NAVRATNA

Date: 21.11.2026

LARSEN AND TOUBRO

Sector: Construction & Engineering

BUY

Company Overview

Larsen & Toubro (L&T) is India's largest engineering, procurement and construction (EPC) conglomerate, now diversified across infrastructure, energy, technology services, defence manufacturing and financial services. Q2FY27 revenue stood at ₹787 bn (16% YoY growth) with net profit of ₹52 bn and a record consolidated order book of ₹8535 bn (28% YoY growth), of which 54% is international. Q2FY27 saw the highest ever quarterly order inflow, led by receipt of Ultra Mega and Mega orders in the Energy-Conventional segment.

Investment Thesis

Over the past decade, the company has structurally shifted from a domestically-focused civil contractor to a globally diversified group: international order share has more than doubled (23.8% to 52%), ROCE has improved from 10% to 14.6% (FY15-FY26), and working capital discipline has tightened, with debtor days down from 119 to 77. This has come alongside a gradual compression in core EPC operating margins (17% to 12.4%), offset by the scale-up of high-margin technology services following the LTI-Mindtree merger.

Management has consistently exited or restructured non-core, cash-draining assets — the Electrical & Automation business (sold to Schneider Electric, FY21), the Hyderabad Metro and Nabha Power (both held-for-sale, FY26) — while returning surplus capital via a ₹10,000 Cr buyback (FY24). Lakshya 2031 targets a 12–15% revenue CAGR (up to ~₹5.8 tn, ~2x, at the upper end) and RoE of 16–17%, versus 16.6% in FY26, so broadly maintained

Key Data

Market Capitalisation	₹5,71,851 Cr.
P/E (November 2026)	30.3
ROE (TTM)	15.9%
52 Week High/Low	₹ 4,440 / 3288
CMP	₹ 4209
50 DMA & 200 DMA	3899 / 3909

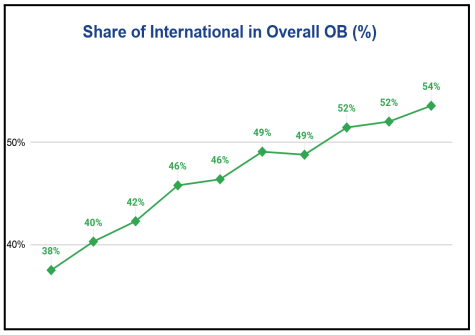
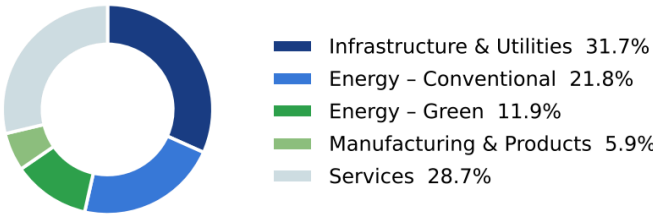


Figure: International Share in Order Book (Q1FY25 to Q2FY26)

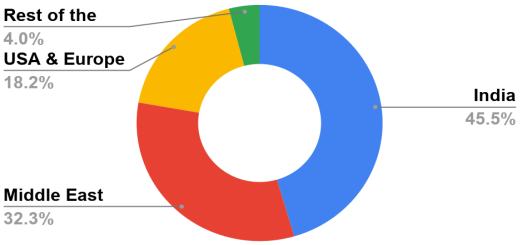
Revenue Composition (Q2 FY27)

Revenue Segments	Components	Split
Infrastructure & Utilities	Building and Factories, Transportation Infra;Heavy Civil Metals, Power T&D, Water Effluent and Treatment	**32%**
Energy – Conventional	Hydrocarbon; CarbonLite Solutions, MRU;	**22%**
Energy – Green	Renewable: Solar Renewable: Offshore and Onshore Wind	**15%**
Manufacturing & Products	Heavy Engineering; Precision Engineering & Systems; Electrolyser Manufacturing, Electronics, CE and IPDD	**6%**
Technology Platforms and Services	LTIMindtree; LTTS; Digital Platforms; Data Centers; Semiconductor Design	**26%**
Financial Services	LT Finance	
Realty	L&T Realty Properties Limited (LTRPL)	
Development Projects	Green Assets; Hydrogen / Ammonia, Nabha Power (Divested w.e.f Jun 2026). Hyderabad Metro (Held for sale)	

Revenue Composition – Segment Wise



H1 FY27 Geography Wise Revenue Composition



Financials

Consolidated revenue grew from ₹1,56,521 Cr in FY22 to ₹2,85,874 Cr in FY26 and net profit rose 86% over the same period, while EBITDA margin eased from 11.6% to 10.2%.

₹ Cr unless stated	FY22	FY23	FY24	FY25	FY26
Revenue from Operations	1,56,521	1,83,341	2,21,113	2,55,734	2,85,874
Revenue Growth (YoY)	15.1%	17.1%	20.6%	15.7%	11.8%
EBITDA	18,217	20,753	23,494	26,435	29,151
EBITDA Margin	11.6%	11.3%	10.6%	10.3%	10.2%
Net Profit (Owner's PAT)	8,669	10,471	13,059	15,037	16,084
EPS (₹)	61.70	74.50	95.00	109.35	116.92
Free Cash Flow	16,053	18,633	13,750	4,742	11,932
Debt to Equity (x)	1.29	1.14	1.11	1.12	0.95

Fiscal years end 31 March (FY26 = Apr 2025 – Mar 2026). Consolidated figures.

Shareholding Pattern

L&T has no promoter holding; institutions hold about 62% of equity, with DIIs the largest block at 42.86% as of Sep 2026 (Jul–Sep 2026 quarter).

Category	Jun 2026	Sep 2026	Change (pp)
Promoters	0.00%	0.00%	0.00
Domestic Institutions (DII)	43.02%	42.86%	-0.16
Foreign Institutions (FII)	19.13%	19.21%	+0.08
Public / Retail	37.60%	37.67%	+0.07
Government	0.25%	0.26%	+0.01

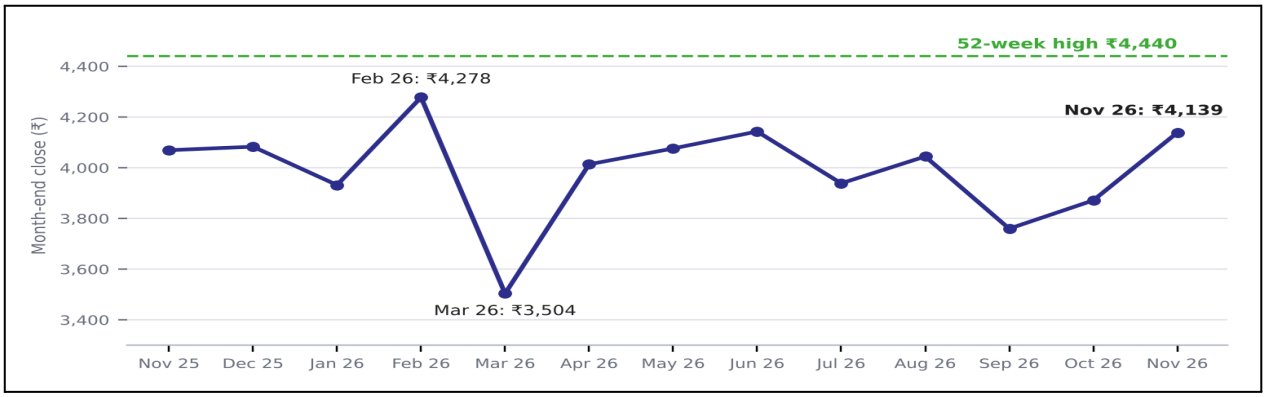


Figure: Price Chart

1. Strong performance:

Despite margin pressures, the core E&C business recorded healthy growth, with order inflows rising 32% YoY and revenue increasing 20% YoY.
Key highlights:

- Strong order inflows: Core E&C inflows grew 32% YoY to ₹1,300 bn, taking the order book to approximately ₹8,535 bn (+28% YoY)
- Healthy execution: Core E&C revenue grew 20% YoY to ₹586 bn, supported by domestic and international growth of 18% and 21%, respectively.
- Improved working capital: NWC to sales improved 850 bps YoY to 1.7%.
- Healthy return ratios: RoE eased to 16.7% (17.2% last year) but remains near the 16–17% target.

Consolidated revenue and PAT grew 16% and 33% YoY to ₹787 bn and ₹52 bn, respectively, beating estimates by 9% and 21%. However, EBITDA remained broadly flat YoY at ₹68 bn, with margins at 8.7% against the estimated 10%.

With a prospect pipeline of ₹10,300 bn, a historical win rate exceeding 20% and 1HFY27 inflows of ₹2,100 bn, L&T remains well-positioned to achieve its FY27 order inflow target of ₹3,900–4,000 bn.

2. Segmental margin performance

Core E&C EBITDA margin, including Realty, declined 80 bps YoY to 7.2%, against the estimated 7.8%. The contraction was primarily driven by cost pressures in water and effluent treatment projects, higher supply chain expenses and projects yet to reach the margin recognition threshold.

Segment	Q2FY27 Margin	Q2FY26 Margin	YoY Change
Infrastructure	5.8%	6.3%	-50 bps
Energy	7.4%	7.3%	+10 bps
Manufacturing & Products	15.7%	13.5%	+220 bps
Realty	54.3%	67.6%	-1,330 bps

- **Infrastructure:** Margins declined due to cost pressures and an unfavourable project mix.
- **Energy:** Margins remained broadly stable.
- **Manufacturing & Products:** Margins improved on better operational performance.
- **Realty:** Lower residential unit handovers led to margin contraction.

3. Middle East ordering and execution gaining momentum

Bidding activity in the Middle East remains strong, with L&T securing several mega and ultra-mega projects during 1HFY27 across Hydrocarbon, Offshore, Infrastructure and BESS.The company was also selected as one of four contractors under a six-year EPC framework agreement with Petroleum Development Oman, potentially opening up opportunities worth USD 6–7 bn over the next three to four years. Execution has accelerated from Q2FY27, with international revenue growing 21% YoY. Hydrocarbon was the least impacted by supply chain disruptions, followed by Power T&D in the GCC region, supported by increased offshore fabrication.Solar project execution remained slow and could continue to face supply chain challenges and higher costs. Renewable ordering is expected to improve from 2HFY27.L&T expects core E&C order inflows and revenue to grow at a CAGR of 10% and 14%, respectively, over FY26–29.

4. Margin pressure partly offset by higher other income

- Core E&C margins were impacted by 40–50 bps due to delays in water projects, higher supply chain costs and projects yet to reach the revenue recognition threshold. Improvements in Hydrocarbon, private-sector projects and Manufacturing partially offset the weakness.
- The company is engaging with customers to recover incremental logistics and insurance costs. Higher other income, supported by surplus cash and improved yields, also helped offset weaker operating margins.
- NWC improved to 1.7% of sales, driven by higher customer advances and better collections. Domestic project working capital intensity declined to 12–13% of revenue from historical levels of around 15%, while international project working capital remained healthy at -8% to -9%.
- Following 1HFY27 performance, estimates have been revised to factor in slightly lower margins and NWC requirements, alongside higher other income.

5. Strong prospect pipeline supports order inflow outlook

L&T's prospect pipeline for the remaining six months of FY27 stood at ₹10,300 bn, broadly in line with the previous year, with opportunities across Infrastructure, Conventional Energy, Green Energy and Manufacturing.

Segment	Prospect Pipeline (₹ bn)	Previous Year (₹ bn)
Infrastructure & Utilities	5,840	5,810
Energy – Conventional	2,100	3,400
Energy – Green	2,000	900
Manufacturing & Products	330	290
Total	**10,270**	**10,400**

Key Risks:

- **Margin pressure:** the margin fell 80 bps in Core E&C and EBITDA missed the 10% estimate. Water projects, supply chain and logistics costs are the stated causes.
- **West Asia exposure:** 54% of the order book is international, with heavy Middle East concentration. Solar execution is already slow.
- **Working-capital reversal:** NWC of 1.7% is flattered by advances. Management has guided normalization toward ~10% in FY27.
- **Slowing inflow growth:** the 10% inflow CAGR guidance is below the 14% revenue CAGR, which implies falling book-to-bill.

Rating Methodology

Investment Rating	Expected Return (Over 12 Months)
BUY	≥ 15%
SELL	< -10%
NEUTRAL	-10% to < 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	Forward-looking estimates for the stock are available, but no investment rating has been assigned.

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Sources: Investor Presentation, LT Concall,, MOFSL report, https://www.larsentoubro.com/pressreleases

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