



PRESS RELEASE

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Chairman's Speech 62nd Annual General Meeting of L&T August 24, 2007

Ladies & Gentlemen!

I am pleased to extend a warm welcome to this 62nd Annual General Meeting of your Company.

I am happy to report to you the good performance of the Company for the year 2006-2007.

This fiscal year has been an excellent one in terms of all round growth and profitability. The initiatives conceived under our strategic plan 'Lakshya' formulated in 2005 have yielded good results. Order book, Revenues and Profits are at the highest level ever.

As a Company engaged in building India's infrastructure and meeting the needs of the core sectors of the economy, it is befitting that these results emerge as our country celebrates its 60th year of independence. This is also the year when the Company commemorates the birth centenary of its co-founder Henning Holck-Larsen and commences the run up to its 70th year. The Company believes that economic progress must necessarily be achieved in harmony with the environment and society and I am happy to say that various efforts put in by the Company, in this regard, has been widely acknowledged.

Performance overview:

India is one of the fastest growing economies globally with GDP growing at 9.4 % last year. High capacity utilisation across various sectors is fuelling an up trend in capital expenditure. The scale of investment in infrastructure envisaged in the 11th Five Year Plan (2007-08 to 2011-12) will call for greater engagement by the private sector and international institutions. All these are lead indicators for growth.

The conducive business environments coupled with a slew of measures taken by the Company for improvement of operational efficiency, institutionalization of a risk management framework and more judicious selection of projects, have yielded significant benefits. In Financial Year 2006-07, the Company's order inflows & sales have grown by 37% and 20% respectively. The Company bagged its largest ever order in domestic & international markets such as expansion & modernisation of Delhi International airport and an offshore platform project in Qatar. The Company has achieved improvement in margins in all its business segments for the second year. The Subsidiary and Associate Companies have also performed well. During the year, the Company issued bonus shares in the ratio of 1:1 and recommended / paid dividend of Rs 13 per share on a face value of Rs 2 per share. The market capitalization of the Company has more than doubled since April 06 from Rs 334 Bn to Rs 688 Bn (as on 14th August 2007). The Company has outperformed the BSE capital goods index & Sensex.

I will now apprise you of the financial performance of the Company for the year ended 31st March, 2007.

Your company's Gross Sales & Service revenue from operations at Rs. 17901 crore for the financial year ended March 31, 2007 registered a y-o-y growth of 20%. The share of revenue from international operations constituted 18% of the Gross Revenue.

Profit After Tax (PAT), including exceptional gains, at Rs. 1403 crore for the year ended March 31, 2007 increased by 39% over the previous year. Excluding exceptional gains, PAT for the year ended March 31, 2007 grew by 60%.

Group Financials for 2006-07:

The Group registered a y-o-y increase of 25% in the Total Income which stood at Rs. 21342 crore for the year ended March 31, 2007. The Group PAT for the year 2006-07 stood at Rs. 2240 crore posting an impressive growth of 70% over the previous year. Excluding exceptional gains, the Group PAT was higher by 72% over the previous year.

The excellent performance of FY 06-07 has continued into the first quarter of current financial year with the Company achieving an impressive y-o-y growth of 30% in Gross Sales & Service revenue from operations at Rs. 4574 crore. Order Inflow during the quarter at Rs. 9881 crore grew by 32% over the same period of the previous year reflecting the growing confidence of the customers on the Company's superior project execution capabilities and quality of its products. International order inflows during the quarter grew by 20%. The order book as on June 30, 2007 stood at Rs 416 Bn including Rs 69 Bn from international business.

Profit after Tax (PAT) at Rs. 377 crore for the quarter ended June 30, 2007 surged by 140% over the corresponding quarter of the previous year. Excluding gains from exchange differences on foreign currency denominated borrowings and deposits, PAT for the quarter ended June 30, 2007 grew by 57%.

Investing for profitable growth:

To build further on the successes achieved, the Company is investing in multiple spheres - people, technology, capacity expansion both domestically & internationally and brand building. This is essential for sustaining the growth momentum and continuous value creation.

People – Talent management:

For sustained profitable growth, talent acquisition and retention is one of the key result areas for our senior managers. The Company is constantly honing people management and leadership skills of our employees and is increasingly investing in training centers across India. Innovative Human Resource initiatives like ‘Campus to Corporate’, launch of an e-learning portal – ‘Any Time Learning’, buddy referrals for talent acquisition, have been launched. As a result, the Company has been able to substantially increase its human resource.

The ‘e-Recruitment’ Module which is built on a robust IT infrastructure went ‘LIVE’ very recently. For HR departments in the Company, it is a single repository of information on job applications and an efficient system to manage talent acquisition. We have also implemented SAP-HCM (Human Capital Management) module – ‘Organization Management’.

Technology – Building on core engineering strength:

When it comes to technology, given our commitment to becoming a knowledge based premium conglomerate, investments in technology across all businesses continue to remain at the forefront of the Company’s business strategy. The Company has set up Engineering design centers at Mumbai, Baroda, Chennai, Bangalore, and Delhi as well as in the Middle East. In line with our objective of emerging as a player with end-to-end capabilities in the power sector, the Company has signed an agreement with MHI, Japan for super critical boiler technology and is close to achieving a similar tie-up in the field of turbines.

International Business – Strengthening presence beyond India:

Coming to international business, Company continues to forge alliances and invest in international business for enhancing capabilities and achieving its vision of becoming an Indian multinational with focus in Middle East and China. Joint ventures have been set up in Kuwait and Saudi Arabia for electromechanical construction in oil & gas, power and infrastructure sectors. The Modular

Fabrication yard being set up at Sohar, Oman will strengthen the Company's presence in the gulf region. The Company is receiving encouraging response from clients for project execution and Design & Engineering services. The Company has set up manufacturing facilities in China for high-end switchgear & rubber processing machinery and a factory is also being built for industrial valves. These initiatives will accelerate the Company's thrust towards its 'Lakshya' target of achieving 25% revenues from international business.

Capacity Expansion:

The Company is expanding capacity internationally and within India. Substantial capacity augmentation at Hazira will help us address the growing demand in oil & gas industry. Electrical & Electronics division is expanding its capacity at Mysore, Ahmednagar and Mahape to take care of rapid growth in the sector. The Company crossed a major milestone with the inauguration of the first two units at its 300-acre campus in Coimbatore. The facilities for the manufacture of industrial valves and switchboards are already accomplished. The campus will progressively see the establishment of manufacturing facilities for an advance tooling and high precision components in aerospace, nuclear power and defence sectors etc. The Company is building a state of the art Heavy Lift cum Pipelay vessel in partnership with SapuraCrest Petroleum Berhad, Malaysia that will give us offshore installation capability and achieve significant competitiveness. All the divisions of the Company have planned increased investments in acquisition and installation of new equipment and manufacturing facilities.

Enhancing Brand Image:

The Company will intensify and extend its brand promotion drive to strengthen its image of a high-end technology company. Various media options and communication opportunities are being explored in the selected markets. Calibrated objectives include securing recognition for our corporate values, promotion of sector specific propositions and communication of product attributes. The Company is confident that enhanced brand recognition will favourably impact our business prospects and will also facilitate talent acquisition.

Corporate Sustainability:

Corporate Sustainability includes maintaining top notch ethical and business practices, safety, health and well being of employees, energy conservation measures, conservation of water, waste management and community engagement.

We help strengthening primary education in the schools for communities around our campuses including vocational courses conducted for school dropouts. We impart training in construction skills for rural youth through six construction skill training institutes across India.

Our initiatives in health care have a focus on women & child healthcare and HIV/AIDS. In Mumbai itself we have set up 8 health projects; some of which are customized to the needs of street children, tribal communities, rag pickers and children of commercial sex workers.

We implement our community initiatives through dedicated CSR departments throughout the company. We also have a foundation, the Larsen & Toubro Charitable Trust to take forward the initiatives for school drop outs and water conservation. “Udyam”- is our strategy to operationalise Vocational Training Institutes across the country where we offer free training with stipend. “Jeevan Vidhya” is a project aimed at imparting skills to tribal and SC/ST students.

Outlook:

As we move on, the Company is well positioned to exploit the opportunities that will emerge from hydrocarbon, infrastructure, power, minerals & metals and other industrial sectors.

The Public Private Partnership model is going to be the way forward for infrastructure projects in the country. L&T Infrastructure Development Projects Limited has already consolidated its position with some completed projects and several under implementation spread across various sectors. With its capabilities augmented through the recent tie-up for manufacture of super critical boilers and the proposed collaboration for turbines, L&T will be in a position to set up complete power projects. L&T Infrastructure Finance Company Limited has initiated funding in the infrastructure segment.

The Company has commenced building ships at its Hazira works. We are scouting for a suitable site for setting up a world-class facility for shipbuilding and repair, comparable to the best worldwide. The defence, nuclear power and aerospace sectors show potential and promise. The Raksha Udyog Ratna (RUR) status when granted to the Company will facilitate increased business in Defence sector. Leveraging its proven capabilities in construction and electrification for the railways, the Company envisages expanding its presence in this sector. Given the healthy order book position and the opportunities available the company believes that it will be able to achieve a sustained growth.

I am happy to share that our Company was ranked number 1 in two critical attributes – ‘Quality’ and ‘Reputation’ over a host of other corporates, in Wall Street Journal Asia’s nationwide survey of Indian companies.

Conclusion:

Before I conclude, I wish to place on record the sincere dedication and the hard work of our employees, which has led to this excellent performance. The Company’s quest for continuous value creation would not have been possible but

for the support that my colleagues and I have received from all our customers, business associates, shareholders and members of the Board. I am grateful to them for their continued confidence in the management and expect to receive their full support in augmenting our future plans and strategy.

Thank you very much

-- A. M. Naik
