



## ***PRESS RELEASE***

Issued by Corporate Communications Department  
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# **Chairman's Speech: 61<sup>st</sup> Annual General Meeting of L&T August 25, 2006**

“I am pleased to extend you all, a warm welcome to this 61<sup>st</sup> Annual General Meeting of your Company.

I'm happy to report to you the good performance of the Company for the year 2005-2006. Many of the initiatives taken by the Company for achieving competitiveness and sustainable growth have begun yielding encouraging results. The conducive business environment also facilitates our efforts for creating better shareholder value.

The Indian economy is expected to continue its high growth trajectory and the revised GDP growth is estimated at 8.4% for FY 06. The process of continuing reforms has slowly gained acceptance amongst all segments of the country's polity and is evident by the large infusion of funds in many sectors, most notable being infrastructure. Significant investment plans in the manufacturing sector offers good prospects for the Company. The surge in global crude oil prices also favors sizeable investments in the hydrocarbon sector across the globe, a fact that can be beneficial to your Company's performance.

At the last AGM, I had informed you about completion of the activity of chalking out the Company's strategic plan for 2005-10. The implementation phase of the strategic plan, Project Lakshya was started in FY 06 and is being monitored continuously under a company-wide initiative, using the latest and rigorous programme management tools. The plan aims to set a growth path for each of the businesses of the Company and also provides definitive roadmaps for achieving the goals. The completion of Project Lakshya is expected to position the Company as a successful Indian multinational corporation with focussed business interests.

I would like to share with you some of the important initiatives taken by the Company to achieve its Lakshya.

## **Continuous review of Business Portfolio**

The Company is regularly reviewing its business portfolio so as to ensure focus on businesses, which are scaleable and enjoy inherent competitive advantages. As a part of this review, the Company has divested from some of the non-core business segments like tractors, food processing equipment and glass container businesses. Given the enormous potential, the Company aims to concentrate on select business verticals like infrastructure, hydrocarbon, power, high end manufacturing, IT and IT enabled engineering services and specialized products. Consequently, the Company is strengthening its domestic resource pool by increasing manufacturing/fabrication capacity at select locations like Coimbatore and Hazira. Technical competency is being scaled up in areas like aerospace and defense. The Company has also entered into shipbuilding, a corollary to its established competency in heavy engineering fabrication skills.

We have taken your approval for merging the electrical business of Datar Switchgear Limited with the Company. The transaction is pending approval before the Board for Industrial and Financial Reconstruction (BIFR). The addition of products manufactured by Datar Switchgear will widen the range and facilitate the Company's presence in all the major segments of the electrical market.

The Company is also committed to be a major player in the domestic infrastructure sector both by executing large value and technology intensive construction contracts and by promoting projects using the development route through its subsidiary, L&T Infrastructure Development Projects Limited (LTIDPL). Recently, an amount of Rs. 550 crore was raised by LTIDPL from a group of private equity investors for future investments in infrastructure projects on BOT / BOOT basis. After this infusion, the Company continues to hold a significant stake of 78.4% in LTIDPL.

LTIDPL is also exploring opportunities in promoting urban infrastructure projects through a subsidiary of L&T IDPL, viz., L&T Urban Infrastructure Limited, jointly in partnership with HDFC and HIREF. Both LTIDPL and its subsidiary L&T Urban Infrastructure Limited are expected to be significant value creation vehicles for the Company and its shareholders.

## **Growing beyond India**

The Company in recent years has successfully aimed to de-risk its portfolio by expanding its presence beyond the Indian subcontinent. In this context, the Company has taken several significant initiatives to make Middle East and China as major growth centres considering the tremendous business potential in these regions for project-based businesses and manufacturing respectively.

Large investments in hydrocarbon, power and infrastructure sectors in the Middle East will generate good contracting opportunities. To address the needs of a rapidly expanding GCC market, the Company is in the process of setting up a modular fabrication facility in Oman and has entered into a joint venture in Saudi Arabia for manufacture and marketing of switchboards and other related electrical products / solutions. The Company has also created an integrated management team to monitor and facilitate new business opportunities in the Middle East across all segments.

Besides supplying technology intensive coal gasifier / process plant equipment to China, the Company's China strategy encompasses sourcing of materials and setting up of a wholly-owned subsidiary to manufacture high-end Air Circuit Breakers. The Company is also actively engaged in setting up of new manufacturing facilities in China for selected machinery and industrial products.

### **Profitable Growth**

The core theme of Project Lakshya revolves around profitable growth for the Company by encashing the present and emerging business opportunities. Rapid expansion and increasing complexities in business creates a higher degree of exposure to risk factors like time / cost overruns in project execution, volatile commodity prices, sharp currency movements, etc. The Company has set up a formal risk management framework to assess, manage and mitigate various risks in line with the overall risk and reward profile of the various constituent businesses.

Apart from effective risk management, achieving cost efficiency is another significant contribution to the sustained growth in profitability. The Company has taken various initiatives involving measures like global sourcing, lean manufacturing and standardizing repetitive operations and processes for achieving targeted cost efficiencies. The Company is also working with international consultants for achieving operational excellence in all areas of operations.

### **Human Resources**

The success of a company is attributed to the strength and the quality of its human resources. The buoyant economy in recent years has resulted in a scarcity of high quality talent across all disciplines. One of the foremost challenges facing the Company is to attract and retain talent. The Company has launched many initiatives like accelerated career progression, compensation reviews, identifying and developing employees with leadership potential, revamping training and development programs etc.

The Company has also recognized the aspirations of young professionals who want to do post graduation in either Engineering or Management. We provide opportunities for doing M. Tech. at premier engineering institutes like IIT and executive MBA. This gives the selected employees scope to learn while he earns. In addition to this, the Company sponsors a few graduate engineers for specialized M. Tech. course.

### **Branding Initiative**

Most of you would have seen our new media campaign which aims to portray a more contemporary L&T showcasing its achievements to a larger audience group, including potential overseas clients. Our new tagline, “It’s all about Imagineering” suggests a cohesive fusion of engineering with imagination. This initiative is expected to broaden the image of the Company in the global arena in a more effective manner.

### **A Good Corporate Citizen**

We continue to pursue our efforts and initiative to contribute to the society with the same vigor that we adopt to run our businesses. The Company addresses social issues of health, safety, environment and education through dedicated welfare departments spread across the country. Many of our employees also dedicate their personal time and resources to assist the Company in many of its welfare activities.

In the field of education our effort is to strengthen the future generation by bridging critical gaps in the Government schools at locations like Mumbai, Mysore and Hazira. We sponsor Maths learning programmes for almost 3500 children in standard Ist and IInd in 33 Municipal schools in S Ward Powai. Employee generated funds are used for supporting the toy library for 4500 children in Paspoli Municipal Schools at Powai.

We regularly conduct health services by providing professional medical teams at various community camps with special attention on ante-natal care, family planning and immunization. On 8th March, which happens to be the International Women’s Day, we inaugurated Mother and Child Healthcare Program at Deonar, Mumbai which benefited almost 1000 families of the rag picker community.

L&T responded to the pain and anguish of the flood affected people of Gujarat and Maharashtra by providing health services and relief materials like water, medicine, and foodstuffs. Special buses, food dropping by helicopter and mobile vans were arranged that have served around 10,000 affected people in Surat and Hazira region and around 1000 people in the Sangli, Satara and Kolhapur belt.

As per the request of Gujarat Government we initiated flood relief operations at Surat. We were given Ward Nos.13, 14 & 15 in West Zone of Surat Municipal Corporation to carry out the cleaning operations. We deployed 14 excavators, 41 dumpers and other equipment like loaders, welding machines, dewatering pumps, water tankers, tractors, etc., to carry out the cleaning operations. Our staff members and workers worked round the clock to clear the debris and provided relief to about 2,00,000 people residing in the area.

### **Review of Performance during FY 06**

I will now apprise you of the financial performance of the Company for the year ended 31<sup>st</sup> March 2006:

The Company reported a 12% increase in Gross Revenues from operations at Rs. 14884 crore for the financial year ended 31<sup>st</sup> March 2006 as against Rs. 13255 crore for the previous year. The share of revenues from international operations constituted 18% of the total gross revenues.

Inclusive of extraordinary items and gains from divestments, Profit after Tax for the year ended 31<sup>st</sup> March 2006 has increased to Rs. 1012 crore.

The Profit After Tax excluding extraordinary items and gains from divestments at Rs. 863 crore for the year ended 31<sup>st</sup> March 2006 has increased by 37% over the previous year.

The order backlog for the Company as on 31<sup>st</sup> March 2006 was Rs. 24646 crore.

### **Group Financial Performance**

The consolidated Gross Revenues of the Group for the year ended 31<sup>st</sup> March 2006 of the Group amounted to Rs. 16666 crore, registering a growth of 14% over the previous year. The net profit accruing to the Group, excluding extraordinary items and gains from divestitures at Rs. 1051 crore, posted an impressive growth of 51% over the previous year comparative of Rs. 696 crore.

### **Dividend and Bonus**

Given the good performance of the Company, the Board of Directors have recommended a dividend of Rs. 22 per equity share and also announced a bonus issue in the ratio of 1:1, in deference to your long pending request.

I'm sure that you are happy with this announcement and would approve the recommendations.

## **Review of Performance (Q1 - FY 07)**

You would have read about the Company's encouraging first quarter performance. The Company posted Gross Sales from operations at Rs 3524 crore for the quarter ended 30<sup>th</sup> June 2006 as against Rs 3132 crore for the corresponding quarter of the previous year. The share of revenues from international operations constituted 17% of the gross revenues.

The Profit After Tax for the quarter ended 30<sup>th</sup> June 2006 has increased to Rs 157 crore, up by 10% as compared to the corresponding quarter of the previous year.

The Profit After Tax for the current year first quarter however, shows an increase of 60%, when compared to the PAT of Rs 98 crore, excluding extraordinary items and gains from divestitures for the corresponding quarter of the previous year.

## **Outlook**

The Company is optimistic about the business prospects and about its capabilities to leverage them for your benefit. As I mentioned earlier, sustained high oil prices and large global demand have boosted investment plans across sectors, particularly in the areas of hydrocarbon and other core sector industries. The buoyancy in capacity creation witnessed both in the domestic market and in the Middle East, favors promising order prospects for all the business segments. Infrastructure investment is poised to continue and augurs well for domestic opportunities. Given the growing order backlog position, that stood at Rs.28,286 crore as on 31<sup>st</sup> July, 2006, the Company expects to improve on its revenue growth and profitability.

## **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 improved 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."

**-- A. M. Naik**