OVERALL FINANCIAL REVIEW 2023-24

I. L&T CONSOLIDATED

Against the backdrop of domestic economic resurgence amidst global volatility, the Group has recorded a healthy performance across its businesses, spread across diverse sectors and geographies. The Company has continued its focus towards the goal of maximising shareholder value by utilising technology towards improving productivity and efficiency, timely & profitable execution of its record order book, containing working capital along with better funds management, and divesting assets identified for sale.

During the year, the Company successfully completed its first-ever buyback of equity shares in alignment with the long-term Lakshya 2026 plan to enhance shareholder value. Additionally, as part of the strategy to exit non-core businesses, on April 10, 2024, the Company completed the divestment of its entire shareholding in L&T Infrastructure Development Projects Limited, a joint venture primarily engaged in the development and operation of toll roads and a power transmission asset. Further, the Company also sold its entire stake in L&T Infrastructure Engineering Limited (LTIEL) to STUP Consultants Private Limited, a subsidiary of Assystem SA of France, to remain focussed on its core offerings.

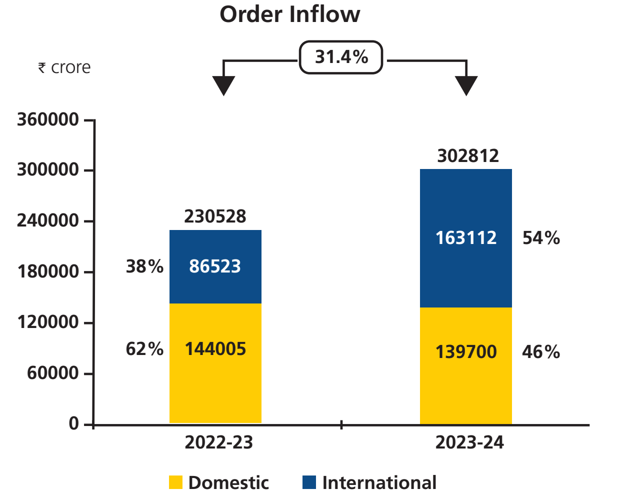
During the year, the Company successfully commissioned its first indigenously manufactured electrolyser at the Green Hydrogen Plant at A. M. Naik Heavy Engineering Complex in Hazira, Gujarat. This pioneering accomplishment signifies L&T Electrolysers Limited's foray into domestic electrolyser manufacturing, underscoring the Company's steadfast dedication to propelling sustainable energy solutions. The Company also launched its first Data Center Pilot project at Panvel, Mumbai, with a capacity of ~1.4 MW.

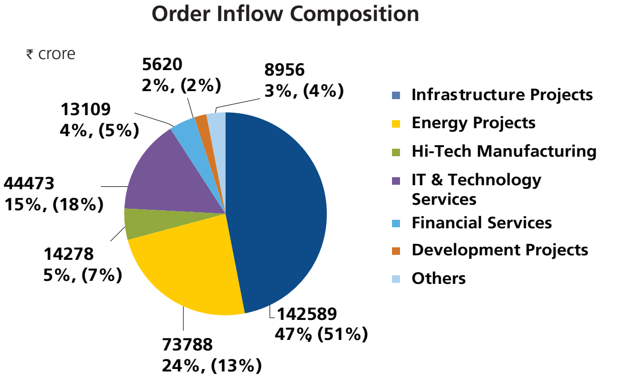
The Group has also forayed into fabless semiconductor chip design during the year by incorporating L&T Semiconductor Technologies Limited (LTST), a wholly-owned subsidiary. A fabless semiconductor company specialises in the design and creation of semiconductor chips without owning or operating semiconductor manufacturing facilities.

The financial services business of the Group, during the year, also concluded the merger of L&T Finance Holdings Ltd. and its wholly owned subsidiaries, viz. L&T Finance Ltd., L&T Infra Credit Ltd. and L&T Mutual Fund Trustee Ltd., resulting in the creation of a single lending entity – L&T Finance Holdings. Further, the name of L&T Finance Holdings Ltd. has been changed to L&T Finance Ltd. This merger leads to the creation of a simplified 'Single Lending Entity' and will create internal synergies, superior governance, and newer avenues for growth.

As at March 31, 2024, the L&T Group comprised 86 subsidiaries, 5 associate companies, 26 joint ventures, and 33 jointly held operations. Out of the total 150 entities, 36 companies belong to the listed subsidiaries, and 20 are associated with Development Projects. The rest of the entities in the Group are mostly strategic extensions of the traditional businesses, viz. EPC Contracts and Hi-Tech Manufacturing, to enable access to new geographies, technology, and nuanced business segments.

Order Inflow and Order Book





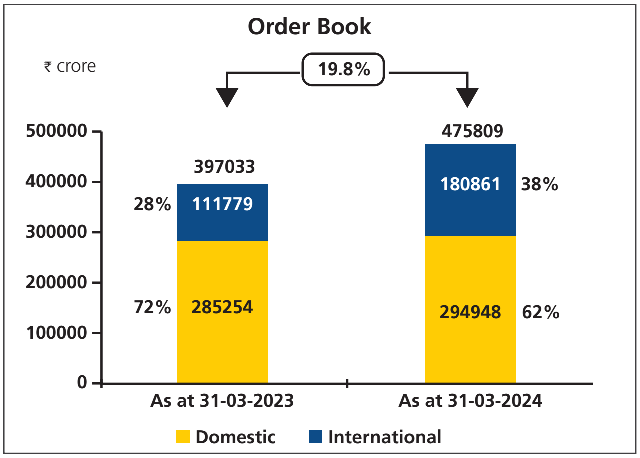
Total Order Inflow: ₹ 3,02,812 crore during the year 2023-24

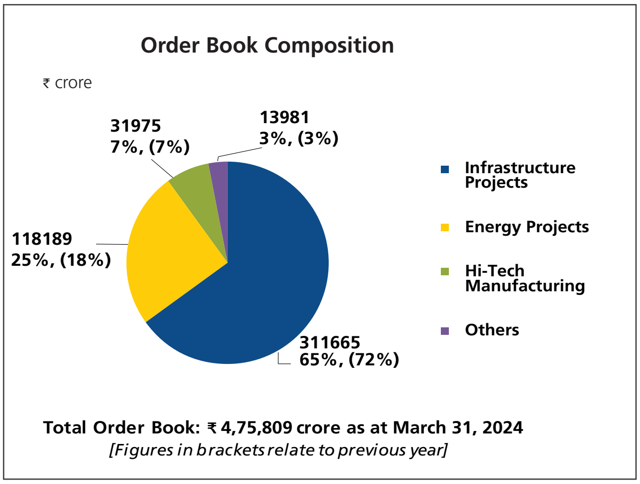
[Figures in brackets relate to previous year]

L&T Group achieved order inflows of ₹ 3,02,812 crore during FY 2023-24, registering a growth of 31.4% over the previous year. Growth was largely driven by the strong investment momentum in the Middle East region, further complemented by the Government of India's CapEx push. The buoyancy in Middle East orders led to an increase in the share of international order inflow to 54% from 38% in the previous year.

The year witnessed the booking of some noteworthy orders in the Urban Transit space, including another package for Mumbai-Ahmedabad High-Speed Rail in the Heavy Civil business, a few orders in the residential vertical of Buildings & Factories business, multiple renewable energy projects from the Middle East under the Power Transmission & Distribution business, Electrification Work package for Mumbai-Ahmedabad High-Speed Rail, and a road project in Mumbai in Transportation Infrastructure, a couple of orders in ferrous metal space, a major order from Ministry of Defence in the Precision Engineering & Systems business, a mega order in the Offshore vertical, and few ultra-mega orders in the Onshore vertical of the Hydrocarbon business.

With higher ordering in the Energy segment primarily due to CapEx acceleration in the Middle East region, the contribution of the Infrastructure segment in the overall order inflow has decreased to 47% from 51% in the previous year, while continuing to remain the largest segment in the Company's business portfolio.



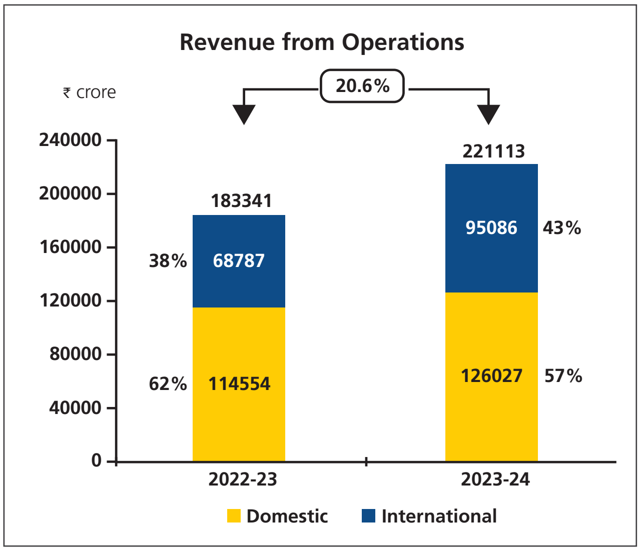


As at March 31, 2024, the order book is at a record level of ₹ 4,75,809 crore, thereby providing a multi-year revenue visibility for the Group. The infrastructure segment continues to dominate with a share of 65% of the consolidated order book.

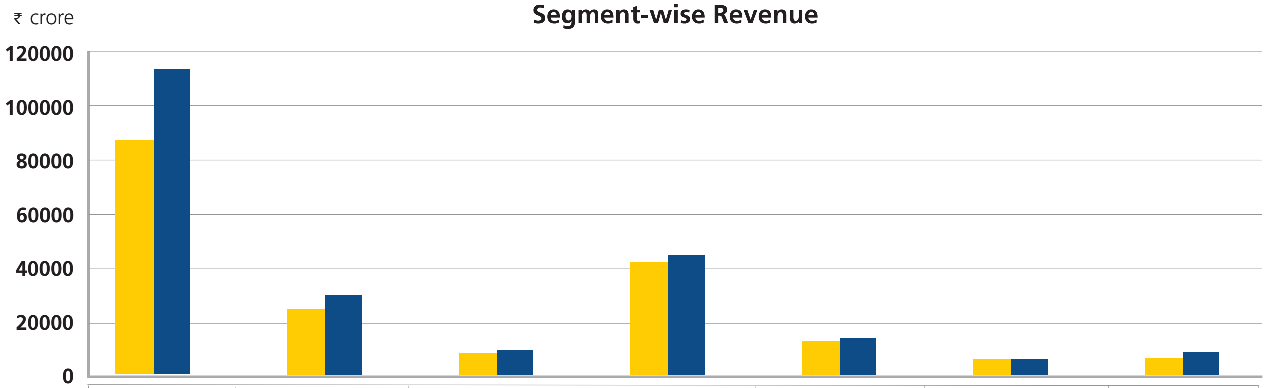
The order book registered a growth of 19.8% on a y-o-y basis, mainly with the receipt of some high-value orders during the year. Around 77% of the total order book comprises orders received from Indian Central and State Governments (including local authorities) and State-owned Enterprises (both domestic and international). The private sector has marginally declined and has a share of 23% of the total order book as on March 2024, as against 25% as on March 2023. Of the domestic order book, 29% of the orders are funded by multilateral agencies.

The share of the international order book increased from 28% to 38% on account of the intake of higher international orders during the year.

Consolidated Revenue from Operations



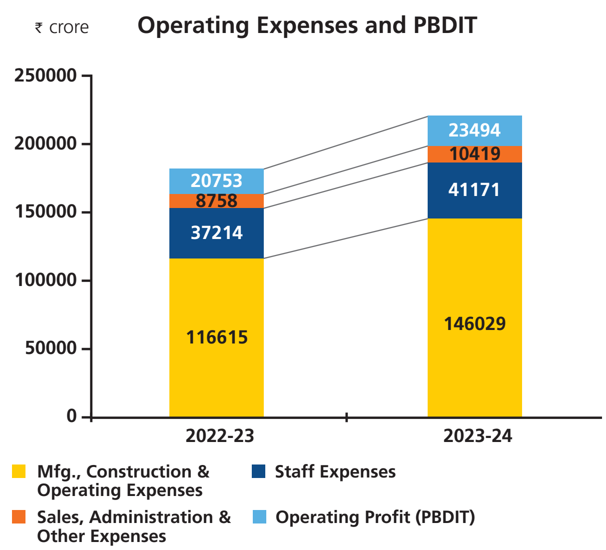
L&T Group recorded revenue of ₹ 2,21,113 crore during FY 2023-24, registering a growth of 20.6%. The growth was mainly achieved with the pick-up of execution momentum in project and manufacturing businesses. The composition of international revenue at the group level is at 43% in FY 2023-24 compared to 38% in the previous year.



	Infrastructure Projects	Energy Projects	Hi-Tech Manufacturing	IT & Technology Services	Financial Services	Development Projects	Others
FY 2022-23	87823	24956	7161	41789	12575	5029	6271
FY 2023-24	114008	29571	8765	44916	13109	5628	8493

During the year, all the segments registered growth over the previous year, with the Infrastructure segment leading the pack.

Operating Expenses and PBDIT



Manufacturing, Construction and Operating (MCO) expenses for FY 2023-24 at ₹ 1,46,029 crore increased by 25.2% over the previous year. These expenses mainly comprise the cost of construction materials, raw materials and components, sub-contracting expenses, and interest costs in the Financial Services business. This represents 66.0% of revenue as compared to 63.6% in the previous year, mainly on account of cost overruns encountered in a few projects and changes in job mix.

Staff expenses for FY 2023-24 at ₹ 41,171 crore increased by 10.6% over the previous year, reflecting a combination of manpower ramp-up and salary revisions. Although, as a percentage of revenue, it decreased by ~170 bps during FY 2023-24, consequent upon higher revenue. The Group continues to focus on productivity improvements, digitalisation, and manpower optimisation across its businesses.

Sales and administration expenses at ₹ 10,419 crore increased by 19.0% over the previous year. This represents 4.7% of revenue, which is almost in line with the previous year.

The Group's operating profit at ₹ 23,494 crore for FY 2023-24 registered a growth of 13.2% y-o-y, largely due to higher business volumes. The EBITDA margin for the year, however, declined by 70 bps and is at 10.6%.

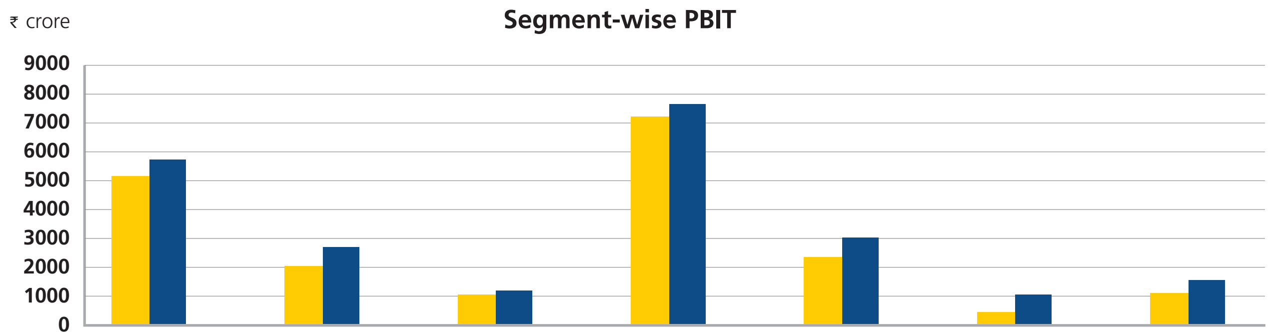
The impact of additional execution costs incurred in the Infrastructure segment and higher provisions on contract assets and customer receivables impacted the Company's overall margin. At the same time, cost savings in projects of the Energy segment, higher NIM in Financial Services, and sale of commercial property along with improved ridership in Hyderabad Metro, partially mitigated the impact.

Depreciation and Amortisation Charge

Depreciation and amortisation charges for FY 2023-24 increased to ₹ 3,682 crore from ₹ 3,502 crore in the previous year, registering an increase of 5.1%, mainly reflective of higher CapEx spending in recent years.

Profit Before Interest and Tax

Segment-wise composition of PBIT for FY 2023-24 is represented below:



	Infrastructure Projects	Energy Projects	Hi-Tech Manufacturing	IT & Technology Services	Financial Services	Development Projects	Others
FY 2022-23	5140	2067	995	7215	2259	392	1103
FY 2023-24	5721	2701	1140	7659	3028	1015	1508

The segment-wise PBIT registered improvement over the previous year across all businesses. The PBIT of Development Projects is higher during the year primarily due to a non-recurring gain on the sale of commercial property in Hyderabad Metro.

Other Income

This mainly consists of interest, dividend, and gains from treasury operations. Other income at ₹ 4,158 crore improved by 42.0% over ₹ 2,929 crore for the previous year, reflective of gain on sale/fair valuation of investments and efficient treasury operations.

Finance Cost

The interest expenses for FY 2023-24 at ₹ 3,546 crore were higher by 10.6% over ₹ 3,207 crore for the previous year. The increasing average borrowing at a group level was partly offset by the reduction in the borrowing in Hyderabad Metro. The interest cost for FY 2023-24 was higher by 30 bps as compared to the previous year.

Tax Expense

Income Tax charge for FY 2023-24 was higher at ₹ 4,947 crore by 10.3% compared to ₹ 4,484 crore in the previous year on higher taxable income.

Exceptional Items

Exceptional items during the year mainly comprise gain on the divestment of stake in L&T Transportation Infrastructure Limited, a subsidiary of L&T IDPL and reversal of impairment of investment in L&T IDPL. The previous year mainly included a gain on divestment of the Mutual Fund business of the Financial Services, partially offset by a one-time charge on remeasurement of the wholesale loan assets of the Financial Services segment at fair value.

Consolidated Profit after Tax and EPS

Consolidated Profit after Tax (PAT) at ₹ 13,059 crore for FY 2023-24 increased by 24.7% over the previous year at ₹ 10,471 crore. The increase is mainly due to growth in revenues and improved treasury operations.

Consolidated Basic Earnings per Share (EPS) for FY 2023-24 at ₹ 93.96 improved over the previous year at ₹ 74.51.

Return on Consolidated Net Worth

The Consolidated Net Worth, as on March 31, 2024, at ₹ 86,359 crore, reflects a net decrease of ₹ 2,967 crore, as compared to the position as on March 31, 2023. The Return on Net Worth (RONW) for FY 2023-24 was higher at 14.9%, compared to 12.2% in the previous year, mainly on account of higher profits and share buyback.

Liquidity & Gearing

Cash flow from Operations (including change in loans and advances towards financing activities) for FY 2023-24 decreased to ₹ 18,266 crore as compared to ₹ 22,777 crore in the previous year, mainly due to build-up of customer outstanding and higher contract assets from an increase in business volumes. During the year, additional funds were generated mainly from the divestment of commercial property in Hyderabad Metro, treasury and dividend income and investment sales.

Funds were utilised mainly for repayment of borrowings of ₹ 4,513 crore, capital expenditure of ₹ 4,210 crore, and payment of dividend of ₹ 4,217 crore. Further, funds were utilised for the buyback of equity shares ₹ 12,280 crore (including tax and expenses on buyback) and net interest payment of ₹ 3,605 crore (attributable to the level of Borrowing) during FY 2023-24.

Consequently, there was a net decrease of ₹ 4,984 crore in the cash balances as of March 31, 2024, compared to the beginning of the financial year.

Consolidated Fund Flow Statement		**₹ crore**
Particulars	**FY 2022-23**	**FY 2023-24**
Operating Activities	22,777	18,266
Net Divestment	2,670	1,000
Treasury and Dividend Income	1,767	2,634
Sale/(Purchase) of investments	(8955)	2739
ESOP Proceeds (Net)	10	10
Decrease/(Increase) in cash balance	(2893)	4,984
Source of Funds	**15,376**	**29,633**
Capital expenditure (Net)	3,793	4,210
Repayment of borrowings	4,832	4,513
Dividend Paid	3,091	4,217
Interest Paid	3,047	3,605
Payment to minority interest (net)	613	808
Buyback of equity shares (Incl. tax and expenses on buyback)	-	12,280
Utilisation of Funds	**15,376**	**29,633**

The total Group borrowings as at March 31, 2024, was lower at ₹ 1,14,040 crore compared to ₹ 1,18,513 crore as at March 31, 2023. The major decrease is in borrowings of the Financial Services, Hyderabad Metro and Nabha Power, partly offset by a higher level of borrowing at the Parent level. At a group level, the gross debt-to-equity ratio decreased to 1.11:1 as at March 31, 2024, from 1.14:1 as at March 31, 2023. However, the net debt-to-equity ratio marginally increased to 0.64:1 as at March 31, 2024, from 0.62:1 as at March 31, 2023.

Details of significant changes in key financial ratios along with explanation:

In compliance with the requirement of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the key financial ratios of the Group have been provided hereunder along with the explanation only for the significant changes, i.e., change of 25% or more as compared to the previous financial year:

Sr. No	Particulars	FY 2022-23	FY 2023-24	% Growth
(i)	Gross Debt Equity Ratio	1.14	1.11	2.8%
(ii)	PBDIT as % of net revenue	11.3%	10.6%	-6.1%
(iii)	Net Working Capital % of Sales* (Excluding Financial Services & Corporate)	16.1%	12.0%	25.9%
(iv)	Interest Coverage ratio (excludes Financial Services and Finance Lease Activity)	5.45	5.79	6.2%

** The significant change in the Net Working Capital % of Sales for FY 2023-24 has been due to better collections and efficient working capital management.*

II. L&T STANDALONE

L&T's standalone financials reflect the performance of Infrastructure Projects, Energy Projects, Hi-Tech Manufacturing, and Others. The Others segment comprises Realty, Smart World & Communication, Construction & Mining Machinery, Rubber Processing Machinery, E-commerce/digital platforms, and Data Centers.

Brief Summary of Performance at Standalone Level:

			₹ crore
Particulars	**FY 2022-23**	**FY 2023-24**	**% Growth**
Order Inflow	1,49,984	1,71,663	14%
Share of International Order Inflow	20%	35%	
Revenue	1,10,501	1,26,236	14%
Share of International Revenue	17%	21%	
Order Book	3,30,555	3,71,381	12%
Share of International Order Book	15%	23%	
PBDIT	9,295	9,685	4%
PAT	7,849	9,304	19%
Net Worth	71,528	64,416	(10)%
RONW (%)	11.3%	13.7%	
EPS (in Rs.)	55.85	66.95	

Liquidity & Gearing

Business operations generated cash flows of ₹ 8,294 crore during the year, compared to ₹ 7,264 crore in the previous year. The increase is attributable to improved working capital management. During the year, additional funds were borrowed to support an increase in business volumes. The proceeds from cash generated through the sale of investments ₹ 4,645 crore, treasury income of ₹ 2,041 crore, and dividend income from S&A companies at ₹ 2,649 crore have been utilised towards Share Buyback (including expenses and tax) of ₹ 12,280 crore, CapEx payment of ₹ 2,822 crore, a dividend payment of ₹ 4,217 crore, and interest payment of ₹ 2,268 crore.

There was a net increase of ₹ 133 crore in the cash balances as at March 31, 2024, compared to the beginning of the year.

Fund Flow Statement		**₹ crore**
Particulars	**FY 2022-23**	**FY 2023-24**
Operating activities	7,264	8,294
Borrowings/(Repayment of Borrowings)	(2,027)	4,232
Sale/(Purchase) of Other investments	(2,904)	4,645
Treasury and dividend income	3,035	4,690
ESOP Proceeds	10	10
Sources of Funds	**5,378**	**21,871**
Capital expenditure (Net)	2,236	2,822
Net investment/(Divestment)	(352)	151
Dividend paid	3,091	4,217
Interest paid	2,333	2,268
Buyback of shares (Including buyback expenses and tax)	-	12,280
Increase/(Decrease) in cash balance	(1,930)	133
Utilisation of Funds	**5,378**	**21,871**

Total borrowings as at March 31, 2024, increased to ₹ 22,540 crore, compared to ₹ 18,151 crore in the previous year. The loan portfolio of the Company comprises a mix of Rupee and suitably hedged foreign currency loans. The gross debt-to-equity ratio increased to 0.35:1 as at March 31, 2024, from 0.25:1 as at March 31, 2023. The net debt ratio as at March 31, 2024, is 0.02:1 after netting off cash and cash equivalents.