

Building a New Legacy

S.N. Subrahmanyan is constructing a new L&T that remains true to its core, yet takes on new stripes that make it a more relevant organisation for the times

By **Alokesh Bhattacharyya**

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► **THE SCHOLARLY-LOOKING** Sekharipuram Narayanan Subrahmanyan, or SNS as he is popularly called, doesn't convey the archetypal image of the ruthless, snarling, cigar-chomping CEO of a company with gazillions in revenues. And in truth, he is anything but that. His colleagues reveal that SNS is a down-to-earth, simple man, with an eye for detail and on the well-being of his employees, a deep understanding of technology, and a man who does the hard yards—among the first to reach office (when in town), and among the last to leave. Once, while speaking to young employees at a company forum, he stepped off the dais and proceeded to shake more than 200 pairs of hands, and also briefly spoke with each.

He's also a man who you don't meet if you haven't done your homework. And SNS, 61, himself does his homework all the time as he steers the giant, ₹1,35,979-crore (FY21 consolidated revenues) conglomerate Larsen & Toubro (L&T) through the labyrinthine mazes of its business-

es—EPC (engineering, procurement and construction) and projects, high-tech manufacturing, and services—and keeps growth and morale high even in the toughest of times. Indeed, the complexity of an organisation like L&T itself can be overwhelming, and Subrahmanyan's track record made it relatively easy for the jury to declare him the winner in the Infrastructure & Engineering category of the BT-PwC India's Best CEOs ranking. Analysts, too, are gung-ho over the man. "L&T is a professionally run company, and Subrahmanyan has been there for a very long time (he joined in 1984). He has grown with the company and understands its nitty-gritties," says A.K. Prabhakar, Head of Research, IDBI Capital.

Indeed he does. That the company is going strong despite the Covid-19 impact is testimony to Subrahmanyan's leadership skills. Remember that unlike many other companies, L&T needs people on site to execute its projects (it employs close to 300,000 labourers). This past couple of years have seen some significant deals—a \$1-billion contract from Saudi Aramco for an oil field development project, among several other large hydrocarbon orders; the contract to build the first three buildings of the upcoming Central Secretariat in Delhi; several metro orders; two large solar power orders in Saudi Arabia that total 1.7 GW capacity solar power plants, etc. "Today, our backlog of orders is around ₹3.5 lakh crore, which is one of the highest in our history," says Subrahmanyan, the CEO & MD of L&T. "And there's a huge amount of positivity and confidence in the organisation."

Behind the positive, affable pair of eyes, though, lies a business brain as sharp as you can find with a halogen torch. Ever since walking into the corner room in July 2017, Subrahmanyan has overseen several changes. First, the rise of services within the group. The share

Infra & Engineering

S.N. Subrahmanyan

CEO & MD, Larsen & Toubro

Revenue from operations	FY21	73,315.59
	Q3 FY22	21,551.54
Profit before tax	FY21	4,437.77
	Q3 FY22	2,062.19
Profit after tax	FY21	11,336.97
	Q3 FY22	1,670.84
	RoE (%)	20.17
	Market Cap	2,64,948.46

● Standalone results; all figures in ₹ crore except RoE

● M-cap as of February 7

● Source: BSE, ACE Equity



PHOTO BY RACHIT GOSWAMI

CHANGE MAKER S.N. Subrahmanyam,
CEO & MD, Larsen & Toubro

Key Highlights

- ❶ Subrahmanyam is overseeing the exit of L&T from some non-core businesses, and getting on to newer lines of business. The order book, at ₹3.5 lakh-plus crore, is robust
- ❷ Solar EPC is becoming big, with L&T now bagging GW-scale orders compared to MW ones earlier
- ❸ It is exiting from electricals, hydel power, Hyderabad Metro, BOT and BOOT infrastructure projects
- ❹ Services' share in consolidated revenue was 28% in FY21, and is rising, especially after the Mindtree buy
- ❺ Standalone net profit margins have risen from 7.22% in FY18 when Subrahmanyam took charge, to 15.46% in FY21

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of services (IT plus financial) of consolidated revenue is now at 28 per cent, margins are beefier than the core business, and it's growing fast. The 2019 acquisition of mid-sized IT firm Mindtree has significantly boosted its IT presence, where it also has two other companies—L&T Infotech and L&T Technology Services.

Second, he is shaking off some businesses that are not working for the organisation any more. It is moving out of BOT (build-operate-transfer) and BOOT (build-own-operate-transfer) projects. At one time, its infrastructure projects subsidiary—L&T IDPL—had 21 road projects, an airport, a water line, etc.—today it has 11 roads and one transmission line project, and it is moving out of these, too. The company is actively looking to exit Hyderabad Metro—ridership was affected due to Covid-19, sending the company into losses. “IDPL and Hyderabad Metro carry forward almost ₹2,000 crore of losses. When that moves away, the overall PAT goes up substantially,” points out Subrahmanyam. Further, it has sold its electricals business to Schneider Electric, and also a 99-MW hydropower plant to ReNew Power.

On the other hand, solar EPC, which was tiny earlier (it would do 25-MW, 50-MW projects), is now bagging GW-scale orders, and infrastructure and hydrocarbon businesses continue to grow. “They have sold low-margin or non-profitable businesses where they don't have the expertise. Even in their step-down subsidiaries, they are making a lot of changes. They want to be in core businesses, and they are selling off non-core businesses. That is a good thing to happen,” says Prabhakar of IDBI Capital.

Continuing the services play, L&T is getting into data centres in a big way, in partnership with Microsoft India, to store data for government and public sector organisations. But there's a twist. Here L&T won't just build data centres for other enterprises, which is its primary business model for other parts of the organisation. “We will run the data centres, and also run SaaS and PaaS applications, including data centre connectivity and so on,” says Subrahmanyam.

Tech that. **BT**

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