

●● R SHANKAR RAMAN

# 'Order book position to rise to ₹4.8 trn in 3 yrs'

 Engineering and infrastructure firm Larsen & Toubro's (L&T) order book position, which stood at an all-time high of ₹3.86 trillion as of December, is expected to touch ₹4.8 trillion within the next three years. The firm, which is betting big on data centres, also expects to close technology partnerships for its electrolyser project for manufacturing green hydrogen in 12 months. L&T whole-time director & CFO **R Shankar Raman** tells **Rajesh Kurup** that third-quarter Ebitda margins of IT and technology services segments, which were impacted due to the merger of its two subsidiaries, would bounce back in phases. Excerpts:

**Are you seeing an increase in private capex in the country that could also lead to a plethora of opportunities for infrastructure companies?**

I don't think it will open up in any big-bang manner. The general business sentiment is positive, industries are optimistic, and from both the domestic and global perspectives, these will translate into private capex. Sectors such as minerals, metals, and automobiles have discovered their pricing power as demand picked up. As countries started operating on the China+1 strategy, Indian products and services also were in demand. Private sector capex would come in airports, railway stations, data centres, and renewable energy among others. Some of these sectors have already started making the right moves.

**Is L&T building data centres and also investing in electrolyser manufacturing?**

The whole idea of building data centres is to provide cloud services to our customers. The government is also talking about private cloud. This means that the government has so much data that it wants some analytics as well. It wants it to happen in a secure environment and needs a trustworthy Indian company of reputation to partner with. So we see ourselves along with a few other groups, who have been around for a long time, getting some advantage. On the green hydrogen initiatives, with investments of up to \$2.5 billion planned in the next three years, which include that for electro-lyser manufacturing, we expect to close technology partnerships in the next 12 months.

**The Hyderabad Metro project has a debt of about ₹13,000 crore. How do you intend to bring this down, and what are the future plans?**

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“ We have successfully impressed upon the government of Telangana to grant us a ₹3,000-crore interest-free loan, and we will monetise the real estate assets attached to the Hyderabad Metro project, which will generate another ₹2,000 crore



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monetise the real estate assets attached to the Hyderabad Metro project, which will generate another ₹2,000 crore. These would be used to repay debt, which will fall to ₹8,000 crore. Further, the ridership has moved up to 4,50,000 per day from the earlier 3,50,000, and there is potential for it to rise to 6,00,000. With the reduced debt and increase in ridership, the asset becomes

attractive to investors and we will be able to attract some who can bring in another ₹2,500 crore-₹3,000 crore.

**In December, L&T divested a 51% stake in Infrastructure Development Projects (IDPL) as part of its Lakshya 2026 roadmap. Do the divestment plans for this year include Nabha Power and road assets?**

We initiated the exit for IDPL and now we're waiting for regulatory approvals, which would take anywhere between three and six months. So that may happen by June. Then, the Hyderabad Metro monetisation and debt correction will happen in the second half of this year. In progressive stages, certain things will happen in FY23, certain exits in FY24, and hopefully, everything will be done by FY26.

**As of December 31, L&T's order book stands at an all-time high of ₹3.86 trillion. How much is this expected to rise?**

If we continue to grow well by 10%-15% year-on-year, we will get ₹5 trillion-₹6 trillion of fresh orders and the order book position is expected to be ₹4.5 trillion-₹4.8 trillion in the next three years. At present, our fresh order run rate is about ₹2 trillion. Our order book is generally executed over three years, even though certain projects have longer execution periods of four to five years.

**The Q3 Ebitda margin of the IT and technology services segments was impacted due to the integration expenses of the LTI-Mindtree merger. When will the margins bounce back?**

When two large companies are integrated, the revenue arising from those reorganising costs is not optimal. We also incurred a lot of one-time fees, which resulted in a margin dip in the third quarter. But these were essentially related to reorganisation and had to do with clients or profitability. There won't be these one-off charges in the fourth quarter and we expect margins to recover in phases. It will take two-three quarters for the company to get back to its normal margin position.