

## Larsen & Toubro (LT) – ADD

### Q2FY26 Result Update

Current Market Price (CMP) <b>Rs.4,031</b>	Fair Value (FV) <b>Rs. 4,200</b>
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### Rationale:

- L&T reported a 4-5% miss across key metrics on transient issues, yielding unchanged growth/margin guidance.
- Reported another quarter of strong order inflows, coupled with a strong prospect pipeline still left for H2, led to L&T upgrading its order inflow growth guidance.
- Our assessment of competition, customer commentary and improved positioning of L&T in large-sized orders lends comfort.
- Prospects of capital allocation exist across segments (new energy, precision electronics, defense).
- We increase FY26-28 order estimates by 5-9% & FY27/28 core E&C estimates by 3-5%.
- We roll forward to an FV of Rs4,200 from Rs3,850 at December 2027 SoTP and build in a 0.5X higher multiple (23X) on core E&C earnings. ADD stays.

### 👍 Positives:

- Order Backlog grows ~30% yoy, strong pipeline and good positioning augurs well.
- Core E&C order inflows grew 54% yoy in Q2FY26 and 48% in H1FY26.
- Order backlog crosses at Rs6.13 lakh cr comprises 46% share of overseas.
- Order pipeline remains strong at Rs10.4 lakh cr +28% yoy.
- Maintained 15% yoy growth guidance for group revenues and 8.5% full-year EBITDA margin for core business.

### 👎 Negatives:

- Core E&C revenue/EBITDA grew a modest 10%/12% yoy.
- Q2FY26: 4-5% miss driven by transient weakness execution and margin.

(E&C: Engineering & construction, EBITDA: Earnings before Interest, tax, Depreciation and Amortization, PAT: Profit aft tax, SoTP: Sum of the parts)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months