



Global Credit Rating Agencies S&P and Fitch Assign BBB+ Rating to L&T

Mumbai, July 06, 2024 In a significant feat for the Indian industries, two coveted global credit rating agencies S&P and Fitch have assigned BBB+ rating to Larsen & Toubro (L&T), India's premier tech-led engineering, manufacturing and solutions conglomerate.

This underscores L&T's robust operational performance, financial discipline and strong market position.

S&P Global Ratings

S&P Global Ratings assigned 'BBB+' rating to L&T, endorsing the company's resilient operating performance and stable cash flow generation. According to S&P, L&T's leadership in the Indian engineering and construction (E&C) sector, its growing presence in the Middle East and stable earnings from its IT business are expected to maintain its strong financial position over the next 24 months.

Key factors influencing the S&P rating include:

- x **Dominant Market Position** L&T's near monopoly in large and complex E&C projects in India.
- x **Sector Diversification:** The company caters to various sectors including renewable energy, civil infrastructure, hydrocarbon, heavy engineering and power transmission & distribution. L&T's IT and Engineering R&D businesses also reduce overall earnings volatility.

Fitch Ratings

Fitch Ratings assigned a 'BBB+' rating to L&T, highlighting its strong market position in infrastructure hydrocarbons heavy engineering, IT and high-tech industrial products. The rating reflects L&T's above-average profitability, solid revenue visibility and consistent margins supported by effective risk management and diversification into high-margin IT and technical services. L&T's robust financial structure and strong financial flexibility further strengthen its rating.

Key factors influencing the Fitch rating include:

- x **High Revenue Visibility:** A substantial order backlog of USD 57 billion ensures strong revenue growth prospects, driven by infrastructure initiatives in India and increasing orders from Saudi Arabia and other GCC countries.
- x **Stable and Improving Margins** Effective risk management and prudent contract structuring have resulted in stable E&C margins, with an expected improvement as older price-contracts roll off and IT business profitability increases.

- x Financial Strength and Flexibility: Low financial leverage, consistent positive free cash flow generation and a flexible approach to shareholder returns ensure robust financial flexibility.

Two Notches Above India's Sovereign Rating

L&T's 'BBB+' international rating with a stable outlook by both these rating agencies (two notches above India's sovereign rating of 'BBB-' with a positive outlook by S&P and 'BBB-' with a stable outlook by Fitch) and this underscores L&T's exceptional credit quality and robust financial health. This achievement positions L&T among a rare group of Indian conglomerates with such high creditworthiness.