

L&T Press Release

Issued by Corporate Brand Management & Communications

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Group Performance for the quarter ended December 31, 2016

Mumbai, January 28, 2017: Larsen & Toubro recorded Consolidated Gross Revenue of ₹ 26287 crore for the quarter ended December 31, 2016, registering an increase of 1.4% on a y-o-y basis. The International revenue during the quarter at ₹ 9590 crore constituted 36% of the total revenue. For the nine months April-December 2016, the Consolidated Gross Revenue at ₹ 73183 crore recorded a y-o-y increase of 5.9%.

The Company garnered fresh orders worth ₹ 34885 crore at the group level during the quarter ended December 31, 2016, amid subdued business environment. The International orders at ₹ 11865 crore constituted 34% of the total order inflow. On a cumulative basis, the order inflow for the nine months period ended December 31, 2016 stood at ₹ 95706 crore. Major orders were secured by Infrastructure and Hydrocarbon Segments.

Consolidated Order Book of the group stood healthy at ₹ 258585 crore as on December 31, 2016, higher by 1.4% on a y-o-y basis. International Order Book constituted 29% of the total Order Book.

Consolidated Profit After Tax (PAT) for the quarter ended December 31, 2016 at ₹ 972 crore, was higher by 39% y-o-y. For the nine months period ended December 31, 2016, the overall PAT was ₹ 3017 crore, higher by 59% y-o-y, as compared to ₹ 1898 crore recorded for the corresponding period of the previous year.

Infrastructure Segment

Infrastructure Segment achieved customer revenue of ₹ 12467 crore for the quarter ended December 31, 2016, registering a y-o-y growth of 6%. Delays in obtaining clearances and work slowdown, due to abrupt liquidity constraints of customers aggravated by demonetisation, impacted progress of jobs under execution especially in Buildings & Factories business. Transportation Infrastructure and Water & Effluent Treatment businesses contributed to the revenue growth during the quarter. International revenue constituted 37% of the total customer revenue of the segment.

During the quarter ended December 31, 2016, Infrastructure segment won fresh orders of ₹ 21516 crore despite sluggish investment climate. Some of the anticipated orders did not materialize due to delays in bid process. The order inflow during the quarter was contributed by Heavy Civil Infrastructure, Power Transmission & Distribution, Building & Factories and Water & Effluent Treatment businesses. International orders contributed to around 33% of the total order inflow of the segment during the quarter.

The Order Book of the Segment grew 2% on a y-o-y basis and stood at ₹ 194315 crore, as on December 31, 2016.

The segment recorded EBIDTA margin at 8.3% during the quarter ended December 31, 2016, vis-à-vis 7.2% recorded in the corresponding quarter of the previous year. The margin improvement during the quarter was driven by good progress on jobs under execution and cost optimization initiatives.

Power Segment

Power Segment recorded customer revenue of ₹ 1633 crore during the quarter ended December 31, 2016, registering a y-o-y decrease of 23%, due to lower order book. International revenue constituted 14% of the total customer revenue of the segment during the quarter.

Power Segment secured fresh orders of ₹ 297 crore for the quarter ended December 31, 2016. On a cumulative basis, the order inflow of the segment for the nine-month period ended December 31, 2016 stood at ₹ 2629 crore, registering a modest growth of 1% y-o-y. International orders constituted 23% of the total order inflow of the segment during the nine-month period ended December 31, 2016.

The Order Book of the Segment stood at ₹ 15684 crore as on December 31, 2016.

The segment EBIDTA margin for the quarter ended December 31, 2016 was lower at 1.5% vis-à-vis 5.4% recorded in the corresponding quarter of the previous year, reflecting the mix and stage of completion of jobs under execution.

Heavy Engineering Segment

Heavy Engineering Segment recorded customer revenue of ₹ 798 crore registering a y-o-y decrease of 8%, on account of deferral in award of targeted orders and tapering opening order book. International Revenue constituted 42% of the total customer revenue of the segment.

Heavy Engineering Segment secured fresh orders valued ₹ 601 crore during the quarter ended December 31, 2016, recording a y-o-y increase of 80% on a low base. International orders constituted 9% of the total order inflow of the segment during the quarter.

The Order Book of the Segment stood at ₹ 7494 crore as on December 31, 2016.

The EBIDTA margin of the segment improved significantly to 20.3% for the quarter ended December 31, 2016, on the back of better execution progress and cost savings vis-à-vis low margin of 1.5% impacted by cost and time overruns during the corresponding quarter of the previous year.

Electrical & Automation (E&A) Segment

E&A Segment recorded customer revenue of ₹ 1282 crore during the quarter ended December 31, 2016, registering a marginal growth of 1% y-o-y. Revenue accrual during the quarter was impacted, due to non-receipt of orders by Metering and Protection Systems business and delayed international order inflows. International Revenue constituted 27% of the total customer revenue of the segment for the quarter ended December 31, 2016.

The EBIDTA margin of the E&A Segment strengthened to 15.7% for the quarter ended December 31, 2016, recording an increase over 11.1% earned during the corresponding quarter of the previous year driven by favourable product mix and improved operational efficiencies.

The Order Book of the Segment registered a y-o-y decline of 2% and stood at ₹ 3300 crore as on December 31, 2016.

Hydrocarbon Segment

Hydrocarbon Segment achieved customer revenue of ₹ 2398 crore for the quarter ended December 31, 2016, registering a y-o-y growth of 14% over the corresponding period of the previous year. International revenue constituted 52% of the total customer revenue of the segment for the quarter ended December 31, 2016.

Hydrocarbon Segment secured fresh orders valued ₹ 2638 crore during the quarter ended December 31, 2016, taking the total order intake for the nine months ended December 31, 2016 to ₹ 11249 crore, which more than doubled on y-o-y basis. International orders during nine months ended December 31, 2016 constituted 74% of the total order inflow of the segment.

The Order Book of the Segment registered a y-o-y growth of 57% and stood at ₹ 20375 crore as on December 31, 2016.

Hydrocarbon segment recorded improvement in the EBIDTA margin at 7.8% for the quarter October to December 2016 vis-à-vis 1.5% recorded in the corresponding quarter of the previous year, as jobs under execution gained momentum. Legacy international jobs, which had impacted margins in the previous year, have been substantially closed out.

IT & Technology Services (IT&TS) Segment

IT & Technology Services Segment achieved customer revenue of ₹ 2454 crore during the quarter ended December 31, 2016, registering a y-o-y growth of 9%. International Revenue constituted 93% of the total customer revenue of the segment for the quarter ended December 31, 2016.

The EBIDTA margin of the IT&TS Segment was 21.5% for the quarter ended December 31, 2016 vis-à-vis 22.1% for the corresponding quarter of the previous year.

Developmental Projects Segment

Developmental Projects Segment registered customer revenue of ₹ 905 crore during the quarter ended December 31, 2016, vis-à-vis ₹ 1485 crore recorded in the corresponding quarter of the previous year.

The EBIDTA margin of the Developmental Projects Segment for the quarter ended December 31, 2016 stood at negative 10.6% vis-à-vis positive 5.8% earned during the corresponding quarter of the previous year due to provisioning towards certain disputed receivables.

Financial Services Segment

Financial Services Segment recorded customer revenue of ₹ 2108 crore during the quarter ended December 31, 2016, registering a y-o-y growth of 11%, driven by growth in loan assets and disbursements mainly in Microfinance & Housing finance and Wholesale Finance.

The PAT of the Financial Services Segment for the quarter ended December 31, 2016 at ₹ 123 crore was higher by 40% y-o-y compared to ₹ 88 crore recorded in the corresponding quarter of the previous year.

“Others” Segment

“Others” segment comprises Metallurgical & Material Handling Systems, Realty, Shipbuilding, Construction & Mining Equipment and Industrial Machinery & Product businesses.

Customer Revenue of “Others” Segment during the quarter ended December 31, 2016 at ₹ 2242 crore registered a moderate increase of 3% over the corresponding quarter of the previous year on the back of weak demand. International Revenue constituted 23% of the total customer revenue of the segment.

The segment margin for the quarter declined to 15.8% as compared to margin of 17.4% earned in the corresponding quarter of the previous year.

Outlook

Global economic revival hinges on the outcome of post Brexit events in the UK, change in the economic policy stance in the US, political developments in some of the major European countries and China’s policy responses to slowdown. Recovery of commodity prices and oil price uptick have provided a positive twist to the global economic revival predictions.

Domestic growth appears to take longer time as investment momentum remains weak and the banking system is burdened by debt overhang. Government’s initiatives to curb the parallel economy and make a transition to cashless economy has caused disruption whose impact on the business sentiment is yet to be conclusively assessed. The challenging business conditions are expected to continue in the next few quarters until the government moves to lift growth thru’ infra spend and tax reforms take effect.

The Company's focus would be on selective pursuit of opportunities, working capital reduction, cost optimization thru' supply chain efficiencies and productivity enhancement thru' digitalization initiatives. Aided by these initiatives, the Company is hopeful of a satisfactory performance given the current business environment.

Background

Larsen & Toubro is an Indian multinational engaged in technology, engineering, construction, manufacturing and financial services with over USD 16 billion in revenue. It operates in over 30 countries worldwide. A strong, customer-focused approach and the constant quest for top-class quality have enabled L&T to attain and sustain leadership in its major lines of business for over seven decades.



LARSEN & TOUBRO LIMITED
Registered Office: L&T House, Ballard Estate, Mumbai 400 001
CIN : L99999MH1946PLC004768

STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2016

₹ Crore

Particulars	Quarter ended			Nine months ended		Year Ended
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015	March 31, 2016 (Audited)
1 (a) Gross Sales/Revenues from operations	26018.15	24923.98	25591.00	72660.72	68433.26	101066.21
(b) Other Operational Income	268.83	98.27	337.07	522.27	666.59	909.13
Total Income from Operations (a + b)	26286.98	25022.25	25928.07	73182.99	69099.85	101975.34
2 Expenses:						
a) Manufacturing, construction and operating expenses:						
i) Consumption of raw materials, components and stores, spares & tools	3843.30	4554.91	4225.64	12475.80	11439.14	15676.85
ii) Sub-contracting charges	5148.40	4879.47	5238.40	13589.69	12969.44	19548.75
iii) Construction materials consumed	6125.78	4172.03	5644.82	13870.37	14037.40	21384.20
iv) Purchases of stock-in-trade	385.20	329.81	339.54	1025.58	958.42	1333.44
v) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(858.98)	24.85	(372.68)	(1013.91)	(1012.44)	(514.87)
vi) Other manufacturing, construction and operating expenses	2639.65	2520.55	2505.08	7475.37	6974.97	9993.02
b) Finance cost of financial services business and finance lease activity	1332.42	1355.04	1212.34	4021.76	3625.75	4967.11
c) Employee benefits expense	3496.51	3436.50	3417.12	10353.05	9901.74	13325.01
d) Sales, administration and other expenses	1652.00	1451.92	1591.77	4672.97	4323.93	5876.72
e) Depreciation, amortisation, impairment and obsolescence	722.29	460.15	367.97	1647.23	1362.36	1786.73
Total expenses	24486.57	23185.23	24170.00	68117.91	64580.71	93376.96
3 Profit from operations before other income, finance costs and exceptional items (1-2)	1800.41	1837.02	1758.07	5065.08	4519.14	8598.38
4 Other income	256.83	469.71	241.03	1028.85	845.92	981.94
5 Profit before finance costs and exceptional items (3+4)	2057.24	2306.73	1999.10	6093.93	5365.06	9580.32
6 Finance costs	378.77	339.61	404.26	1043.21	1215.68	1654.92
7 Profit after finance costs but before exceptional items (5-6)	1678.47	1967.12	1594.84	5050.72	4149.38	7925.40
8 Exceptional items	-	402.43	-	402.43	45.69	94.22
9 Profit before tax (7+8)	1678.47	2369.55	1594.84	5453.15	4195.07	8019.62
10 Tax Expense	439.85	680.71	512.37	1669.38	1475.32	2430.84
11 Net Profit after tax (9-10)	1238.62	1688.84	1082.47	3783.77	2719.75	5588.78
12 Share in profit/(loss) of joint ventures / associates (net)	(148.41)	(156.69)	(294.21)	(478.66)	(657.38)	(990.16)
13 Adjustments for non-controlling interest in subsidiaries	(117.74)	(97.52)	(87.92)	(288.47)	(164.70)	(319.56)
14 Net Profit after tax, non-controlling interest and share in profit/(loss) of joint ventures / associates (11+12+13) (PAT)	972.47	1434.63	700.34	3016.64	1897.67	4279.06
15 Other comprehensive income	(160.53)	78.20	67.62	(197.95)	(95.98)	155.92
16 Total Income [including other comprehensive income] (14+15)	811.94	1512.83	767.96	2818.69	1801.69	4434.98
17 Paid-up equity share capital (face value of share: ₹ 2 each)	186.54	186.47	186.24	186.54	186.24	186.30
18 Other Equity attributable to shareholders						44268.19
19 Earnings per share (EPS) of ₹ 2 each (Not annualised):						
(a) Basic EPS (₹)	10.43	15.39	7.52	32.36	20.39	45.97
(b) Diluted EPS (₹)	10.40	15.34	7.49	32.25	20.29	45.76

See accompanying notes to the financial results

Notes :

- (i) The above results are in compliance with Indian Accounting Standards (IND AS) notified by the Ministry of Corporate Affairs. The results for the previous periods have been restated as per IND AS and are comparable on like-to-like basis.
- (ii) Statement of reconciliation of net PAT under IND AS and net PAT reported under previous Indian GAAP (IGAAP) for the previous periods :

₹ Crore

Sr. No.	Particulars	Net PAT reconciliation		
		Quarter ended December 31, 2015	Nine months ended December 31, 2015	Year ended March 31, 2016
	Net Profit after Tax as per previous IGAAP	1034.80	2636.89	5090.53
1	Impact of provision for expected credit loss	6.62	(215.68)	13.83
2	Gain on divestment of stake in subsidiary directly taken to other equity	-	(263.88)	(263.88)
3	Provision for employee benefits based on constructive obligations	(35.08)	78.09	(37.44)
4	Impact of fair valuation of investments	(163.42)	(61.95)	(147.22)
5	Increase in borrowing cost pursuant to application of Effective Interest Rate method	(27.29)	(77.06)	(88.42)
6	Reclassification of net actuarial (gain)/loss on employee defined benefit obligations to other comprehensive income	(7.24)	(15.67)	13.88
7	Increase in borrowing cost due to initial fair valuation of long term financial liabilities	(89.15)	(216.80)	(304.74)
8	Others	(29.01)	5.03	10.69
9	Deferred and current taxes	10.11	28.70	(8.17)
	Net Profit after tax (before other comprehensive income) as per IND AS	700.34	1897.67	4279.06

- (iii) The Company reports consolidated financial results on quarterly basis, pursuant to the option made available as per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The standalone financial results are available on the Company's website viz. www.larsentoubro.com and on the websites of BSE (www.bseindia.com) and NSE (www.nseindia.com). The specified items of the standalone financial results of the Company for the quarter and nine months ended December 31, 2016 are given below:

₹ Crore

Particulars	Quarter ended			Nine months ended		Year ended
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015	March 31, 2016 (Audited)
Total Income from Operations	15946.20	14705.48	15868.18	42801.70	41547.24	63812.65
Profit before tax	1226.90	3004.89	967.56	5018.08	3260.56	6255.62
Net Profit after tax	934.18	2718.74	801.27	4199.66	2608.50	4999.58

- (iv) During the quarter ended December 31, 2016, the Company has allotted 3,42,722 equity shares of ₹ 2 each fully paid-up on exercise of stock options by employees, in accordance with the Company's stock option schemes.
- (v) Figures for the previous periods have been re-grouped/re-classified to conform to the figures of the current periods.
- (vi) The above results have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on January 28, 2017. The same have also been subjected to Limited Review by the Statutory Auditors.

for LARSEN & TOUBRO LIMITED

Mumbai
January 28, 2017

A.M.NAIK
Group Executive Chairman

Unaudited Consolidated Segment-wise Revenue, Result, Assets and Liabilities in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

₹ Crore

Particulars	Quarter ended			Nine months ended		Year ended
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015	March 31, 2016 (Audited)
Gross segment revenue						
1 Infrastructure	12735.40	11596.91	12121.55	33619.85	31803.53	50558.34
2 Power	1632.96	1744.62	2116.46	5100.24	4535.18	6426.80
3 Heavy Engineering	870.33	808.20	929.30	2412.29	2195.40	3255.87
4 Electrical & Automation	1355.63	1251.79	1350.96	3688.64	3783.24	5401.30
5 Hydrocarbon	2402.28	2500.65	2118.43	7048.62	6168.87	8618.25
6 IT & Technology Services	2502.33	2461.67	2305.79	7338.92	6639.30	9014.59
7 Financial Services	2108.02	2140.02	1898.93	6338.77	5571.69	7695.00
8 Developmental Projects	905.05	1072.62	1490.99	3360.80	3775.04	4620.02
9 Others	2434.30	2192.71	2306.72	6445.07	6815.77	9720.42
Total	26946.30	25769.19	26639.13	75353.20	71288.02	105310.59
Less: Inter-segment revenue	659.32	746.94	711.06	2170.21	2188.17	3335.25
Net segment revenue	26286.98	25022.25	25928.07	73182.99	69099.85	101975.34
Segment result [Profit/(Loss) before interest and tax]						
1 Infrastructure	879.33	644.95	778.87	2203.42	2177.87	4990.54
2 Power	11.90	41.24	104.27	142.28	146.40	112.84
3 Heavy Engineering	126.17	80.00	(11.82)	273.22	(93.23)	(97.51)
4 Electrical & Automation	150.30	123.08	99.33	309.46	242.60	433.06
5 Hydrocarbon	148.42	142.64	(4.55)	300.41	(6.52)	(95.01)
6 IT & Technology Services	464.70	450.50	443.02	1370.17	1151.93	1584.30
7 Financial Services	236.71	360.64	279.23	839.24	740.49	1304.26
8 Developmental Projects	(109.95)	106.66	72.47	94.66	145.11	238.56
9 Others	16.27	65.47	287.28	9.74	679.91	989.49
Total	1923.85	2015.18	2048.10	5542.60	5184.56	9460.53
Less: Inter-segment margins on capital jobs	0.13	1.57	9.58	9.92	13.17	62.15
Less: Interest expenses	378.77	339.61	404.26	1043.21	1215.68	1654.92
Add: Unallocable corporate income net of expenditure	133.52	695.55	(39.42)	963.68	239.36	276.16
Profit Before Tax	1678.47	2369.55	1594.84	5453.15	4195.07	8019.62
Segment assets						
1 Infrastructure				48244.74	41864.62	46912.79
2 Power				7018.33	6857.44	7967.27
3 Heavy Engineering				4948.28	5660.53	5143.32
4 Electrical & Automation				4365.93	4351.40	4472.16
5 Hydrocarbon				5637.39	6134.56	6064.34
6 IT & Technology Services				5435.06	4589.99	4475.44
7 Financial Services				67273.45	61318.61	64090.99
8 Developmental Projects				26527.27	25109.02	25408.10
9 Others				18875.76	19426.10	19374.38
Total segment assets				188326.21	175312.27	183908.79
Less: Inter Segment assets				2960.62	1757.75	1845.44
Add: Unallocable corporate assets				18154.73	13120.28	12684.18
Total Assets				203520.32	186674.80	194747.53
Segment liabilities						
1 Infrastructure				30647.23	26150.93	30380.00
2 Power				6604.41	6468.59	7382.07
3 Heavy Engineering				3314.83	3775.21	3482.34
4 Electrical & Automation				1830.29	1772.13	1774.34
5 Hydrocarbon				5612.55	4427.68	4488.36
6 IT & Technology Services				1737.92	1689.36	1606.85
7 Financial Services				59977.87	54579.90	56954.86
8 Developmental Projects				10070.57	8478.16	8548.17
9 Others				6543.60	6742.10	6879.29
Total segment liabilities				126339.27	114084.06	121496.28
Less: Inter Segment liabilities				2960.62	1757.75	1845.44
Add: Unallocable corporate liabilities				29784.33	29915.69	27931.50
Total Liabilities				153162.98	142242.00	147582.34

Notes:

- (I) The Company has reported segment information as per Indian Accounting Standard 108 "Operating Segments" (IND AS 108) read with SEBI's circular dated July 5, 2016. The identification of operating segments is consistent with performance assessment and resource allocation by the management.
- (II) Segment composition: **Infrastructure segment** comprises engineering and construction of building and factories, transportation infrastructure, heavy civil infrastructure, power transmission & distribution and water, smart world and communication projects. **Power segment** comprises turnkey solutions for Coal-based and Gas-based thermal power plants including power generation equipment with associated systems and / or balance-of-plant packages. **Heavy Engineering segment** comprises manufacture and supply of custom designed, engineered critical equipment & systems to core sector industries like Fertiliser, Refinery, Petrochemical, Chemical, Oil & Gas, Thermal & Nuclear Power, Aerospace and Defence. **Electrical & Automation segment** comprises manufacture and sale of low and medium voltage switchgear components, custom built low and medium voltage switchboards, electronic energy meters/protection (relays) systems and control & automation products. **Hydrocarbon segment** comprises complete EPC solutions for the global Oil & Gas Industry from front-end design through detailed engineering, modular fabrication, procurement, project management, construction, installation and commissioning. **IT & Technology Services segment** comprises information technology and integrated engineering services. **Financial Services segment** comprises retail and corporate finance, housing finance, infrastructure finance, general insurance (upto the date of sale), asset management of mutual fund schemes and related advisory services. **Developmental Projects segment** comprises development, operation and maintenance of basic infrastructure projects, toll collection, power development, development and operation of port facilities and providing related advisory services. Based on internal organisational restructuring and the threshold for reportable segment, Metallurgical & Material Handling systems segment which was hitherto voluntarily reported as a separate reportable segment has been reclassified and reported under "Others" segment. **Others segment** includes metallurgical & material handling systems, realty, shipbuilding, manufacture and sale of industrial valves, welding and cutting equipment, manufacture, marketing and servicing of construction equipment and parts thereof, marketing and servicing of mining machinery and parts thereof, manufacture and sale of rubber processing machinery, castings (upto the date of sale), mining and aviation.
- (III) Segment revenue comprises sales & operational income allocable specifically to a segment including profit on sale of stake in the subsidiary and/or joint venture companies under developmental projects segment and realty business grouped under "Others" segment. Unallocable income primarily includes interest income, dividends and profit on sale of investments. Unallocable expenditure mainly includes corporate expenses not allocated to segments. Corporate assets mainly comprise investments.
- (IV) In respect of majority of the segments for the Company, sales and margins do not accrue uniformly during the year. Hence, the operational/financial performance of aforesaid segments can be discerned only on the basis of figures for the full year.

for LARSEN & TOUBRO LIMITED