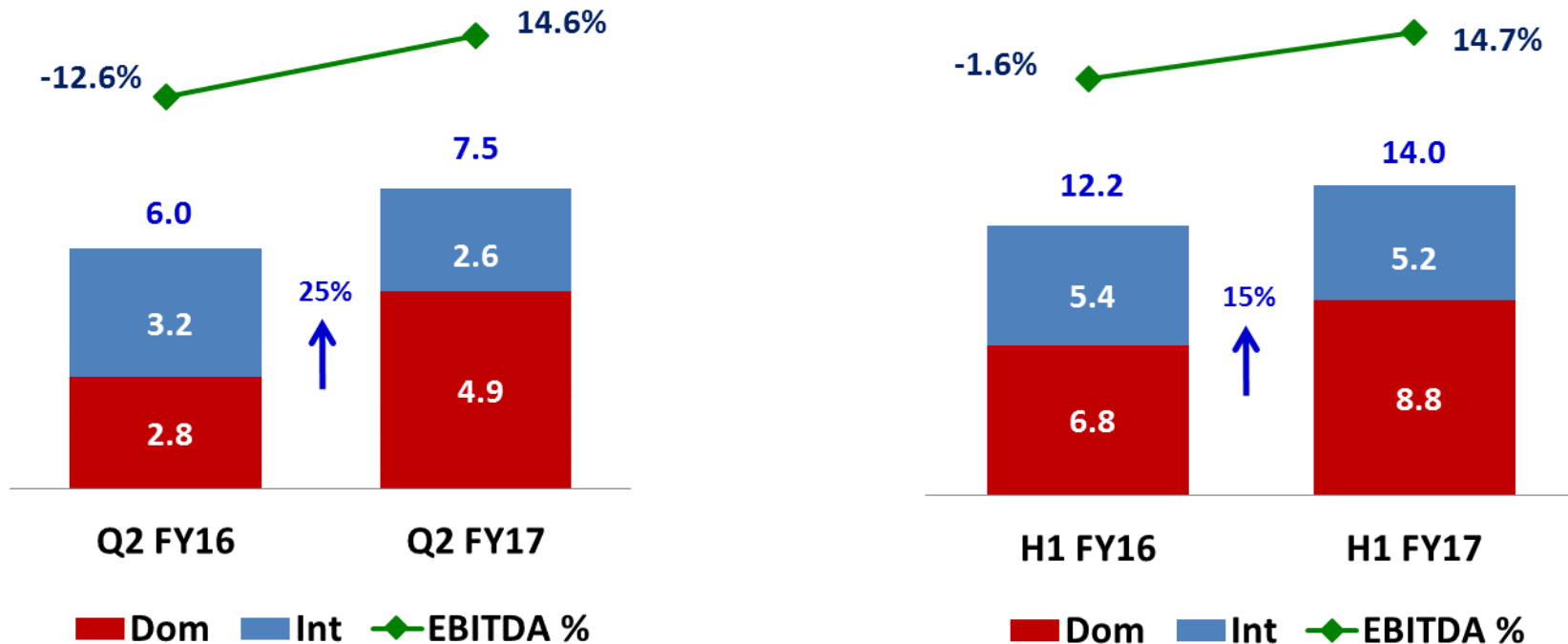


- Robust revenue growth due to strong execution progress
- Bangladesh Jobs contributing to International Sales growth
- MHPS JVs operations consolidated under Equity method

# Heavy Engineering Segment

Amount in ₹ Bn

## Net Revenues & Margin

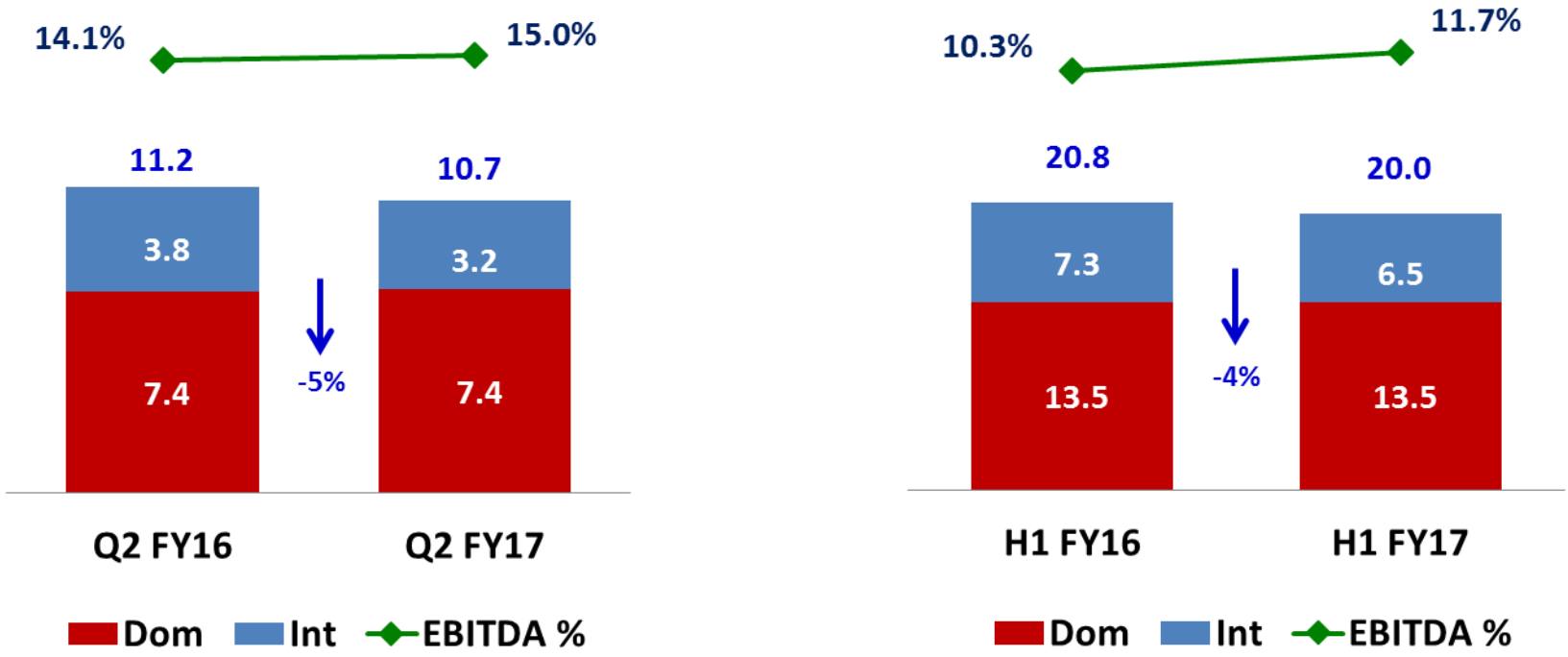


- PPN and D&A Businesses contributing to strong revenue growth
- Margin improvement achieved through operational efficiencies in current year

# Electrical & Automation (E&A) Segment

Amount in ₹ Bn

## Net Revenues & Margin

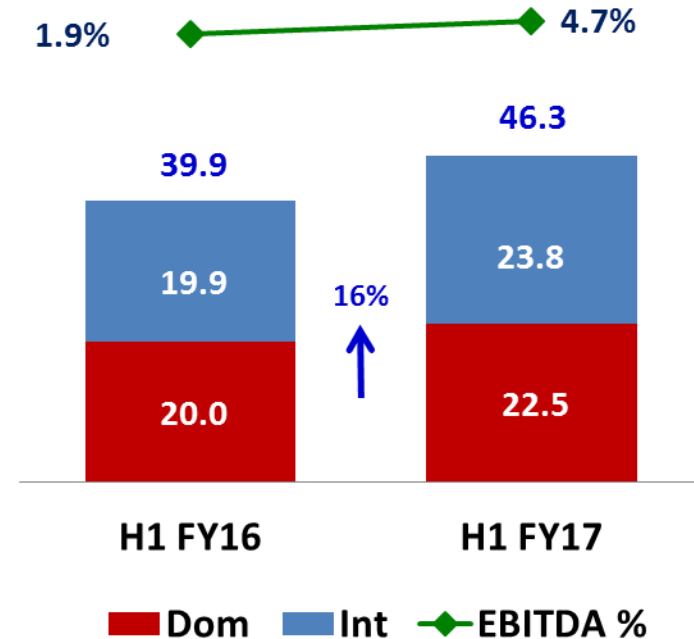
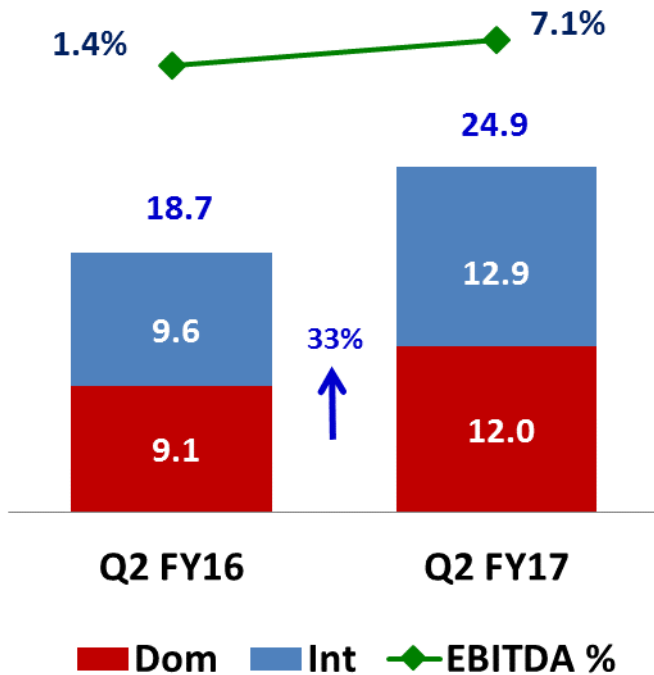


- Muted industrial activity affecting Segment Business
- Growth in Electrical Standard Product Business offset by decline in Project Business
- Margin improvement due to improved realisations and favourable product mix in Electrical Standard Product Business

# Hydrocarbon Segment

Amount in ₹ Bn

## Net Revenues & Margin

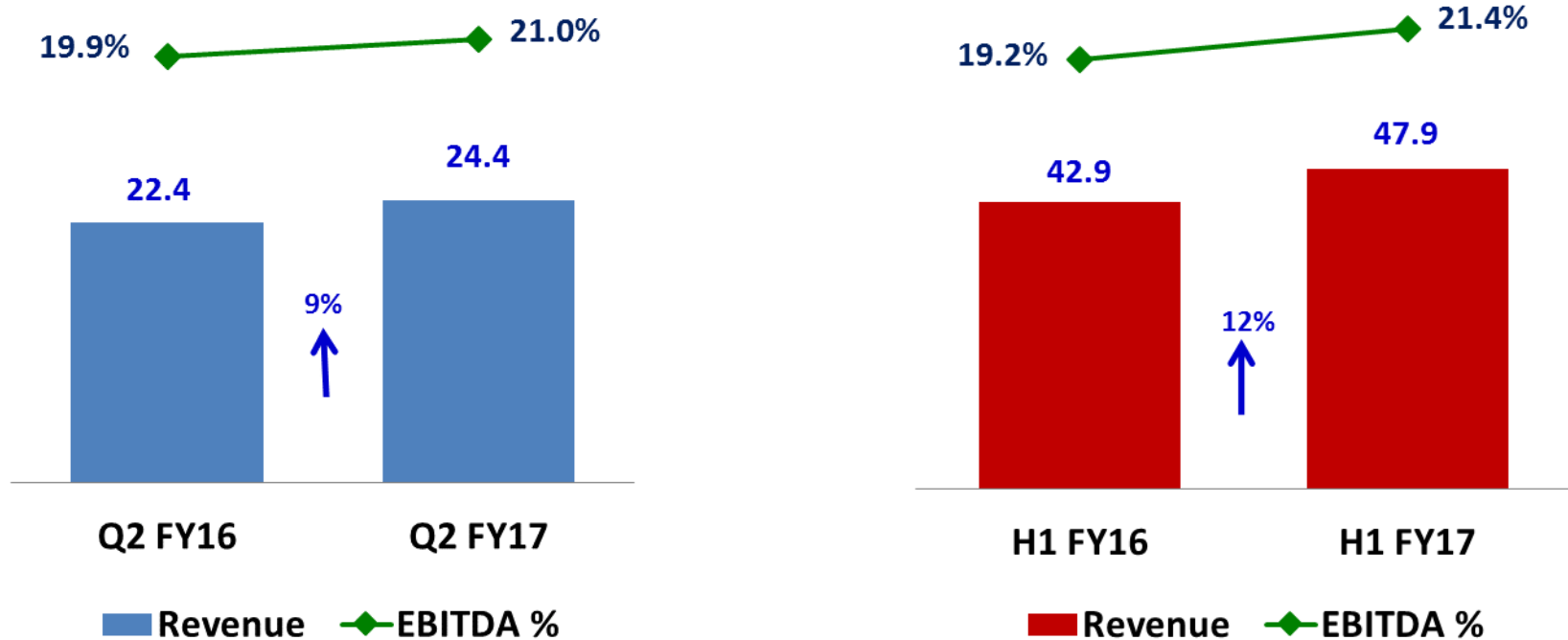


- Revenue growth led by strong execution on increased Order Book
- Diminishing impact of legacy projects in Middle East
- Q2 Margin increase through operational improvement and claim settlement

# IT & Technology Services Segment

Amount in ₹ Bn

## Net Revenues & Margin

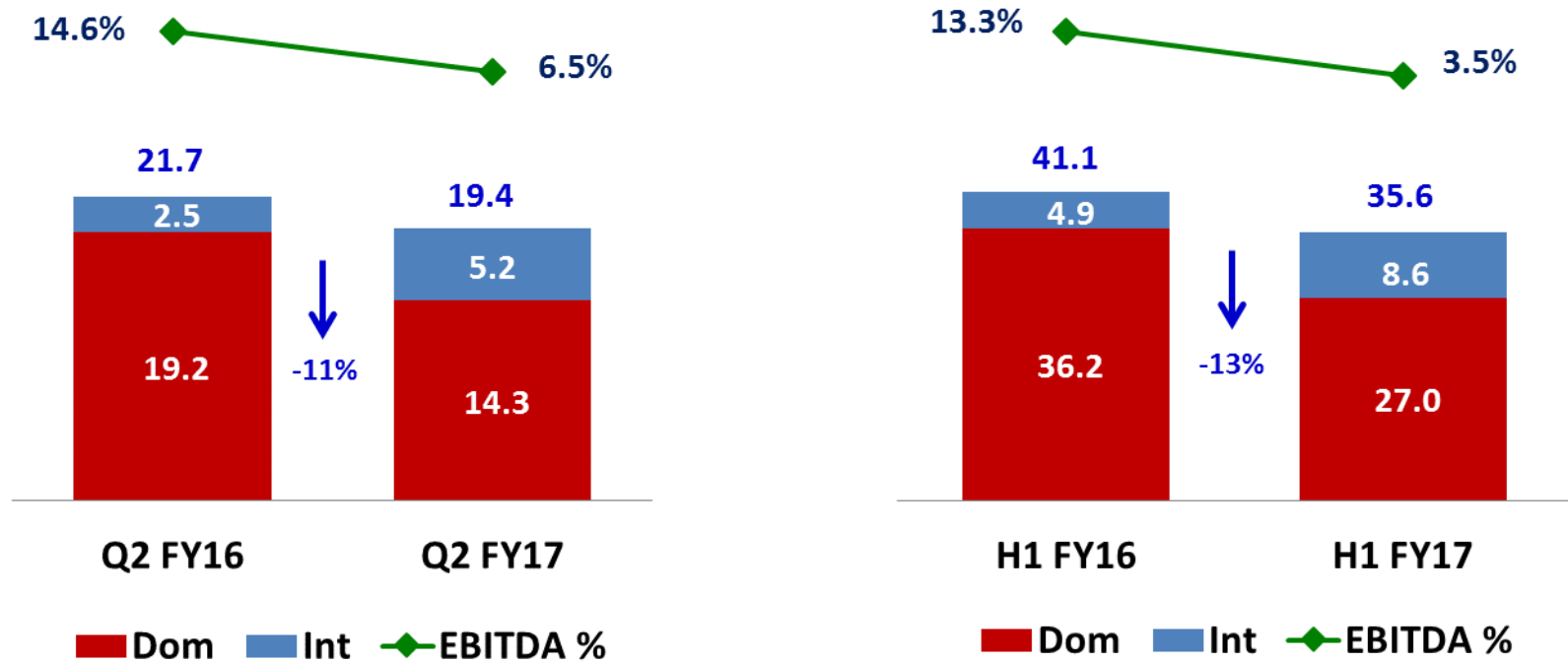


- Revenue growth contributed by Insurance, Auto & Aero for IT business and Industrial Products & Telecom verticals for Tech Services business
- Margin improvement due to higher offsite mix, improved utilization and operational excellence
- Current focus on growth strategies and digital solutions

# Others Segment

Amount in ₹ Bn

## Net Revenues & Margin



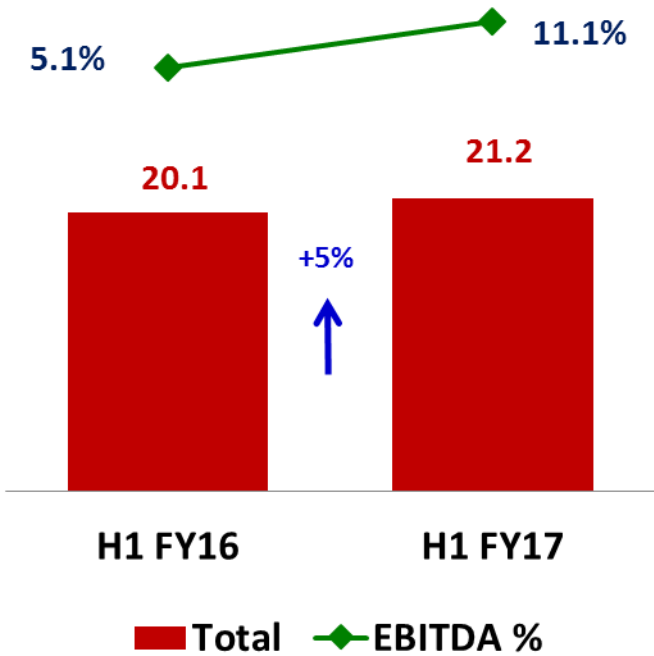
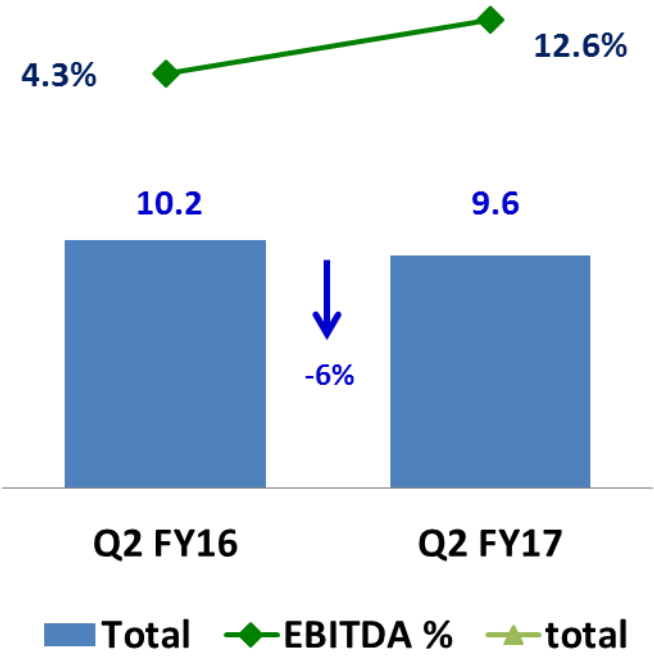
- Weak industrial demand and low capacity utilization continues to challenge the business environment
- Revenue impacted by lower offtake in construction and mining equipment, delayed defence ordering and end-stage execution of current Realty projects
- Q2 Margins adversely affected by inventory write down in Shipbuilding and cost overruns / under-recoveries in MMH (Metallurgical and Material Handling) Business



# Developmental Projects Segment

Amount in ₹ Bn

## Net Revenues & Margin



- Q2 revenue decline mainly on account of lower portion of externally ordered construction jobs in Hyderabad Metro
- Increased revenues in Nabha Power due to higher PLF
- Margin improvement largely arising from Nabha Power Plant and outsourced operator agreement for Kattupalli Port

# 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 (Sep 2016): ₹ 476 Bn**

**Equity Invested (Sep 2016): ₹ 97 Bn**

**Balance Equity Commitment (Sep 2016): ₹ 18 Bn**

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# L&T Finance Holdings (I-GAAP)

₹ Billion	Q2 FY16	Q2 FY17	% Change
Networth (Incl. Pref.Cap and Warrants)	87.11	88.59	2%
Consolidated Debt	473.85	536.89	13%
Loans and Advances	514.11	608.98	18%
Mutual Fund Average AUM	242.80	326.67	35%
Income from Operations	35.11	40.84	16%
Net NPA (%) - 120 DPD	4.05%	3.07%	-0.98%
PAT	2.15	2.48	15%

- ROE stands at 11.72% in Q2FY17 as against 9.84% in Q2FY16 and 9.78% in Q1FY17
- Loans and advances in focused business grew by 24% vs. 31% decline in the de-focused business; overall growth in loans & advances is 18%

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**Outlook**



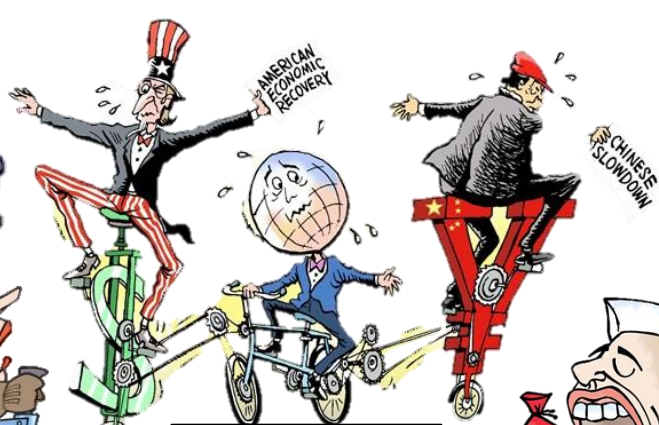
RAILROADS



DEMONETIZATION



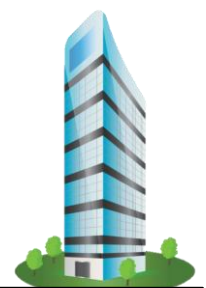
INDUSTRIAL CAPACITY



WORLD ECONOMY



SURGICAL STRIKE



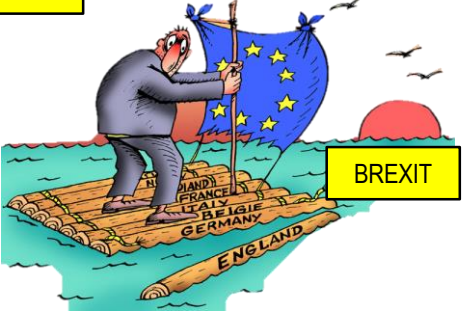
REAL ESTATE



OVER-LEVERAGED PVT. SECTOR



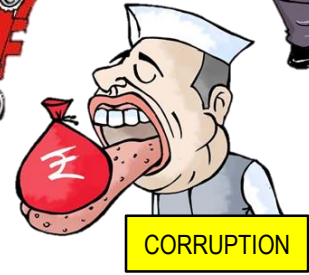
POWER SECTOR



BREXIT



US FED RATES & BOND YIELDS



CORRUPTION



MAKE IN INDIA



US ELECTIONS



WATER PROJECTS

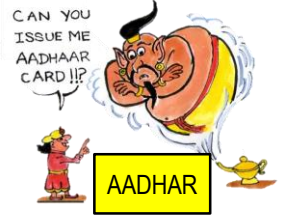


ROADS

# The Environment... ... and the Outlook



CLIMATE CHANGE



AADHAR



INFLATION



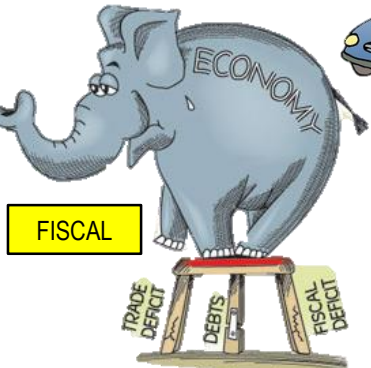
OIL PRICES



DEFENCE SECTOR



EXPECTATIONS



FISCAL



MARKETS



REFORMS



PARALLEL ECONOMY



GROWTH ECONOMY



POPULAR MANDATE

2019 STRONG INDIA

VOTER

INDIA

# Thank You

# Annexure-1: Group Profit & Loss

₹ Billion	IT & TS	Fin. Services *	Devl. Projects	L&T & Others (Incl. Eliminations)	L&T Group		
					H1 FY17	H1 FY16	% Change
Revenue from Operations	47.93	42.31	24.55	354.05	468.85	431.72	9%
EBITDA	10.10	5.04	2.11	24.78	42.03	37.72	11%
Interest Expenses	(0.02)	(0.25)	(0.79)	(5.83)	(6.89)	(8.28)	-17%
Depreciation	(1.22)	(0.47)	(0.30)	(7.26)	(9.25)	(9.94)	-7%
Other Income	0.18	1.71	0.23	5.72	7.84	6.05	30%
Provision for Taxes	(2.15)	(2.15)	(0.36)	(7.64)	(12.30)	(9.63)	28%
Share in profit/(loss) of JVs / Associates	-	0.05	(2.94)	(0.41)	(3.30)	(3.63)	
Adjustments for non -controlling interest in Subs., etc.	(0.50)	(1.54)	0.55	(0.21)	(1.71)	(0.77)	
<b>Net PAT</b>	<b>6.40</b>	<b>2.38</b>	<b>(1.50)</b>	<b>13.17</b>	<b>20.44</b>	<b>11.97</b>	<b>71%</b>

\* Includes Insurance Business

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

₹ Billion	H1FY17	H1FY16	FY16
MHPS JVs	0.59	0.02	0.54
IDPL & Subs.	(2.94)	(2.66)	(8.19)
Others	(0.96)	(0.99)	(2.25)
<b>Total</b>	<b>(3.30)</b>	<b>(3.63)</b>	<b>(9.90)</b>