



PRESS RELEASE

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L&T Declares 1:1 Bonus

Mumbai, June 7, 2006: Larsen & Toubro Limited (L&T) has declared a 1:1 bonus issue to its existing shareholders. The last issue of bonus shares in the ratio of 3:5 was declared in 1986.

The present 1:1 Bonus Issue, i.e., one additional equity share for every one existing equity share held by the members, being issued by capitalising a part of the reserves, is being declared in deference to a longstanding shareholder expectation. It will increase L&T's capital base to a level that will better reflect its current scale of operations. The issue will add depth and eventually create a larger market float in terms of the number of L&T shares, and will thus increase liquidity and turnover of L&T shares on the Stock Market.

The bonus issue is subject to the approval of the Shareholders in the Annual General Meeting.

L&T's first issue of bonus shares was in 1973, when one bonus share was issued for every three shares. Subsequently, bonus issues were made in 1977 (1:2), 1982 (3:5) and 1986 (3:5).

The presence of the company in almost all the core sectors of the economy has made investment in the L&T stock a surrogate investment in the growing infrastructure sector in India.

It also stands to gain substantially from the capex plans of companies setting up capacities to meet growing demand in sectors such as petroleum exploration and refining, steel, cement, power, petrochemicals, etc. It is also playing an increasing role in supply of equipment to the defence and aerospace sectors.