

Shubh Nivesh



CMP: ₹ 3618

Target: ₹ 4380 (21%)

Target Period: 12 months

August 11, 2025

BUY

Best capex play...

About the stock: Larsen & Toubro (L&T) is India's largest engineering & construction (E&C) company, with interest in EPC projects, hi-tech manufacturing and services. The company primarily operates in infrastructure, heavy engineering, defence engineering, power, hydrocarbon, services business segments

- Infrastructure segment contributes ~45% of consolidated revenue followed by services (~26%), energy projects (20%) and international markets (46% of backlog from international markets).

Investment Rationale:

- Backlog growth of 25% YoY renders strong visibility:** The company has a current order backlog of ₹612,761 crore up 25% YoY. The execution trends of Q1FY26, especially in infra, hydrocarbon and precision engineering space indicated execution momentum which led the Q1FY25 revenue growth of 16% YoY. This momentum is expected to continue in 9MFY26E and will enable L&T meet revenue guidance of 15% YoY (We believe the company should surpass it). Given the prospects of ~₹14.8 trillion for remaining 9MFY26E, L&T expects OI growth of 10% for FY26E on a larger base. Overall, we expect revenues and PAT to grow at CAGR of 14.5% and 19.4% over FY25-FY27E.
- Strong Focus on ROE to create value:** L&T has reached ROE of ~17% and anticipates the same to reach 18% by FY26E as per their strategic plan. The company is working on improvement from 3 catalysts like a) Breakeven of Hyderabad Metro, b) Improvement in P&M segment margins and c) increasing payouts in forms of higher dividends or buybacks.

Rating and Target Price

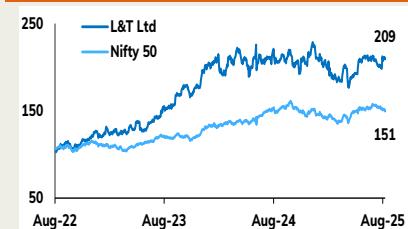
- Securing OI over and above the guidance range speaks of the diversity of the company's operations. We believe given the backlog growth and pick up in execution there remains a strong revenue growth over the medium term. With continued focus on improvement of overall return ratios and aspiration of 18% ROE by 2026E looks probable. We maintain **BUY** rating with target of ₹4380 (SoTP based).

**Particulars**

	Rs. in crore
Market Cap	4,96,759.0
Total Debt (FY25)	21,934.3
Cash and Inv (FY25)	3,583.6
Enterprise Value	5,15,109.7
52 week H/L (Rs./ share)	3963/2967
Equity capital	275.0
Face value (Rs./ share)	2.0

Shareholding pattern

%	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	-	-	-	-
FII	21.7	20.8	19.8	19.3
DII	40.4	41.7	42.7	43.5
Public	37.8	37.5	37.5	37.2

Price Chart**Key risks**

- (i) Delay in order execution
- (ii) lesser than expected improvement in return ratios.

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Key Financial Summary

Particulars (₹ Crore)	FY23	FY24	FY25	GR (FY20-FY25)	FY26E	FY27E	2-Year CAGR (FY25-FY27E)
Net Sales	1,10,501.0	1,26,235.9	1,42,510.4	11.6%	1,65,243.3	1,86,822.1	14.5%
EBITDA	9,294.7	9,684.5	11,591.5	11.1%	13,700.6	16,394.9	18.9%
EBITDA Margin (%)	8.4	7.7	8.1		8.3	8.8	
Adj. Net Profit	7,794.9	9,372.6	11,133.7	14.9%	13,268.7	15,862.1	19.4%
Adj. EPS (₹)	59.0	68.2	80.3		95.6	114.3	
P/E (x)	60.2	52.1	44.3		37.2	31.1	
RoNW (%)	11.1	12.3	13.4		14.4	15.6	
RoCE (%)	13.0	13.9	15.2		16.5	17.8	

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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