

August 20, 2025

L&T Sargent & Lundy Limited: Ratings reaffirmed

Summary of rating action

Instrument [^]	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term/short term non-fund based – bank guarantee	20.00	20.00	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed
Long term/short term unallocated limits	5.00	5.00	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed
Long term/short term interchangeable limits	(5.00)*	(5.00)*	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed
Total	25.00	25.00	

[^]Instrument details are provided in Annexure-I

*Includes sublimit of bank guarantee - Rs. 5.00 crore cash credit facility, Rs 0.50 crore for Post Shipment Credit in Foreign Currency (PSCFC), Rs. 0.50 crore letter of credit. As such, total utilisation of all limits to remain within total BG limits and should not exceed Rs. 20.00 crore at any point of usage.

Rationale

The ratings reaffirmation favourably factors in the established position of L&T Sargent & Lundy Limited (L&T S&L) in the engineering and power consultancy space, along with the technical and operational support available to the company as it a 50:50 joint venture (JV) between Larsen & Toubro Limited (L&T, rated [ICRA]A1+) and Sargent & Lundy LLC (S&L, a globally renowned power consultancy firm). The ratings consider the company's robust financial profile, marked by a comfortable capital structure, debt protection metrics and strong liquidity position. The ratings consider the likelihood of its parent, L&T, extending financial support to L&T S&L, if required, because of the close business linkages between them.

Following a decline in order inflows from the domestic markets in the last few years, the company increased its participation in international project bids through a blended strategy with S&L. This approach is expected to continue in the near to medium term, alongside anticipated improvements in domestic order inflows. Moreover, the company's order book worth Rs. 229.9 crore as on March 31, 2025, with an OB/OI of 1.47 times, provides revenue visibility in the near to medium term.

The ratings are, however, constrained by the company's moderate scale of operations and its concentrated order book in terms of clientele and geography. The top client and also one of its parent entities – S&L contributed to 63% of the unexecuted order book and USA accounted for more than 54% of the unexecuted order book as on March 31, 2025. The order book is also susceptible to execution risk as ~48% of the pending order book as on March 31, 2025 was in the nascent stage of execution (less than 25% executed). The ratings are also constrained by the entity's high dependence on the power sector (mainly coal and gas-based plants) because of which the order inflow and consequently, the revenues & profitability remain vulnerable to the investments made in the power sector. The ratings are constrained by the company's exposure to intense competition from the domestic as well as international power consultancy players and the risk of adverse movements in exchange rates and volatility arising out of revenue from the overseas markets.

Despite the low capital intensity of the business and the presence of adequate cash and liquid balances, the building up of net worth will be critical from the credit perspective. ICRA notes the payout of high dividends (156% of PAT in FY2022 and 165% of PAT in FY2023) by the company in the past. Any material dividend outflow in the future impacting its liquidity will remain a key monitorable.

The Stable outlook reflects ICRA's opinion that L&T S&L will maintain its strong liquidity position and financial profile, supported by growing order inflows.

Key rating drivers and their description

Credit strengths

Strong parentage – The entity derives strong support from its parents, L&T and S&L, each of which holds a ~50% stake in L&T S&L. While L&T is a leading engineering, procurement and construction (EPC) company in India, S&L is a renowned player in engineering and design for the power industry worldwide, with a track record of more than 130 years. L&T S&L has close business linkages with its parents, sales to which contributed ~80% to the company's total revenues in FY2025. The ratings also factor in the likelihood of its parent, L&T, extending financial support to L&T S&L, if required, because of the close business linkages between them.

Established player in the power plant consulting space – Incorporated in 1995, L&T S&L is an established consultancy firm in the power sector, with a proven track record in power engineering and designing skills. L&T S&L provides a complete range of services including engineering and designing of power plants from the concept to the commissioning of open/simple cycle plants, combined cycle plants, cogeneration plants, coal-based plants (both subcritical and supercritical technology) and associated fields. L&T S&L has also expanded its horizons in the renewable (solar/wind/biomass) energy and nuclear energy spaces.

Robust financial profile marked by comfortable capital structure, debt protection metrics and strong liquidity position – L&T S&L continues to have healthy capital structure with TOL/TNW of 0.3 times and TD/OPBDITA of 0.1 times as on March 31, 2025. Its debt protection indicators are comfortable, as reflected in an interest cover of 192.9 times and a DSCR of 36.1 times as on March 31, 2025. As it does not have any plans to raise debt in the near term, ICRA expects the leverage and coverage metrics to remain strong going forward. The company also has a strong liquidity profile, with limited dependence on external debt. Besides, it has liquid investments of ~Rs. 87 crore as well as unutilised fund-based limits of Rs. 5 crore as on March 31, 2025, which provides cushion to its liquidity position.

Credit challenges

Moderate scale of operations – L&T S&L reported a CAGR of 9.7% in operating income (OI) during FY2020-FY2025. In FY2025, the company witnessed a YoY increase of ~50% in OI, however, the scale remained moderate with an OI of Rs. 156.7 crore in FY2025. The outstanding order book of Rs. 229.9 crore as on March 31, 2025 is adequate providing revenue visibility in the near to medium term, with an OB/OI of 1.47 times. The company's ability to secure new orders, both domestically and internationally, to sustain revenue growth remains a key monitorable. It is exposed to concentrated order book in terms of clientele and geography, with top five projects contributing to 64% and USA accounting for more than 54% of the unexecuted order book as on March 31, 2025. The company's top client and also one of its parent entities – S&L constituted 63% of the unexecuted order book as on March 31, 2025. The order book is also susceptible to execution risk as ~48% of the pending order book as on March 31, 2025 was in the nascent stage of execution (less than 25% executed).

Revenue and profitability vulnerable to investments in power sector – The company is highly dependent on the investments made in the power sector (mainly coal and gas-based plants) because of which the order inflow and consequently, the revenues remain vulnerable to the circumstances of the aforementioned sector. Also, the profit margins remain susceptible to order inflow and execution, given that some part of the cost structure is fixed. While the order inflow from the coal-based power sector segment for L&T S&L has declined over the years, the overall revenues were supported by the increasing share of revenue from international markets, majorly in the gas-based power sector segment. Going forward, the company expects increased project inflow from both domestic and international markets.

Stiff competition in industry and susceptibility to exchange fluctuation risks – The entity remains exposed to intense competition in the power consultancy or engineering industry with presence of various government and private entities including numerous multinational players. However, L&T S&L benefits from its association with its parents, L&T and S&L, and the resultant operational and technical expertise. Also, the entity remains exposed to the risk of adverse movements in exchange rates and volatility arising out of revenue from the overseas markets. Nevertheless, the company has a hedging

policy (80%-85% of the total exposure is hedged) to mitigate the risks arising out of adverse movements in exchange rates to an extent.

Liquidity position: Strong

L&T S&L's overall liquidity position remains strong with no external debt and absence of any repayment obligation. While consistent dividend payouts could affect the company's liquidity to an extent, steady cash generation, absence of any major capital expenditure (capex) plans, unutilised bank limits of Rs. 5 crore and cash and liquid investments worth ~Rs. 87 crore as on March 31, 2025 provide more than sufficient cushion to the liquidity profile.

Rating sensitivities

Positive factors – Any near-term rating upgrade is unlikely, unless the company demonstrates a substantial growth in revenues and profitability on a sustained basis, along with prudent working capital management.

Positive factors – Pressure on the ratings may emerge in case of any weakening of linkage with L&T or weakening of L&T's credit profile. Further, a significant decline in revenues and profitability or a stretch in the working capital cycle or any large dividend outflow, adversely impacting the company's liquidity profile and debt coverage indicators will also be a negative factor.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Parent/Group Company: Larsen & Toubro Limited (L&T). The ratings assigned to L&T S&L factors in the reasonable likelihood of its parent, L&T [rated [ICRA]A1+], extending financial support to it because of the close business linkages between them.
Consolidation/Standalone	Standalone

About the company

Incorporated in 1995, L&T S&L is an equally capitalised JV of L&T and S&L. L&T is a leading engineering and construction company in India with a nationwide as well as international presence. S&L is acknowledged as a premier engineering company with exclusive focus on the power industry worldwide for over 130 years. L&T S&L provides a complete range of engineering and design of power plants from the concept to the commissioning of open/simple cycle plants, combined cycle plants, cogeneration plants, coal-based plants (both subcritical and supercritical technology) and associated fields. L&T S&L has also expanded its horizons in the renewable (solar/wind/biomass) energy, renovation and modernisation, and transmission and distribution space. The company has executed several ultra supercritical, supercritical, and gas-based power plants, including captive and cogeneration plants.

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	104.6	156.7
PAT	18.2	52.1
OPBDITA/OI	16.7%	34.1%
PAT/OI	17.4%	33.3%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDITA (times)	0.2	0.1

Standalone	FY2024	FY2025
Interest coverage (times)	53.7	192.9

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Note: All financial ratios as per ICRA's calculation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years						
			FY2025		FY2024		FY2023		
Instrument	Type	Amount rated (Rs. crore)	Aug 20, 2025	Date	Rating	Date	Rating	Date	Rating
Non-fund based – bank guarantee	Long term and short term	20.00	[ICRA]AA (Stable)/ [ICRA]A1+	May-17-2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	Mar-03-2023	[ICRA]AA (Stable)/ [ICRA]A1+
Unallocated limits	Long term and short term	5.00	[ICRA]AA (Stable)/ [ICRA]A1+	May-17-2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	Mar-03-2023	[ICRA]AA (Stable)/ [ICRA]A1+
Interchangeable limits	Long term and short term	(5.00)	[ICRA]AA (Stable)/ [ICRA]A1+	May-17-2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	Mar-03-2023	[ICRA]AA (Stable)/ [ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term/short term non-fund based – bank guarantee	Very Simple
Long term/short term unallocated limits	NA
Long term/short term interchangeable limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long term/short term non-fund based – bank guarantee	-	-	-	20.00	[ICRA]AA (Stable)/ [ICRA]A1+
NA	Long term/short term unallocated limits	-	-	-	5.00	[ICRA]AA (Stable)/ [ICRA]A1+
NA	Long term/short term interchangeable limits	-	-	-	(5.00)	[ICRA]AA (Stable)/ [ICRA]A1+

Source: Company

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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