PRESS RELEASE

Issued by Corporate Communications Department
LARSEN & TOUBRO LIMITED
L&T House, Ballard Estate, Mumbai 400 001

Tel: 22685786 (Direct), 22685656 Ext: 772
Fax: 91-22-22685607/ 8
E-mail: jkp-ccd@lth.ltindia.com

Larsen & Toubro Limited:
Performance for the year ended March 31, 2004

(Excluding the financials of the cement business)

E&C Revenues for the year up by 34%, make up for Cement Revenues
PAT for the year up at Rs. 533 crore
Dividend at Rs. 16 per equity share

Mumbai, June 4, 2004: The shareholders of Larsen & Toubro Limited (L&T) have approved in February 2004, a Scheme of Arrangement under Sections 391-394 of the Companies Act, 1956 for, *inter alia*, the demerger of its Cement business (excluding the Ready Mix Concrete) with effect from April 1, 2003. The Scheme was sanctioned by the Bombay High Court on April 22, 2004, and declared effective as of May 14, 2004. Consequently, the Cement business of the Company (excluding Ready Mix Concrete) was transferred and vested in UltraTech CemCo Limited and the financials of the demerged business for the year ended March 31, 2004 were incorporated in UltraTech CemCo Limited. **Hence, the results of the Company for the current quarter / year do not include the financials of the demerged business**. The previous year's financials include the Cement business and therefore, are not comparable with the figures for 2003/04.

Further, it may be noted that the interim financials of the year ended March 31, 2004 as reported in earlier quarters include the results of the demerged business and hence, do not directly compare with the figures reported now.

L&T reported a marginally lower Gross Sales & Service income of Rs. 9807 crore for the financial year ended March 31, 2004 as against Rs. 9870 crore for the previous year. Excluding the turnover of the cement business in the previous year, however, Gross Sales have increased by an impressive 32%. Profit before tax and Profit after tax for the year at Rs. 769 crore and Rs. 533 crore respectively show an increase of 51% and 23% respectively over the previous year.

The Board of Directors have recommended a final dividend of Rs. 16 per equity share.

The highlight of the current year's performance is the smart growth in the E&C segment's Revenues that almost made up the loss of Turnover on account of demerger of the cement business.

Gross Sales & Service Revenues for the quarter ended March 31, 2004 amounted to Rs. 3587 crore. Profit before tax and Profit after tax for the quarter amount to Rs. 413 crore and Rs. 286 crore respectively.

In order to facilitate understanding, a separate statement is given showing the following:

- current year financials
- the previous year's figures excluding Cement business ("2003-Engineering") and
- the previous year's figures including the Cement business ("2003-Composite")

It may be seen from this statement that Gross Sales have increased by 32% and Profit before Interest & Taxes has increased by 47%.

Engineering & Construction Segment

The Engineering & Construction (E&C) Segment booked new orders amounting to Rs. 11656 crore, showing an impressive increase of 23% over the previous year. Of these, export orders accounted for Rs. 1857 crore, constituting 16% of the orders booked during the year.

The domestic capital goods sector provided opportunities in the Oil & Gas sector and Infrastructure sector. The size and complexity of the orders booked across a range of core sector industries / infrastructure sector reflect the premier position of the Company in the E&C segment.

The details of major orders secured during the quarter are given below:

Domestic

	Rs. crore
Design, engineering & procurement, fabrication, installation, hook-up, testing and commissioning of 9 well platform project for ONGC	1006
Construction of sports stadium at Guwahati for National Games Secretariat of Assam	139
400 kV Transmission Line from Muzaffarpur to Gorakpur for Power Links Transmission Ltd	104
Water supply to Mehsana town from Ahmedabad for Gujarat Water Supply & Sewerage Board	95
Supply of Windmill Tower (56 meter high) – for Enercon India Ltd	74

Supply and erection of 132 kV transmission line in Bihar for Power Grid Corporation Ltd	43
Construction of Depot-cum-Loco Workshop building at Najafgarh, Delhi for Delhi Metro Rail Corporation Ltd	43

Overseas

Coal gassifier internals and shell for Yunan Chemicals, China	104
Construction of Multi-storeyed Hotel service apartments in Manama, Bahrain for Radisson Group	71
Construction of Showroom, Warehouse, Service reception and Auto-carwash shed at Sharjah for Dyna Trade	26
DHDS reactors (Ultra Low Sulphur Diesel project) for Fluor Daniel, Canada	25

Of the new orders booked during the year, 26% are from Infrastructure sector. Hydrocarbons Sector accounted for 25%, while Power sector and Process equipment sectors together contributed 30% of the orders booked.

The segment recorded Revenues of Rs. 3124 crore during the quarter and for the full year Revenues amounted to Rs. 8252 crore, representing an increase of 34% over previous year. Export sales for the quarter and for the year amounted to Rs. 517 crore and Rs. 1307 crore respectively.

The order backlog is healthy at Rs. 16961 crore as on March 31, 2004, which is 24% higher than the previous year.

The operating margin of the segment for the year remained stable at 8.3%, despite absorbing the increase in cost of inputs like steel, fuel, freight, etc.

Electrical & Electronics

During the quarter, the Electrical & Electronics segment achieved Gross revenues of Rs 290 crore. For the full year, Revenues amounted to Rs 958 crore, recording a smart increase of 23% over the previous year. Export orders during the year have risen to Rs. 63 crore, showing an annual increase of 46% and accounting for 7% of the portfolio. Several initiatives like product branding for MNCs, expanding and adapting the product range for the targeted overseas markets, and upgradation of manufacturing infrastructure to world class standards are under implementation.

The segment did well to record operating margin of 13.9% in an intensely competitive domestic business environment, even while stepping up exports.

Interest Cost

Gross interest cost and net interest cost of the Company for the year amounted to Rs. 92 crore and Rs. 37 crore respectively. The borrowing cost was optimized through judicious use of derivatives and optimum mix of borrowings in terms of currency and tenor.

Provision for Taxation

The provision for current tax at Rs. 280 crore is significantly higher than the previous year's provision of Rs. 88 crore. Apart from the higher level of earnings, the increase is due to full utilization in last year of all tax credits of earlier years.

Consolidated Financials

The consolidated Gross Sales Revenues for the year of L&T Group, including its domestic and overseas subsidiaries amounted to Rs. 11107 crore and the Group profit has increased impressively on improved performance of most of the subsidiaries.

Outlook

With a strong order backlog, the E&C segment is expected to show a healthy growth in revenues next year. The fundamentals in the economy are reasonably strong and the thrust on reforms is expected to continue. There are prospects of sizeable investments in the manufacturing sector and infrastructure sector, which augurs well for the Company, in the medium term. Barring unforeseen circumstances, the Company is hopeful of satisfactory performance in the next year.

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