

# LARSEN & TOUBRO LIMITED

ANNUAL REPORT 1999-2000



**WE MAKE THE THINGS THAT MAKE INDIA PROUD**

# Fiftyfifth annual report 1999-2000

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## Board of Directors

H. Holck-Larsen  
*Chairman Emeritus*

A.M. Naik  
*Managing Director &  
Chief Executive Officer*

A. Ramakrishna  
*Deputy Managing Director*

M. Karnani *President*

J.P. Nayak  
Y.M. Deosthalee } *Senior Vice Presidents*

K. Venkataramanan

S.S. Marathe

M.D. Ambani

M.L. Bhakta

A.D. Ambani

D.V. Kapur

G. Armbruster

P.M. Venkatasubramanian

G.P. Kohli

S.K. Kapur

Basudeb Sen

## Secretary

S.V. Subramanian

## Auditors

Sharp & Tannan

## Solicitors

Manilal Kher Ambalal & Co.

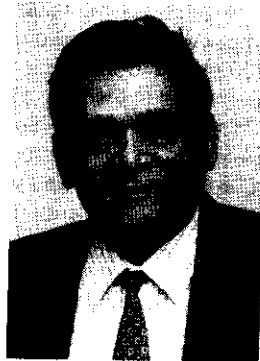
## Registered Office and Head Office

L&T House  
Ballard Estate  
Mumbai 400 001

## Investor Services Centre

Bakhtawar, Ground Floor  
Nariman Point  
Mumbai 400 021

**FIFTYFIFTH ANNUAL GENERAL MEETING**  
at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020  
on **Thursday, 31st August, 2000 at 3.00 p.m.**



A.M. Naik

**“Our Endeavour  
is to Enhance  
Shareholder Value”**



L&T shall be a professionally-managed Indian multinational, committed to total customer satisfaction and enhancing shareholder value.

L&T-ites shall be an innovative, entrepreneurial and empowered team constantly creating value and attaining global benchmarks.

L&T shall foster a culture of caring, trust and continuous learning while meeting expectations of employees, stakeholders and society.

Dear Shareholders :

The year ended March 2000 was one of the most difficult years the Company has witnessed. The industrial revival that showed a growth rate of around 8% over the previous year was limited mainly to consumer durables and intermediate goods. The capital goods sector to which your Company belongs, in contrast, reported a decline in its growth to 4.8% compared to 11.8% in the previous year. Excess capacities in industries such as steel, paper and cement and the slump in investments in the energy sector are some of the factors for the lacklustre growth in the capital goods industry. Being largely dependent on these sectors, the performance of the Company during 1999-2000 has been adversely affected.

With a view to enhance focus on business portfolios and emphasis on shareholder value, we had launched 'Project Blue Chip' last year with facilitation from the Boston Consulting Group of the USA. Their recommendations have been accepted by your Board, and we are now in different stages of implementation.

In addition to several value creation initiatives, two areas will receive major attention :

- 1- Fine tuning the Cement Business for output and efficiencies followed by positioning and restructuring for maximum value creation.
- 2- Accelerating the pace of growth of the IT business by fully availing the synergies provided by the business reach and domain knowledge of the Company's mature businesses.

In our core areas of activities, we expect good business opportunities to emerge in Oil Exploration, Oil & Gas Distribution, Petrochemicals & Refineries, Telecom, Urban and Transportation Infrastructure sectors. The Energy sector, however, requires more attention from the Government to facilitate participation of the private sector in promoting power projects in the country. We also expect the government to initiate policy measures to provide a level playing field for domestic players, especially manufacturers of capital goods.

In the current scenario, management initiative has been to proactively develop business strategies on a continuous basis. Increasing competition from domestic as well as international players will continue to put pressure on margins. We are e-enabling our businesses to develop competitive advantages in the global marketplace. With increased emphasis on human resource development and our commitment to corporate governance, we will generate an environment of long-term value-creation for all our stakeholders.

We have now entered the Post-Industrial era and are a part of the historical process which ushers in cyberspace and cyber culture. Capitalising on our domain knowledge, we have already established B2B platform for some of our prominent lines of business. Your Company is striving to leverage the advantages of new economy initiatives for accelerated development.

I look forward to your continued support in the realisation of our VISION.

**A. M. Naik**  
Managing Director and CEO

20th May, 2000

## Notice

**NOTICE IS HEREBY GIVEN THAT** the Fifty Fifth Annual General Meeting of LARSEN & TOUBRO LIMITED will be held at Birla Matushri Sabhagar, 19 Marine Lines, Mumbai 400 020, on Thursday, the 31st August 2000 at 3.00 p.m. to transact the following business:

1. To consider and adopt the Balance Sheet as at 31st March 2000, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A.D.Ambani, who retires by rotation and is eligible for re-appointment
3. To appoint a Director in place of Dr. G. Armbruster, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. P.M. Venkatasubramanian, who retires by rotation and is eligible for re-appointment.
5. To appoint a Director in place of Mr. A.Ramakrishna, who retires by rotation and is eligible for re-appointment.
6. To appoint a Director in place of Mr. M.Karnani, who retires by rotation and is eligible for re-appointment.
7. To appoint a Director in place of Dr. Basudeb Sen who was appointed as a Director in a casual vacancy and holds office upto the date of the ensuing Annual General Meeting of the Company, and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director.
8. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:  

“**RESOLVED THAT** pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. J.P.Nayak as a Whole-time Director of the Company for a period of 5 years with effect from 3<sup>rd</sup> March, 2000 on the terms and conditions including remuneration as are set out in the draft of the Agreement to be entered into by the Company with him, submitted to the meeting which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or Agreement, so as not to exceed the limits, if any, specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to between the Directors and Mr. J.P. Nayak or as may be varied by the General Meeting and that the consent of the Company be and is hereby accorded to his holding an office or place of profit and continuing to hold an office or place of profit as a Director nominated and as may be nominated by the Company from time to time on the Boards of its subsidiary companies.”
9. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

“**RESOLVED THAT** pursuant to the provisions of Sections 269, 309, 314 and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the re-appointment of Mr. Y.M. Deosthalee as a Whole-time Director of the Company for a period of 5 years with effect from 3<sup>rd</sup> March, 2000 on the terms and conditions including remuneration as are set out in the draft of the Agreement to be entered into by the Company with him, submitted to the meeting, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said appointment and/or Agreement, so as not to exceed the limits, if any, specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to between the Directors and Mr. Y.M.Deosthalee or as may be varied by the General Meeting and that the consent of the Company be and is hereby accorded to his holding an office or place of profit and continuing to hold an office or place of profit as a Director nominated and as may be nominated by the Company from time to time on the Boards of its subsidiary companies.”

10. To consider and, if thought fit, to pass with or without modification, the following Resolution as an **ORDINARY RESOLUTION**:

“**RESOLVED THAT** the revision in the salary and perquisites with effect from 3<sup>rd</sup> March, 2000 and commission for and from the year 1999-2000 payable to the Whole-time Directors of the Company, viz. Mr. A. Ramakrishna, Mr. M.Karnani and Mr. K. Venkataramanan, and Commission for the year 1999-2000 payable to Mr. J.P. Nayak and Mr. Y. M. Deosthalee, for the remaining part of their respective tenures, as are set out in the draft of supplemental agreements to be entered into by the Company with them, submitted to the meeting, be and is hereby approved.”

11. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

“**RESOLVED THAT** subject to the provisions of section 198 and 309 of the Companies Act, 1956, and other applicable provisions, if any, the non-executive Directors of the Company be paid, in addition to the sitting fees for attending the meetings of the Board or committees thereof, a commission, of an amount not exceeding Rs. 30,00,000/- per annum in aggregate for a period of five years from the financial year 2000-2001.

**RESOLVED FURTHER THAT** the quantum of commission payable to each of the non-executive Directors may be decided by the Board as it may deem fit.”

12. To consider and, if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

“**RESOLVED THAT** subject to the provisions of Section 198, 309, 314 and other applicable provisions, if any, and subject to the approval of the Reserve Bank of India and the Central Government, as may be required, the payment or reimbursement by the Company of an amount not exceeding



Rs.10,00,000 towards hospitalisation and medical treatment of Mr. H. Holck-Larsen be and is hereby approved.”

13. To appoint Auditors and to fix their remuneration and for that purpose to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:

“**RESOLVED THAT** the Company's Auditors, Messrs. Sharp & Tannan, who retire but, being eligible, offer themselves for re-appointment, be and are hereby re-appointed as Auditors of the Company including for all its branch offices for holding the office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and that their remuneration be and is hereby fixed at Rs.30,00,000/- (Rupees Thirty lakh only) exclusive of service tax, travelling and other out of pocket expenses.”

By Order of the Board of Directors  
for **LARSEN & TOUBRO LIMITED**

**S. V. SUBRAMANIAN**  
COMPANY SECRETARY

Mumbai, 20<sup>th</sup> May, 2000

**Registered Office:**

L&T House, Ballard Estate,  
Mumbai 400 001.

**NOTES:**

- (a) The information as required to be provided under the Listing Agreement entered into with various Stock Exchanges, regarding the directors who are proposed to be appointed/re-appointed and the relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item Nos. 7 to 13 set out above are annexed hereto.
- (b) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- (c) The Register of Members and Transfer Books of the Company will be closed from Thursday, 13<sup>th</sup> July, 2000 to Thursday, 27<sup>th</sup> July, 2000, both days inclusive.
- (d) All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except Saturdays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
- (e) Members/proxies should bring their attendance slips duly filled in for attending the meeting.
- (f) As per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, abridged annual report containing the Directors' report (except information u/s 217(1)(e) and 217(2A) of the Companies Act, 1956), Auditors' Report and Statement containing salient features of Balance Sheet and Profit & Loss Account is sent in accordance with the Listing Agreement, to the Shareholders having the same address. These Shareholders will be furnished a copy of unabridged Annual Report on request.

- (g) The Company has already transferred unclaimed Dividend declared for the financial year ended 31<sup>st</sup> March, 1995 to the General Revenue Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978.

In view of the amendment to the Companies Act, 1956 the unpaid dividends that are due for transfer to the Investor Education and Protection Fund to be set up by the Central Government are as follows:

Dividend No.	Date of Declaration	For the Financial Year	Due for Transfer on
64	02.08.1996	1995-1996	13.09.2003
65	01.08.1997	1996-1997	18.09.2004
66	06.08.1998	1997-1998	16.09.2005
67	26.08.1999	1998-1999	08.10.2006
68	08.05.2000	1999-2000	20.06.2007

Members who have not encashed their dividend warrants pertaining to earlier years may approach the Company's Investor Services Centre at Bakhtawar, Nariman Point, Mumbai 400 021 for revalidating the warrants or for obtaining duplicate warrants.

**INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT**

As required under the listing agreement, the particulars of Directors who are proposed to be appointed/re-appointed are given below :

1. **Name:** Mr. Anil D. Ambani  
**Age:** 41 years  
**Qualifications:** B.Sc.(Hons), MBA, Wharton School, U.S.A.  
**Expertise:** Widely credited to have pioneered many financial innovations in the Indian capital markets. Led India's first forays into global capital markets with international offerings of global depository receipts, convertibles and bonds.

Director of the Company since 30th December, 1988.

**Other Directorships:**

Name of the Company	Position held	Member of Committee
1. Reliance Industries Ltd.	Managing Director	Finance Committee Shareholders' Committee
2. Reliance Petroleum Ltd.	Managing Director	Finance Committee Shareholders' Committee
3. Reliance Europe Ltd.	Director	

2. **Name:** Dr. Gunter Armbruster  
**Age:** 60 years  
**Qualifications:** Dipl-Ing (Germany), Dr-Ing (Germany)

Director of the Company since 29th December, 1994.

**Other Directorships:**

Name of the Company	Position held
1. Voith Turbo GmbH & Co. KG, Heidenheim	President & CEO
2. J.M.Voith Aktiengesellschaft	Management Board
3. Voith Turbo	Chairman
4. Voith France S.A.	Chairman
5. Voith East Asia Limited	Chairman
6. Voith Engineering Limited	Chairman

7. Industrierwartung AG Member of Board  
8. TUV Sueddeutschland AG Member of Board

3. **Name:** Mr. P. M. Venkatasubramanian  
**Age:** 61 years  
**Qualifications:** M. Com. Fellow from the Insurance Institute of India  
**Expertise:** Experience of more than 4 decades in General Insurance Industry  
A faculty in National Insurance Academy  
Director of the Company since 16th May, 1997 and also a member of the Audit Committee.

**Other Directorships:**

Name of the Company	Position held	Member of Committee
1. Lanco Kondapalli Power Ltd.	Chairman	Audit Committee
2. GIC Hsg. Finance Ltd.	Chairman	Audit Committee
3. GIC Mutual Fund Trust	Member	Audit Committee
4. Sundaram Fin. Serv. Ltd.	Chairman	Audit Committee
5. National Stock Exch. of India Ltd.	Executive Committee	Audit Committee
6. UTI Bank Limited	Director	
7. Thane Electric Supply Company	Director	
8. Sudalagunta Sugars Limited	Director	

4. **Name:** Mr. A. Ramakrishna  
**Age:** 60 years  
**Qualifications:** B.E. Civil, M.Sc., Struc. Engg.  
**Expertise:** Considerable experience in Engineering construction and infrastructure development activities and Project Management.

Director of the Company since 1st January, 1992.

**Other Directorships:**

Name of the Company	Position held
1. L&T Netcom Limited	Director
2. L&T-Ramboll Consulting Engineers Limited	Director
3. L&T-Komatsu Limited	Director
4. L&T Infocity Limited	Director
5. L&T Western India Tollbridge Ltd.	Director
6. L&T Transportation Infrastructure Ltd.	Director
7. Larsen & Toubro Oman (LLC)	Director
8. L&T-ECC Construction (M) SDN. BHD.	Director
9. Larsen & Toubro (Saudi Arabia) LLC	Director
10. L&T Equipment Leasing Company Limited	Director
11. Narmada Infrastructure Construction Enterprise Ltd.	Director
12. International Seaports Pte. Ltd.	Director
13. Voith Sulzer Paper Technology (India) Limited	Director

5. **Name:** Mr. M. Karnani  
**Age:** 64 years  
**Qualifications:** B.E. Mech.  
**Expertise:** Wide experience in engineering and other related industries, in various cement manufacturing and marketing operations including setting up of cement plants.

Director of the Company since 28th May, 1992.

**Other Directorships:**

Name of the Company	Position held
1. L&T Finance Limited	Director
2. L&T Netcom Limited	Director
3. Tractor Engineers Limited	Director
4. Narmada Cement Company Ltd.	Director
5. Larsen and Toubro Ceylinco Private Ltd.	Director

6. **Name:** Dr. Basudeb Sen  
**Age:** 52 years  
**Qualifications:** M. A. (Economics), Ph.D.  
ISMP-AMP Harvard Business School  
**Expertise:** 30 years executive experience in different areas of commercial banking, coal mining, development banking and investment management.

Director of the Company since 25th January, 1999 and a member of the Nomination and Compensation Committee.

**Other Directorships:**

Name of the Company	Position held
1. ITC Limited	Director
2. National Securities Depository Limited	Director
3. The Gramophone Company of India Ltd.	Director
4. Securities & Credit Rating Enterprises Ltd.	Director

7. **Name:** Mr. J. P. Nayak  
**Age:** 56 years  
**Qualifications:** B.E. (Mechanical Engg)  
Post Graduate Diploma in Production Engg.  
**Expertise:** Vast experience in the construction and earth moving equipment and other engineering business.

Director of the Company since 3rd March, 1995.

**Other Directorships:**

Name of the Company	Position held
1. Audco India Limited	Director
2. EWAC Alloys Limited	Director
3. Tractor Engineers Ltd.	Director
4. L&T-Komatsu Limited	Director
5. L&T-John Deere Limited	Director
6. L&T-Case Equipment Ltd	Director
7. LTM Limited	Director
8. Narmada Cement Company Ltd.	Director
9. L&T Finance Limited	Director
10. L&T Equipment Leasing Company Ltd.	Director
11. Gujarat Leather Industries Ltd.	Director

8. **Name:** Mr. Y. M. Deosthalee  
**Age:** 53 years  
**Qualifications:** B.Com. LLB. ACA  
**Expertise:** Vast experience in finance, personnel and HR functions.

Director of the Company since 3rd March, 1995.

**Other Directorships:**

Name of the Company	Position held
1. HPL Cogeneration Limited	Director
2. Bhilai Power Supply Company Ltd	Director
3. L&T-Case Equipment Limited	Director
4. L&T-John Deere Limited	Director
5. L&T Finance Limited	Director
6. L&T Infocity Limited	Director
7. L&T Information Technology Ltd.	Director
8. L&T-Komatsu Limited	Director
9. L&T Transportation Infrastructure Ltd	Director
10. India Infrastructure Developers Ltd	Director
11. Narmada Cement Company Ltd.	Director
12. Narmada Infrastructure Construction Enterprise Ltd.	Director
13. Larsen and Toubro Ceylinco Private Ltd.	Director
14. International Seaports Pte. Ltd.	Director
15. LTM Limited	Director

**EXPLANATORY STATEMENT**

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out material facts relating to the business under Item Nos. 7 to 13 of the accompanying Notice dated 20<sup>th</sup> May, 2000.

**Item No. 7**

Dr. Basudeb Sen was appointed as a Director of the Company on 25<sup>th</sup> January, 1999 in the casual vacancy caused by resignation of Dr. K.U.Mada. Pursuant to Section 262 of the Companies Act, 1956, Dr. Basudeb Sen will hold the office of a Director upto the date of the ensuing Annual General Meeting when Dr. K.U.Mada would have retired, had he continued as a Director. The Company has received a notice in writing from a member proposing the candidature of Dr. Basudeb Sen for the office of a director under the provisions of Section 257 of the Companies Act, 1956.

None of the Directors of the Company other than Dr. Basudeb Sen is interested in this resolution.

**Item No.8 & 9**

The Board of Directors of the Company at its Meeting held on 28<sup>th</sup> March, 2000, re-appointed Mr. J.P.Nayak and Mr. Y.M.Deosthalee as Whole-time Directors of the Company subject to the approval of the Shareholders at the General Meeting. The terms and conditions including remuneration payable to Mr.J.P.Nayak and Mr. Y.M.Deosthalee are set out in the draft of the agreements to be entered into by the Company with them, which *inter alia*, contain the following terms and conditions :

- (1) The Whole-time Director shall, subject to the supervision and control of the Board of Directors and/or Managing Director of the Company, manage the business and affairs of the Company.
- (2) Period of Agreement:  
Five years with effect from 3<sup>rd</sup> March, 2000.
- (3) Remuneration payable :
  - (a) Salary:  
Rs.75,000/- per month including dearness and all other allowances.
  - (b) Commission:  
Equivalent to 0.05% of the profits after tax of the Company for and from the year 1999-2000.
  - (c) Perquisites:
    1. The Whole-time Director shall be entitled to perquisites including free furnished accommodation or house rent in lieu thereof, gas, electricity, water, furnishings, medical reimbursement and leave travel concessions for self and family, club fees, medical and personal accident insurance, etc. in accordance with the rules of the company. The aforesaid perquisites may be in the form of reimbursement or allowance but will be restricted to Rs. 9 lakh per annum. For the purpose of calculating the above ceiling, the perquisites shall be evaluated as per income-tax rules wherever applicable.
    2. The Whole-time Director shall be entitled to Company's contribution to Provident Fund, Superannuation Fund and Annuity Fund upto the tax exempt limit, benefits of Gratuity and Pension

Scheme for Senior Management Staff, earned leave, encashment of earned leave at the end of the tenure and long service awards, as per the rules of the Company, and these shall not be included in the computation of perquisites.

3. Car for use on Company's business, telephone and other communication facilities at residence, will not be considered as perquisites.
- (d) In the event of loss or inadequacy of profits in any financial year, the Whole-time Director shall be paid remuneration by way of salary and perquisites as specified above.
- (e) The Whole-time Director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof from the date of his appointment.

The aforesaid agreement contains further terms and conditions as to the powers and duties of Whole-time Directors, reimbursement of entertainment, travelling and all other expenses incurred by them for the business of the Company, provision for earlier determination of the appointment by either party by giving six months' notice in writing to the other party, non-participation in any selling agency of the Company, etc.

The re-appointment of Mr. J.P. Nayak and Mr. Y.M.Deosthalee as Whole-time Directors on the terms and conditions set out in the aforesaid drafts of the agreements to be entered into and payment of sitting fees as Directors on the Boards of Company's subsidiaries on which they are appointed as Directors are subject to the approval of the Company in General Meeting. The Board recommends the General Meeting to approve the re-appointment of Mr. J.P.Nayak and Mr. Y.M.Deosthalee as Whole-time Directors of the Company as set forth in the resolutions vide item Nos. 8 & 9 of the notice.

Mr.J.P. Nayak and Mr.Y.M.Deosthalee are interested in the proposed respective resolution to the extent of the remuneration payable to each of them. No other Director is concerned or interested in the proposals.

**Item No.10**

The Board of Directors of the Company at its meeting held on 28<sup>th</sup> March, 2000, decided that the terms and conditions of appointment of the following Whole-time Directors be modified as follows :

	Salary per month (w.e.f.March 3, 2000)	Perquisites per annum	Commission per annum (for & from 1999-2000)	
Mr. A. Ramakrishna	Rs.1,00,000	Rs.9,00,000	0.065%	} of profit after tax
Mr. M. Karnani	Rs.1,00,000	Rs.9,00,000	0.065%	
Mr. K. Venkataramanan	Rs. 75,000	Rs.9,00,000	0.05%	
Mr. J. P. Nayak	-	-	0.05%	
Mr. Y. M. Deosthalee	-	-	0.05%	

The other terms & conditions of their appointment remain unchanged.

The above revision which is subject to the approval of the Company in General Meeting, is placed before the shareholders for their approval.

Mr. A. Ramakrishna, Mr. M. Karnani, Mr. J. P. Nayak, Mr. Y. M. Deosthalee and Mr. K. Venkataramanan the Whole-time Directors of the Company are interested in the resolution.

The draft of the supplemental agreements to be entered into by the Company with Mr. A. Ramakrishna, Mr. M. Karnani, Mr. J. P. Nayak, Mr. Y. M. Deosthalee and Mr. K. Venkataramanan are available for inspection of members at the Registered Office of the Company on all its working days except Saturdays between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting.

**Item No. 11 :**

Presently the non-executive directors are not paid any remuneration for their services, except sitting fees for each meeting of the Board and Committees thereof attended by them. The non-executive directors are also members of various committees of the Board. It is felt that the sitting fees is inadequate compensation for the time spent and responsibilities undertaken by the non-executive directors.

The Committee on Corporate Governance constituted by Securities and Exchange Board of India has recommended that compensation payable to non-executive directors of companies should be adequate so as to encourage active participation in the deliberations at the meetings of the Board and Committees and also to attract independent professionals to take up these positions. This practice of payment of remuneration to non-executive directors has been adopted by many leading companies in India. It is, therefore, proposed to pass the resolution at item No.11, enabling the Company to make payment of remuneration in the form of commission to non-executive directors, subject to a maximum of Rs. 30,00,000/- in aggregate, in a financial year. The quantum of remuneration payable to each of the non-executive directors will be decided by the Board of Directors. This resolution will be effective for a period of five years from 1st April, 2000.

All the directors other than Managing/Whole-time Directors are, or deemed to be, interested in the resolution.

**Item No. 12 :**

Mr. H. Holck-Larsen is the founder-director and Chairman Emeritus of the Company. During his visit to Mumbai in December 1999 for attending the Board Meetings of the Company, Mr. H. Holck-Larsen took seriously ill and was admitted to the intensive care unit of Breach Candy Hospital and was treated for nearly 2½ months. Hospitalisation and medical expenses amounting to Rs. 7.72 lakh approximately has so far been paid by the Company after obtaining the approval of the Board and the Reserve Bank of India.

As Mr. H. Holck-Larsen is a non-executive director of the Company, this payment by the Company may be deemed to be remuneration paid to him. The shareholders' approval by way of special resolution is required for this one-time payment, not exceeding Rs. 10,00,000/-.

Except Mr. H. Holck-Larsen, no other Director is interested in the resolution.

**Item No. 13 :**

Section 224A of the Companies Act, 1956 provides that in the case of a Company in which not less than 25% of the subscribed share capital is held whether singly or in any combination, by:

- a) a public financial institution or a Government Company or Central Government or any State Government, or
- b) any financial or other institution established by any Provincial or State Act in which a State Government holds not less than 51% of the subscribed share capital, or
- c) a nationalised bank or an insurance company carrying on general insurance business,

the appointment or re-appointment at each Annual General Meeting of an Auditor or Auditors shall be made by a Special Resolution.

The total share capital held by public financial institutions, nationalised banks and nationalised insurance companies is over 25% of the subscribed share capital of the Company. It is therefore necessary that the re-appointment of Auditors should be made by a Special Resolution.

The Directors recommend the resolution for approval of the shareholders.

None of the Directors of the Company is in any way concerned or interested in this resolution.

By Order of the Board of Directors  
for **LARSEN & TOUBRO LIMITED**

**S.V.SUBRAMANIAN**  
COMPANY SECRETARY

Mumbai 400 001  
Dated: 20<sup>th</sup> May, 2000

**Registered Office :**

L&T House  
Ballard Estate  
Mumbai 400 001.



# Directors' report

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended 31st March, 2000.

## FINANCIAL RESULTS

	1999-2000 Rs. crore	1998-1999 Rs. crore
Profit before depreciation and tax	662.74	709.26
Less: Depreciation on Fixed Assets	295.32	270.49
	367.42	438.77
Add: Transfer from Revaluation Reserve	2.14	2.35
Profit before tax & extraordinary item	369.56	441.12
Profit on transfer of undertaking/ sale of ships	12.57	81.12
Profit before tax	382.13	522.24
Provision for tax	40.50	51.50
Profit after tax	341.63	470.74
Add: Balance brought forward from previous year	31.50	28.12
Balance available for disposal which the Directors appropriate as follows :	373.13	498.86
Debenture Redemption Reserve	—	155.55
Foreign Projects Reserve	18.00	6.19
Housing Projects Reserve (including Rs. 1.83 crore for the previous year)	8.50	—
Interim Dividend/Dividend	161.82	161.82
Dividend Tax	17.77	
Dividend Tax on shares if and when allotted	0.03	17.80
General Reserve	100.00	126.00
	306.12	467.36
Balance to be carried forward	67.01	31.50

## DIVIDEND

The Directors have paid on 8th May, 2000 an interim dividend of Rs.6.50 per share of Rs. 10/- each on 24,85,45,098 shares

	161.56	161.54
The dividend in respect of 4,02,581 shares, payable if and when allotted	0.26	0.28
	161.82	161.82

The Directors do not recommend any final dividend.

## YEAR IN RETROSPECT

The Sales and other income for the financial year under review, were Rs. 7599.11 crore as against Rs. 7401.55 crore for the previous financial year registering a marginal increase of 2.7%. The Profit before tax (after interest and depreciation charges) of Rs. 382.13 crore and the Profit after tax of Rs. 341.63 crore for the financial year under review as against Rs. 522.24 crore and Rs. 470.74 crore respectively for the previous financial year, declined by 27%.

## FINANCE

During the year, the Company raised funds from wholesale debt market by issue of Secured Redeemable Non-Convertible Debentures on private placement basis aggregating Rs. 923 crore, and the issues were fully subscribed.

The Company redeemed the Secured Redeemable Non-Convertible Debentures (Regular Return Bonds) aggregating Rs. 366.16 crore, by exercising the early redemption option and also redeemed some of the privately placed debentures aggregating Rs. 225 crore.

## CAPITAL EXPENDITURE

As at 31st March, 2000, the gross fixed assets stood at Rs. 6066.14 crore and the net fixed assets at Rs. 4588.73 crore. Additions during the year amounted to Rs. 699.54 crore.

## DEPOSITS

2239 deposits totalling Rs. 1.76 crore due for repayment on or before 31st March, 2000 were not claimed by the depositors on that date. As on the date of this report, deposits aggregating Rs. 0.46 crore thereof have been claimed and paid or renewed.

## SUBSIDIARY COMPANIES

During the year, the Company acquired 95.54% of voting capital of Narmada Cement Company Limited (NCCL) after complying with the Securities and Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997.

During the year under review, L&T Information Technology Limited (LTITL), a subsidiary of the Company, formed a wholly owned subsidiary company L&T Information Technology GmbH, in Germany and subscribed an amount equivalent to Rs. 11,40,650/- towards equity capital.

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts, the Reports of the Board of Directors and Auditors of the following companies are annexed.

Name of the Company	For the year ended
1. L&T-ECC Construction (M) Sdn.Bhd., Malaysia	31 <sup>st</sup> December 1999 (15 Months)
2. Larsen and Toubro Ceylinco (Private) Limited, Sri Lanka	31 <sup>st</sup> December 1999
3. L&T Finance Limited	31 <sup>st</sup> December 1999
4. LTM Limited	31 <sup>st</sup> March 2000
5. L&T Netcom Limited	31 <sup>st</sup> March 2000
6. L&T Information Technology Limited	31 <sup>st</sup> March 2000
7. L&T Infocity Limited	31 <sup>st</sup> March 2000
8. L&T Transportation Infrastructure Limited	31 <sup>st</sup> March 2000
9. HPL Cogeneration Limited	31 <sup>st</sup> March 2000
10. Narmada Infrastructure Construction Enterprise Limited	31 <sup>st</sup> March 2000
11. India Infrastructure Developers Limited	31 <sup>st</sup> March 2000
12. L&T Information Technology GmbH	31 <sup>st</sup> March 2000
13. Narmada Cement Company Limited	31 <sup>st</sup> March 2000

**AUDITORS' REPORT**

The notes to the Accounts Nos. 12, 19 & 20 referred to in the Auditors' Report are self-explanatory.

**DISCLOSURE OF PARTICULARS**

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure 'A' forming part of this report.

**OTHER DISCLOSURES**

The disclosures required to be made under the guidelines on Employee Stock Option Scheme are given in Annexure 'B'

Pursuant to clause 49 of the Listing Agreement, a report on Corporate Governance is given in Annexure 'C'.

**PERSONNEL**

The Board of Directors wishes to express its appreciation to all the employees of the Company for their outstanding contribution to the operations of the Company during the year. Information as per Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended, is given in Annexure 'D' forming part of this report.

**DIRECTORS**

Mr. A.S. Gupta resigned as Director of the Company with effect from 31<sup>st</sup> August 1999. Mr. Gupta joined the Board of Directors as representative of Life Insurance Corporation of India on

13<sup>th</sup> July 1984 and has served as a member on the Board for the last 15 years. He has chaired the meetings of the Board from the year 1991 and also served as a member of various special committees appointed by the Board from time to time. The Directors record their appreciation of the valuable services rendered by Mr. A.S. Gupta as a Director of the Company.

Mr. A. D. Ambani, Dr. G. Armbruster, Mr. P. M. Venkatasubramanian, Mr. A. Ramakrishna and Mr. M. Karnani retire from the Board of Directors by rotation and are eligible for re-appointment.

Dr. Basudeb Sen, who was appointed in a casual vacancy will hold office up to the date of the ensuing Annual General Meeting and is eligible for re-appointment.

**AUDITORS**

The Auditors, M/s. Sharp & Tannan, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

For and on behalf of the Board

**S.S. MARATHE**                      **A.M. NAIK**  
Director                      Managing Director

Mumbai, 20th May, 2000.

**Annexure 'A' to the Directors' Report****A] CONSERVATION OF ENERGY:****(a) Energy conservation measures taken :**

- Replacing welding generators with rectifiers/inverters.
- Using energy efficient compressors in place of old ones.
- Installing in cement plants, high efficiency energy saving equipment like cooler fans, smoke gas fans, gas conditioning tower and tertiary crusher.
- Replacing motor generator sets by variable speed drives.
- Modifying equipment like furnaces, A/C plants to be suitable for switching over to cheaper fuel like natural gas in place of LPG or diesel.
- Generating air pressure only when needed, by installing constant pressure system on compressor.
- Using hot gases from clinker cooler for supplementing drying of slag / fly-ash for grinding in cement mill.
- Saving energy in compressors of A/C plants by :
  - Minimising duration for heating of lubricant oil.
  - Controlling rate of flow of chilled water to optimise heat transfer.

- Minimised idle running of equipment like pumps, lights and drilling machines.

- Continuation of measures taken in earlier years.

**(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :**

- Installation of high efficiency burners.
- Using environment friendly green gas generator, for gas cutting operation.
- Modifying ovens to be suitable for use of natural gas in place of diesel / LPG.
- Installing controllers on crushers/elevators to match output to load requirement.
- Saving energy by supplying bare minimum voltage for lighting circuit.
- Increasing scale of measures taken in the past.

**(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :**

- The measures taken have resulted in savings in the cost of production.