July 03, 2026

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-II
**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 rating 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 financial support from L&T, if required, given the close business and managerial linkages between them. The company also benefits from the strong financial flexibility as a part of the L&T Group.

An increase in its participation in international project bids, through a blended strategy with S&L, led to consistent order booking in the international market, along with recovery in domestic markets as reflected in the improved domestic inflow of orders in FY2026. L&T S&L's unexecuted order book stood at Rs. 281.3 crore as on March 31, 2026, translating into an OB/OI of 0.96 times, providing near-term revenue visibility. Sustained order addition remain crucial for maintaining growth momentum, supported by the company's established presence in power consulting and access to reputed principals.

The ratings are, however, constrained by the company's moderate scale of operations (despite a YoY growth of ~87% in FY2026) and its moderately concentrated order book. Its parent entities – L&T and S&L, each constituted ~42% of the pending order book as on March 31, 2026. The order book is susceptible to execution risk as at least 21% of the outstanding order book as on March 31, 2026 was in the nascent stage of execution (less than 25% executed). Nevertheless, the company's long track record of timely execution provides comfort. The ratings are also inhibited 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 and profitability remain vulnerable to the investments made in the power sector. Further, the ratings are restrained 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. The forex risk is partly mitigated by the company's hedging policy and timely receivable realisation, which limit open exposure at any point in time.

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 (75-80% of PAT over the last three fiscals that ended in FY2026) by the company. 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 company derives strong support from its parents, L&T and S&L, each of which holds a ~50% stake. 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 over 130 years. L&T S&L has close business linkages with its parents, echoed in their contribution to the overall revenues, which stood at ~85% for FY2026. The ratings consider the likelihood of financial support from its parent, L&T, if required, given the close business and managerial 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 reported a healthy capital structure with TOL/TNW of 0.5 times as on March 31, 2026. Its debt protection indicators remain comfortable, as reflected in an interest cover of 182.9 times and a DSCR of 51.3 times as on March 31, 2026. As it does not have any plans to raise debt in the near to medium term, ICRA expects the leverage and coverage metrics to remain strong going forward. The company has a strong liquidity profile, with limited dependence on external debt.

Credit challenges

Moderate scale of operations – Despite a healthy ~17% CAGR in operating income during FY2020-FY2026, L&T S&L's scale of operations remains moderate at Rs. 293.7 crore in FY2026. The outstanding order book of Rs. 281.3 crore as on March 31, 2026, with an OB/OI of 0.96 times, provides near-term revenue visibility. The company's ability to secure new orders, both domestically and internationally, to sustain revenue growth remains a key monitorable. Its parent entities – L&T and S&L, each constituted ~42% of the unexecuted order book. It is also susceptible to execution risk as at least 21% of the pending order book remained in the nascent stage of execution (less than 25% executed) as on March 31, 2026. However, the company's long track record of timely execution provides comfort.

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 power sector. 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 declined over the years, it saw an uptick in FY2026, supporting the overall revenues, along with healthy order inflows from the international markets, primarily in the gas-based power sector segment.

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. The entity remains susceptible 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 (~50% 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 healthy cash flow from operations, no external debt and absence of any repayment obligations. 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 gross cash and liquid investments worth ~Rs. 126 crore as on March 31, 2026 provide more than sufficient cushion to the liquidity profile.

Rating sensitivities

Positive factors – The long-term rating may be upgraded if the company demonstrates a substantial improvement in earnings, along with prudent working capital management, and sustained liquidity position.

Negative factors – Pressure on the ratings may emerge in case of any weakening of linkages 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 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	FY2025	FY2026
Operating income	156.7	293.7
PAT	52.1	110.1
OPBDITA/OI (%)	34.1%	46.7%
PAT/OI (%)	33.3%	37.5%
Total outside liabilities/Tangible net worth (times)	0.3	0.5
Total debt/OPBDITA (times)	0.1	0.1
Interest coverage (times)	192.9	182.9

Source: Company, ICRA Research; OI: Operating income; 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 (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	July 03, 2026	Date	Rating	Date	Rating	Date	Rating
Non-fund based – Bank guarantee	Long-term/short-term	20.00	[ICRA]AA (Stable)/ [ICRA]A1+	Aug 20, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	May 17, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
Unallocated limits	Long term/ short term	5.00	[ICRA]AA (Stable)/ [ICRA]A1+	Aug 20, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	May 17, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-
Interchangeable limits	Long-term/ short-term	(5.00)	[ICRA]AA (Stable)/ [ICRA]A1+	Aug 20, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	May 17, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated instruments fall under the regulatory purview of various Financial Sector Regulators (FSRs), as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

($) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA fall under the regulatory purview of various FSRs, as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI

2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSRs other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/short-term – Non-fund based – Bank guarantee	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 II: 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, ICRA Research

Annexure III: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Ashish Modani
+91 22 6169 3300
ashish.modani@icraindia.com

Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Mrinal Jain
+91 124 4545 863
mrinal.j@icraindia.com

Mridul Rathi
+91 22 6169 3347
mridul.rathi@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches