

Larsen & Toubro

Slight quarterly miss; strong FY26 guidance

Larsen & Toubro (LT) reported revenue/EBITDA/APAT at INR 743.9/82/50.2bn, a beat/(miss) of (5.2)/(4.3)/3.3%, aided by lower finance cost/tax. P&M margins stood at 9.9% (+30bps YoY). LT guided for 10% order inflow growth (vs. flat expectation) on a high FY25 base and 15% revenue growth (in-line) with P&M margin guidance for FY26 at 8.5%. NWC to sales improved 100bps YoY to 11% and LT guided for FY26 at 12%. Adjusted for delay in water payments, NWC stood at 8-9%. Given the high share of export order inflows in the mix (58% for FY25), LT expects FY26 execution to have an increasing proportion of lower-margin fixed-price contracts (46% the order book, baked into its margin guidance). Material margin expansion is expected from FY27E when the hydrocarbon project mix increases (INR 1.4tn OB – 24% share). The company guided that margin re-rating will be led by a ramp-up in execution. We marginally cut estimates to factor in lower margins in exports orders. Given (1) the record-high order book (OB) of INR 5.8 trn, (2) the likely bottoming out of infrastructure margins, (3) improvements in subsidiary performance, and (4) higher public capex towards a green economy, we maintain our BUY stance with an SOTP-based target price of INR 4,215 per share (29x Mar-27E EPS).

- **Q4FY25 financial highlights:** LT's revenue was a miss of 5.2% at INR 743.9bn (+10.9%/+15% YoY/QoQ). EBITDA was INR 82bn (+13.4%/+31.1% YoY/QoQ), missing estimates by 4.3%. EBITDA margin was 11% (+24.2/+135.5 bps YoY/QoQ) vs. our estimate of 10.9%. APAT was INR 50.2bn (+16.7%/+49.5% YoY/QoQ), a beat of 3.3%. APAT beat was aided by lower finance cost and tax rate. Increasing the share of margin-dilutive fixed-price international orders is factored into the FY26 P&M margin guidance of 8.5%, subject to commodity prices remaining stable.
- **Q4FY25 strong order inflow; all-time high OB:** In Q4FY25, LT registered an order inflow (OI) of INR 896bn, taking the OB as of March'25 to an all-time high of INR 5.8trn (~2.3x FY25 revenue). In Q4FY25, 30%/70% of OI came from domestic/international markets. The OB is well-diversified, with 54%/46% of orders from the domestic/international markets. The prospects pipeline for FY26 is pegged at INR 19trn vs. INR 12.1trn for FY25, a 57% growth YoY.
- **Robust balance sheet:** At the consolidated level, gross/net debt stood at INR 1,295bn/632bn as of March'25, compared to 1,275bn/699bn as of Dec'24, with net D/E at 0.6x as of March'25, which is the same as that in Dec'24. The FY25 NWC to revenue ratio (excluding the financial services business) is at 11% (-100 bps YoY). LT now expects the this ratio to be 12% in FY26.

Consolidated financial summary (INR mn)

Particulars	4QFY25	4QFY24	YoY (%)	3QFY25	QoQ (%)	FY25	FY26E	FY27E
Revenues	743,923	670,787	10.9	646,678	15.0	2,557,345	2,984,414	3,500,989
EBITDA	82,025	72,340	13.4	62,549	31.1	264,348	316,845	386,406
APAT	50,225	43,025	16.7	33,588	49.5	145,624	186,105	232,501
EPS (INR)	35.8	30.7	16.7	23.9	49.5	105.9	135.4	169.1
P/E (x)						32.3	25.3	20.2
EV/EBITDA(x)						21.8	16.4	12.8
RoE (%)						15.8	17.9	19.7

Source: Company, HSIE Research

Change in Estimates (INR mn)

Particulars INR mn	FY26E			FY27E		
	New	Old	%	New	Old	%
Net Revenues	2,984,414	3,032,067	(1.6)	3,500,989	3,494,080	0.2
EBITDA	316,845	338,083	(6.3)	386,406	399,431	(3.3)
Margins (%)	10.6	11.2	(53.4)	11.0	11.4	(39.5)
APAT	186,105	197,586	(5.8)	232,501	238,587	(2.6)

Source: Company, HSIE Research

BUY

CMP (as on 08 May 2025)	INR 3,324
Target Price	INR 4,215
NIFTY	24,274

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 4,339	INR 4,215
EPS change %	FY26E -5.8	FY27E -2.6

KEY STOCK DATA

Bloomberg code	LT IN
No. of Shares (mn)	1,375
MCap (INR bn) / (\$ mn)	4,571/53,326
6m avg traded value (INR mn)	7,444
52 Week high / low	INR 3,964/2,965

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.4)	(9.2)	(4.7)
Relative (%)	(3.6)	(10.3)	(14.0)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	0.0	0.0
FIs & Local MFs	41.71	42.71
FPIs	20.83	19.8
Public & Others	37.45	37.49
Pledged Shares	0.0	0.0

Source: BSE

Pledge share as a % of total shares

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Titan

Jewellery margins surprise positively

Consolidated jewellery sales (ex-bullion) grew 24.9% YoY to INR122.7bn (in-line; HSIE: INR122.9bn) buoyed by ticket size growth. Domestic jewellery (ex-bullion) grew 23.4% YoY. (Consol. topline growth stood at 19.4% YoY at INR 149.2bn; HSIE: 151.5bn). Elevated gold prices continued to impact product mix (Studded ratio down 300bps YoY at 30%). Despite the inferior mix, Jewellery EBITM (consolidated) contracted by a mere 24bps to 10.9% (HSIE: 10%) due to (1) Superior international biz' margins, (2) better overhead management, and (3) marginal hedging gains. Watches & Eyewear delivered healthy growth (+18% YoY). We marginally increase our FY27 EPS estimates by 2% and maintain our REDUCE rating with a DCF-based TP of INR3,200/sh (implying 50x FY27 P/E).

- **Q4FY25 highlights:** Consolidated revenue grew 19.4% YoY to INR 149.2bn. Consol. jewellery (ex-bullion) sales grew 24.9% YoY to INR122.7bn (HSIE: INR122.9bn). Domestic jewellery (ex-bullion) grew 23.4% in Q4FY25, buoyed by ticket size growth (SSSG stood at 15%). Plain gold jewellery clocked 27% growth YoY. Higher gold prices impacted the studded ratio which came in at 30% (vs 33% in Q4FY24). Despite the inferior mix, Jewellery EBITM (consolidated) contracted by a mere 24bps to 10.9% (HSIE: 10%) due to (1) Superior international biz' margins, (2) better overhead management, and (3) marginal hedging gains. Watches/Eyewear/others grew ~21/16/-18 YoY respectively. It reported an EBITM of 10.4% (HSIE: 7.5%). The company added 7/12/17 Tanishq/Mia/Caratlane stores (net) respectively. The company plans to add 40-50 tanishq stores in FY26. Consolidated APAT grew 13% YoY to INR 8.7bn (HSIE: INR 7.2bn). Gold lease (GOL) rates are now normalizing and are a mere ~70-80bps above trend line. Inventory levels were elevated due to up-stocking on account of Akshay Tritiya. Consequently, FCFF deteriorated to -INR10.1bn in FY25 (from +10.2bn in FY24). GOL stood at ~INR78bn in FY25 vs ~INR 53bn in FY24.
- **Outlook:** Consistently high/rising gold prices may dampen volume-led gains in FY26 especially amid heightened competitive intensity. We marginally increase our FY27 EPS estimates by 2% and account for a mean reversion in margins (on a low base). Maintain our REDUCE rating with a DCF-based TP of INR3,200/sh (implying 50x FY27 P/E).

Quarterly financial summary

(Rs mn)	Q4 FY25	Q4 FY24	YoY (%)	Q3 FY25	QoQ (%)	FY23	FY24	FY25	FY26E	FY27E
Net Revenue	1,77,400	1,41,640	25.2	1,45,340	22.1	4,05,750	5,10,840	6,04,560	6,97,421	7,75,073
EBITDA	16,740	15,650	7.0	12,360	35.4	44,910	47,810	50,832	72,099	79,739
APAT	10,470	10,530	(0.6)	7,040	48.7	32,740	34,960	33,370	48,490	56,698
EPS (Rs)	11.8	11.8	(0.6)	7.9	48.7	36.9	39.3	37.5	54.5	63.7
P/E (x)						91.2	85.6	89.7	61.7	52.8
EV/EBITDA (x)						68.3	65.7	62.8	43.9	39.6
Core RoCE(%)						17.5	16.1	13.4	16.1	16.0

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

(Rs mn)	FY25E			FY26E			FY27E		
	New	Old	Change (%)	New	Old	Change (%)	New	Old	Change (%)
Revenue	6,04,560	6,06,858	(0.4)	6,97,421	6,87,759	1.4	7,75,073	7,59,468	2.1
Gross Profit	1,29,395	1,26,977	1.9	1,64,011	1,61,786	1.4	1,81,497	1,78,275	1.8
Gross Profit Margin (%)	21.4	20.9	48 bps	23.5	23.5	(1 bps)	23.5	23.5	-
EBITDA	50,832	48,147	5.6	72,099	70,954	1.6	79,739	78,732	1.3
EBITDA margin (%)	8.4	7.9	47 bps	10.3	10.3	2 bps	10.3	10.3	-
APAT	33,370	31,863	4.7	48,490	48,103	0.8	56,698	55,459	2.2
APAT margin (%)	5.5	5.3	27 bps	7.0	7.0	(4 bps)	7.0	7.0	-
EPS	37.5	35.8	4.7	54.5	54.0	0.8	63.7	62.3	2.2

Source: Company, HSIE Research

REDUCE

CMP (as on 08 May 2025) INR 3,369

Target Price INR 3,200

NIFTY 24,274

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 3,120	INR 3,200
EPS %	FY26E +0.8	FY27E +2.2

KEY STOCK DATA

Bloomberg code	TTAN IN
No. of Shares (mn)	888
MCap (INR bn) / (\$ mn)	2,991/34,896
6m avg traded value (INR mn)	3,465
52 Week high / low	INR 3,867/2,925

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(1.6)	5.7	3.4
Relative (%)	(4.8)	4.7	(6.0)

SHAREHOLDING PATTERN (%)

	Dec-24	Mar-25
Promoters	52.9	52.9
FIs & Local MFs	11.55	12.18
FPIs	18.11	17.81
Public & Others	17.44	17.11
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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