

L&T Press Release

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CHAIRMAN'S SPEECH

at the 66th Annual General Meeting on 26th August 2011

My Dear Shareholders of Larsen& Toubro,

Good afternoon and a very warm welcome to this 66th Annual General Meeting.

Performance Over

The Company has once again registered impressive performance on all important parameters during FY11.

Order Inflows for the year, though volatile from quarter to quarter, recorded a growth of 15%.

The closing Order Book position at the end of FY11 recorded an impressive Rs 130,217 Crore which is in excess of two years of backlog.

Revenues, driven by a robust Order Book position in the beginning of the year, registered a 19% growth for the year which was commendable considering the challenging execution environment that all sectors witnessed throughout the fiscal.

EBITDA Margins, by and large, held up to FY10 levels despite higher input prices which were mitigated through timely and cost efficient execution of orders on hand.

Profit after Tax at Rs. 3,676 Crore excluding Exceptional and Extraordinary items, grew 15% during the year. Robust operating cash flows contributed to the healthy financial condition of the Company.

The performance of the Subsidiary & Associate companies during the year was also encouraging. The Group total income for the year reached Rs.52,089 Crore while the Group Profit after Tax excluding Exceptional and Extraordinary items, recorded an impressive Rs 4,238 Crore, an increase of 12% year on year.

I am happy to announce that the Board has recommended an enhanced dividend of Rs. 14.50 per equity share on a face value of Rs. 2 per share for the year.

Gearing for growth

The Company has taken a number of measures during the year under review to ensure that it accelerates its growth momentum going forward. Some of these major steps include:

i. Restructuring

A 5-year strategic plan for our businesses was completed in FY11 after extensive consultations and a detailed review of our portfolio and organization structure. This plan has led to an organizational remodeling which would facilitate growth through greater levels of empowerment and delegation while sharpening accountability. L&T has accordingly been restructured into multiple Independent Companies (ICs) within the L&T Parent Company. Although not legal entities, Independent Companies are vertically integrated business segments with their own internal boards which include a number of independent directors and a representative director from the parent company on each IC Board. This will allow greater independence in functioning and provide external and broader business perspectives to the IC management.

and Heaters are approaching completion. Along with other essential existing facilities, the Company is capable of offering comprehensive Balance of Plant solutions to Power Generation customers. In the infrastructure space, the Company is one of the largest developer-cum-EPC players with a diverse portfolio of strategic concessions in the areas of Roads, Ports, Power Generation, Metro Rail and Urban Infrastructure.

iii. Capacity Expansion

ECONOMIC SCENARIO:

The economic situation worldwide has been volatile. The more than envisaged European debt crisis, the high US debt situation resulting into downgrade coupled with the deteriorating domestic economic situation is causing some slowdown in the decision making process across sectors. This is posing further near term challenges to the Company in securing business in the remaining part of the current year.

In the previous year, the Indian economy and factors impacting key sectors like Infrastructure, Power and Hydrocarbon experienced macro headwinds during the year. Difficulty in land acquisition, slow pace of environme

such as metro and mono rails during the latter part of the current year. After a sustained lull, the long awaited Dedicated Freight Corridor project is taking shape.

b) Water

This area has seen large under spends in the first 4 years of the 11TH Five Year plan but is expected to gather momentum going forward. The Company sees business opportunities in areas of water sanitation which covers bulk water transmission infrastructure, water treatment plants and desalination projects both in domestic and Middle East markets. Industrial opportunities in the form of effluent treatment plants also offer an increased market.

c)Urban Building Infrastructure

The Company sees growing business opportunities in other parts of urban infrastructure such as hospitality, educational institutions and healthcare facilities. Urban population pressure is leading to a multiplicity of different forms of housing in Tier-1 and Tier-2 cities. The revival of the IT sector is also opening up increased business in IT and Office Space.

d) Mining, Metals & Material Handling

With the evident growth in the mining and industrial components of GDP coupled with a domestic imbalance in the demand-supply of steel, the Company sees abundant opportunities in mining equipment and capacity addition in the metals sector. Larger business prospects in Material Handling is being driven by power capacity addition, increase in ports and expansion of ferrous and non-ferrous metals production capacities.

2) HEAVY ENGINEERING -

a)Heavy Industrial Equipment

The Company's heavy engineering facilities in Hazira is widely acclaimed for its world class design, manufacturing capabilities and on-time execution track record of technologically complex large sized equipment orders for process plants in India and abroad. This stands the Company in good stead when it scouts for business in domestic and international markets and is expected to facilitate growth in Power and Hydrocarbon sectors.

b) Nuclear Power

The tsunami damage to the nuclear plants in Japan has triggered a worldwide relook at the need for nuclear power as an energy source. As far as India is concerned, the ambitious program of ramping up the

installed base of nuclear energy is likely to be pushed back by couple of years because of more stringent safety measures.

c)Defence

The Company is gearing up to catch growth opportunities when the Government policy changes would allow private sector participation in India's defence program in a significant manner. The Company is presently building a shipyard at Kattupalli near Chennai for catering to the requirements of Indian Navy when such prospects materialize.

3) THERMAL POWER -

a)Coal-based

While the Company is uniquely placed to exploit the scope that this sector offers, award decisions are dependent on resolution of the macro level impediments at the national level which revolve around coal availability, land acquisition and environmental clearances. The Company now offers the full range of products and services in this space and is ideally placed to exploit any business opportunities as and when they arise

b) Gas-based

Despite the fall in gas production that the country has witnessed, there are signs of increased exploration activities and efforts to increase production from new gas finds. This is likely to give a push to the increasing market of gas fired power plants that are on the anvil once the visibility of increased gas availability improves.

4) POWER TRANSMISSION & DISTRIBUTION

Since installed power generation capacity is concentrated in coal rich areas today, the need for evacuation of power from these areas to other major consumption centres is giving rise to larger planned outlay on transmission grids. This offers opportunities to the Company both as an EPC contractor and as a developer of power transmission networks.

5) HYDROCARBONS

The Company has, over the years, built an enviable reputation of being able to deliver large complex projects in upstream, mid and downstream and fertilizer sectors. It is well placed to bag orders that come up for awards for pipelines, wellhead platforms and process platforms in the upstream sector and for refineries and petrochemicals in the mid and downstream sectors. As mentioned earlier, this sector has

started yielding good results. The Company has recently bagged a number of orders for offshore platform and pipeline projects.

6)

10) DEVELOPMENTAL PROJECTS

This business has been playing an increasingly strategic role in the growth of the Company. The Company now has a rich portfolio of concessions and ownership rights in areas of Roads, Power Plants, Metro Rail and Ports.

CORPORATE SOCIAL RESPONSIBILITY

The Company has active and vibrant initiatives that focus on efforts to uplift different sections of society such as Mother and Child healthcare and Education through health camps, education camps and supply of necessary material. The Company also runs Construction Skills Training Institutes that train school dropouts, mainly from rural areas, with employment skills relevant to the construction industry. Over 4 Lakh people were benefited through L&T's social interventions in 2010-11

SUSTAINABLE DEVELOPMENT

Sustainable development is the key to an organization to survive and thrive. Accordingly, we have set out on a multi-year journey to achieve world class sustainable development through conservation of natural resources, environment protection, employee engagement and welfare measures that affect different parts of society. The Company publishes annual Sustainability Reports and has won many accolades in its journey towards global sustainability standards.

CONCLUSION

Before concluding, I would like to appreciate the efforts of all the employees of this organization for taking the Company to greater heights once again - this achievement would not have been possible without their whole-hearted and unstinting efforts.

I would also like to thank all my colleagues on the Board who have jointly steered the Company during an uncertain period in FY11 and all other stakeholders like shareholders, Financial Institutions, members of our supply chain and regulators for providing their support to our efforts.

The Company is committed to the pursuit of value creation through profitable growth of its businesses and we reaffirm our commitment to uphold highest standards of governance.

Thank you

- A.M. Naik