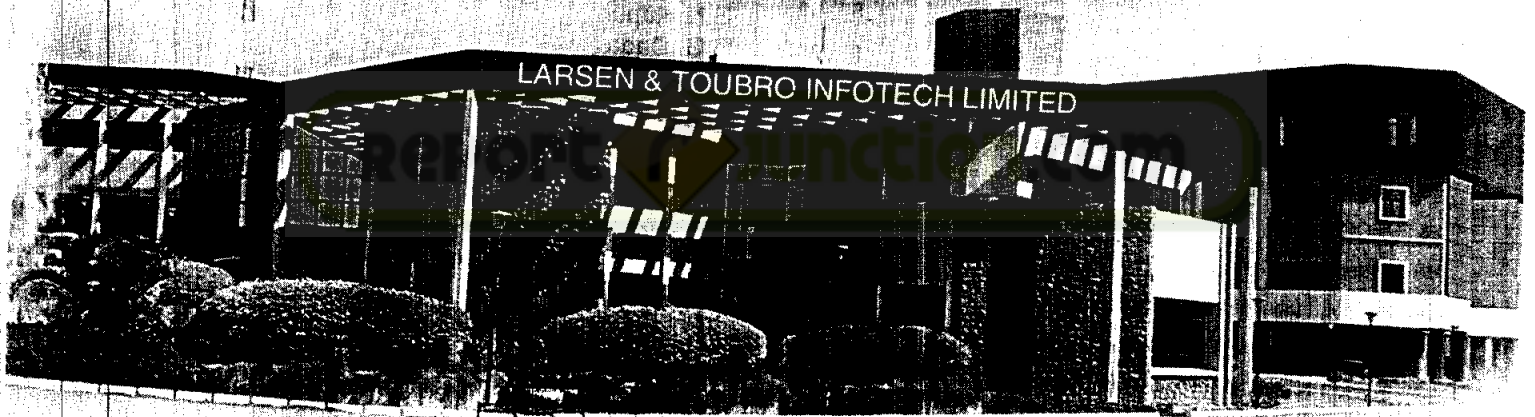
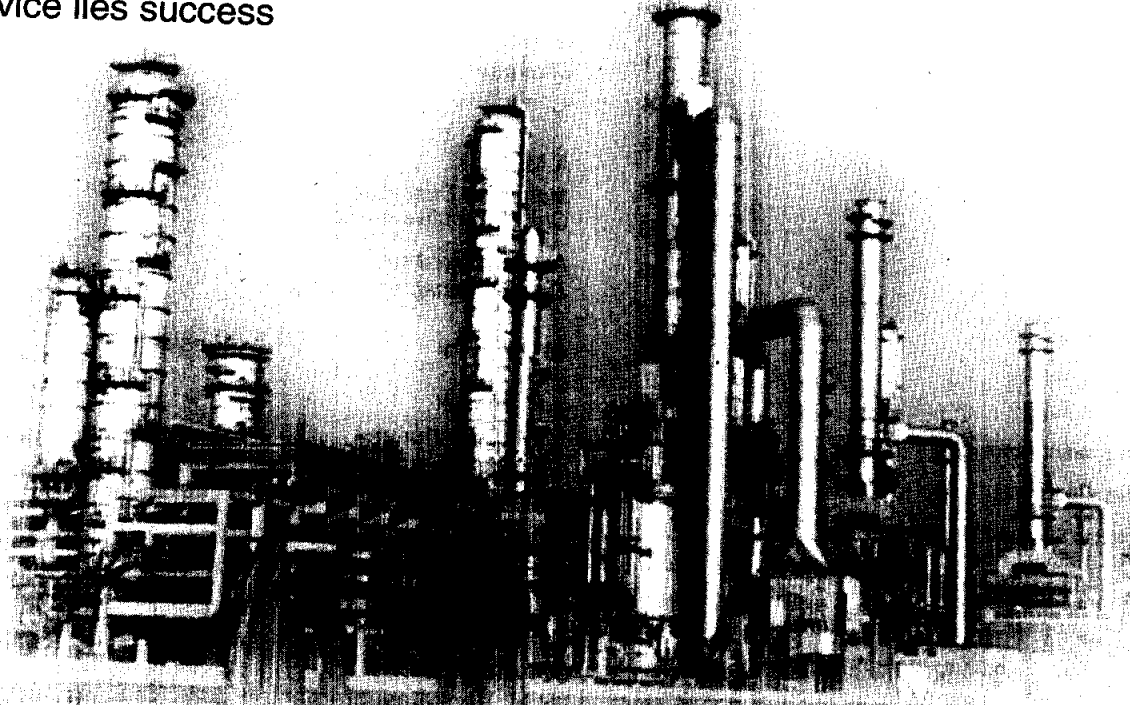




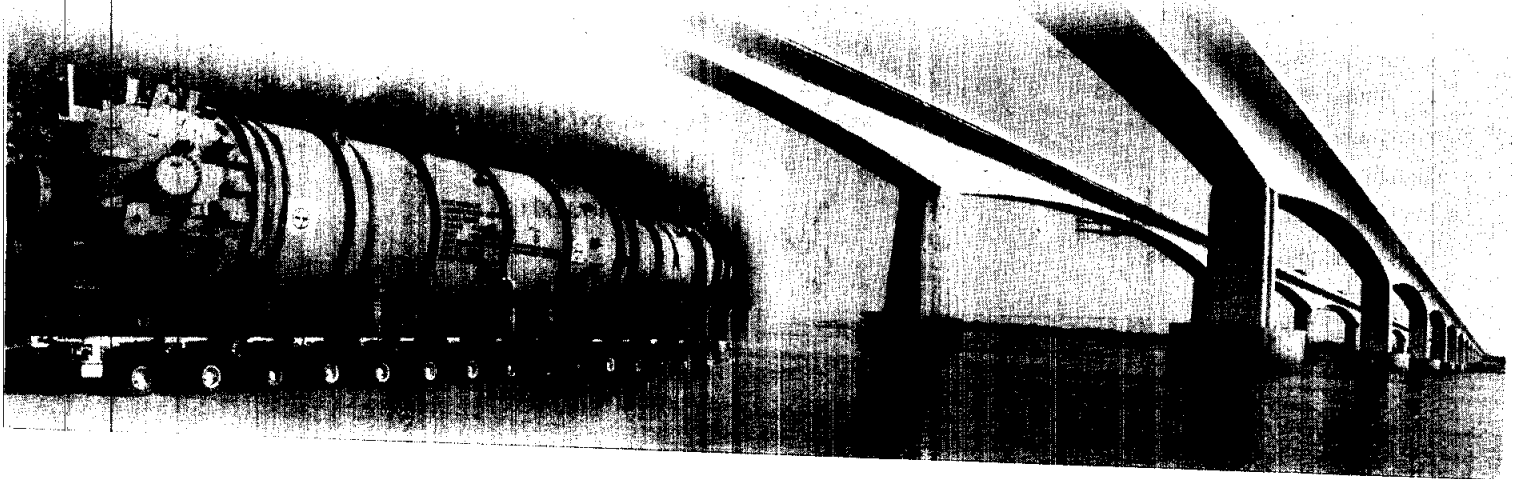
# LARSEN & TOUBRO LIMITED

## ANNUAL REPORT 2000-2001

In service lies success



We make the things that make India proud



# Fiftysixth annual report 2000-2001

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**FIFTYSIXTH ANNUAL GENERAL MEETING**  
at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020  
on Friday, 20th July, 2001 at 3.00 p.m.

## 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  
K. Venkataramanan Senior Vice Presidents

S.S. Marathe  
M.D. Ambani  
M.L. Bhakta  
A.D. Ambani  
D.V. Kapur  
G. Armbruster  
P.M. Venkatasubramanian  
S.K. Kapur  
B.G. Daga  
A. Ramamurthy

## 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

**A.M. Naik**

Dear Shareholders,

The year ended March 2001 was very challenging for the engineering industry. The capital goods sector reported a decline in growth rate from 11.8% to 1.4% over the last two years. A series of natural calamities during the last three years including the recent earthquake in Gujarat had a dampening effect on the economy.

Excess capacity in the end-user industries like steel, cement, paper, etc. coupled with the lack of investment in other sectors such as power, fertilizers and refineries, not only in India but also in the neighbouring countries, has adversely affected growth opportunities for manufacturers of capital goods. Moreover, slowdown in some of the leading Western and Asian economies has resulted in aggressive and unrealistic competition for relatively small markets in and around India. All this had an impact on your company's performance.

Last year we launched the Project Blue Chip across the company with an objective of enhancing shareholder value. I am happy to inform you that we are making satisfactory progress in its implementation. Restructuring of business portfolios and domestic marketing network has been completed. The new Performance Measurement System (PMS) has been implemented and value drivers for operating divisions as well as strategic business units have been institutionalised. Standards have been set for these value drivers to monitor performance.

We are now intensifying our efforts to benchmark our performance with the world's best practices and businesses. Markets have been identified and senior executives have been assigned portfolios to drive businesses globally. Other initiatives, in our quest to emerge as an Indian Multinational, include pre-qualification for international bidding, accreditation, quality standards for design & manufacture and upgrading our skills & infrastructure to meet world standards. We have seen signs of early success in the form of new orders recently booked for executing projects abroad.

One of the challenges faced by all the companies today is retaining and attracting talent. In the last few months several initiatives like Management Leadership Programme (MLP) have been launched to identify and nurture leadership talent in the company. Employees with business leadership potential are being identified and will be groomed through periodic job rotation

and multifunctional higher level responsibilities to develop them into high performing managers. A succession-planning exercise for senior positions across the company is also being implemented.

With increased competition in the domestic and international markets, continuous efforts are being made to bring down operating cost through extensive use of information technology, global sourcing and right sizing of manpower. In our cement business, manufacturing cost has been brought down to one of the lowest in India, over the last two years and efforts are now being made to optimise logistics management.

In my previous communication, I had mentioned that the Information Technology business would emerge as one of our thrust areas. Our objective is to increase market penetration and leverage L&T's knowledge base as well as its global relationships. With this in view, an organisational restructuring of Larsen & Toubro Infotech Limited was undertaken. I am glad to inform you that our efforts have yielded good results.

As a natural extension of our engineering capabilities, we have set up a business unit, L&T-e-Engineering Solutions, to offer high-end software solutions in the field of conceptual & engineering design, product data management, collaborative product engineering, etc.

#### **Earthquake in Gujarat**

Large areas in the State of Gujarat suffered enormous loss of life and property in the earthquake that hit the state on January 26, 2001.

Soon thereafter, the company mobilised its resources to render assistance to the affected people. Its construction machinery was immediately moved to affected areas and teams of employees as well as doctors & nurses were also sent to provide relief.

Furthermore, the company has committed to contribute Rs. 5 crore to the relief efforts and has adopted two villages under the rehabilitation scheme of the Gujarat Government.

#### **Future Outlook**

In the recent past, the Government of India has taken a number of initiatives to boost investments primarily in the transportation sector. We also welcome the Government's announcement to consider opening up of defence production for the private sector.

Recent increase in the oil prices is also expected to spurt investment in the Hydro Carbon Sector in the oil producing countries. We see this as an opportunity for your company.

Notwithstanding the slowdown in the US economy, we see a considerable growth potential for our IT business with our vast domain & functional knowledge and equally strong global delivery model.

Your company has, over the years, played an important role in strengthening India's core sector and infrastructure. We will continue to enhance our competitiveness and do our best towards growth of the Indian Economy.

I take this opportunity to thank you for your continued support to the management of the company.

**A.M. Naik**

*Managing Director and CEO*

29th May, 2001

# Notice

**NOTICE IS HEREBY GIVEN THAT** the Fifty Sixth Annual General Meeting of LARSEN & TOUBRO LIMITED will be held at Birla Matushri Sabhagar, 19 Marine Lines, Mumbai 400 020, on Friday, the 20th July, 2001 at 3.00 p.m. to transact the following business:

- To consider and adopt the Balance Sheet as at 31st March 2001, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
- To declare a dividend.
- To appoint a Director in place of Mr. J. P. Nayak, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Mr. Y. M. Deosthalee, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Dr. D. V. Kapur, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Mr. S. S. Marathe, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Mr. H. Holck-Larsen, who retires by rotation and is eligible for re-appointment.
- To appoint a Director in place of Mr. A. Ramamurthy 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.
- To consider and, if thought fit, to pass with or without modification, the following Resolution as a **SPECIAL RESOLUTION**:  

**"RESOLVED THAT** the remuneration payable to Messrs. Sharp & Tannan, Auditors, for the year 2000-01, be increased from the earlier approved Rs. 30,00,000/- (Rs. Thirty Lac only), to Rs. 31,35,000/- (Rs. Thirty One Lac Thirty Five Thousand only) exclusive of service tax, travelling and other out of pocket expenses."
- 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 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. 31,35,000/- (Rs. Thirty One Lac Thirty Five Thousand 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, 29<sup>th</sup> May, 2001

**Registered Office:**  
L&T House, Ballard Estate,  
Mumbai 400 001.

## NOTES:

- 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 No. 8 to 10 set out above are annexed hereto.
- 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.
- The Register of Members and Transfer Books of the Company will be closed from Friday, 6<sup>th</sup> July, 2001 to Friday, 20<sup>th</sup> July, 2001.
- 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.
- Members/proxies should bring their attendance slips duly filled in for attending the meeting.
- 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.
- The Company has already transferred unclaimed Dividend, declared upto the financial year ended 31<sup>st</sup> March, 1996 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 are as follows:

Dividend No.	Date of Declaration	For the Financial Year	Due for Transfer on
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 the earlier years may approach the Company's Investor Services Centre at Bakhtawar, Nariman Point, Mumbai 400 021 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. <b>Name:</b>	Mr. Jagdish Pandurang Nayak
<b>Age:</b>	57 years
<b>Qualifications:</b>	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 3<sup>rd</sup> March, 1995. He is also a member of Shareholders' Grievance Committee.

**Other Directorships:**

Name of the Company	Position held	Committee Type	Membership Status
1. LTM Limited	Director		
2. Narmada Cement Company Limited	Director	Audit	Member
3. L&T Finance Limited	Director	Audit	Member
4. L&T Information Technology Limited	Director		
5. L&T Equipment Leasing Company Limited	Director		
6. L&T Cement Limited	Director		
7. Tractor Engineers Limited	Director		
8. Audco India Limited	Director		
9. Ewac Alloys Limited	Director	Audit	Chairman
10. Gujarat Leather Industries Limited	Director		
11. L&T-Komatsu Limited	Director		
12. L&T-John Deere Limited	Director		
13. L&T-Case Equipment Limited	Director		
14. L&T-Demag Plastics Machinery Pvt Limited	Director		

**2. Name:****Age:****Qualifications:****Expertise:**

Mr. Yeshwant Moreswar Deosthalee  
54 years

B.Com. LL.B. ACA

Vast experience in finance, personnel and HR functions

Director of the Company since 3<sup>rd</sup> March, 1995.

**Other Directorships:**

Name of the Company	Position held	Committee Type	Membership Status
1. Narmada Cement Company Limited	Director	Audit	Member
2. L&T Finance Limited	Director	Audit	Member
3. L&T Information Technology Limited	Director		
4. L&T Infocity Limited	Director		
5. L&T Capital Company Limited	Director		
6. L&T Trade.com Limited	Director		
7. L&T Cement Limited	Director		
8. Bhilai Power Supply Company Limited	Director		
9. L&T-Komatsu Limited	Director		
10. L&T-John Deere Limited	Director		
11. Dhamra Port Company Limited	Director		
12. L&T-Case Equipment Limited	Director		
13. L&T Communications Limited	Director		
14. International Seaports Pte Limited*	Director		
15. Larsen & Toubro Ceylinc (Pvt) Limited*	Director		

\* Company incorporated outside India

**3. Name:****Age:****Qualifications:****Expertise:**

Dr. D. V. Kapur

72 years

B.E. (Electricals)

In building vibrant organisation and successful project implementation; establishment of system oriented National Thermal Power Corporation (NTPC).

Director of the Company since 5<sup>th</sup> September, 1989.

Member of the Shareholders' Grievance Committee.

**Other Directorships:**

Name of the Company	Position held	Committee Type	Membership Status
1. Reliance Industries Limited	Director		
2. Reliance Power Limited	Chairman		
3. Reliance Salgaocar Power Company Limited	Director		
4. Reliance Utilities & Power Limited	Director		
5. Jacobs H&G Limited	Chairman		
6. GKN Driveshafts (India) Limited	Chairman	Audit	Chairman
7. Tata Chemicals Limited	Director		
8. Honda Sail Power Products Limited	Director	Audit	Chairman
9. Zenith Limited	Director		
10. DLF Power Limited	Director		
11. DCM Hyundai Limited	Director		
12. Drivetech Accessories Limited	Director		

**4. Name:****Age:****Qualifications:****Expertise:**

Mr. S. S. Marathe

78 years

M.A. (Economics)

Economist.

Director of the Company since 24<sup>th</sup> April, 1987. He is also the Chairman of the Shareholders' Grievance Committee.

**Other Directorships:**

Name of the Company	Position held	Committee Type	Membership Status
1. Sandvik Asia Limited	Vice-Chairman	Audit	Member
2. Automotive Axles Limited	Director	Audit	Member
3. Bajaj Tempo Limited	Director	Audit	Member
4. Bharat Forge Limited	Director	Audit	Member
5. Deepak Fertilizers & Chemicals Limited	Director	Audit	Chairman
6. Finolex Industries Limited	Director		
7. Glaxo India Limited	Director	Audit	Member
8. Indian Organic Chemicals Limited	Director	Audit	Chairman
9. Kinetic Motors Limited	Director		
10. Kirloskar Brothers Limited	Director	Audit Remuneration	Member Member
11. Kirloskar Electric Limited	Director		
12. Mandovi Pellets Limited	Director		
13. Tata Asset Management Company Limited	Director		
14. P.P. Holdings Private Limited*	Director		



Name of the Company	Position held	Committee Type	Membership Status
15. Accord Solutions Private Limited *	Director		
16. GDA Trust Management Private Limited *	Director		
17. Pan Gulf Group Limited **	Director		
* Private Company			
** Company incorporated outside India			

5. **Name:** Mr. H. Holck-Larsen  
**Age:** 93 years  
**Qualifications:** Master's Degree in Chemical Engineering.  
**Expertise:** Engineering. He is one of the founders of the Company.  
 Director of the Company since 30<sup>th</sup> December, 1999.

**Other Directorships:** Nil

**Membership/Chairmanship in Committees** Nil

6. **Name:** Mr. A. Ramamurthy  
**Age:** 58 years  
**Qualifications:** M.Sc.  
**Expertise:** Insurance Sector and Information Technology.  
 Director of the Company since 20<sup>th</sup> April, 2001

**Other Directorships :**

Name of the Company	Position held	Committee Type	Membership Status
1. LIC of India	Director		
2. Jeevan Bhima Sahayog Asset Management Company	Director		
3. Bajaj Hindustan Limited	Director		
4. Asea Brown Boveri Limited	Director	Audit	Member
5. Tinplate Company of India Limited	Director	Audit	Member
6. LIC (Int'l) EC, Bahrain	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. 8 to 10 of the accompanying Notice dated 29<sup>th</sup> May, 2001.

##### Item No. 8

Mr. Ayodhya Ramamurthy was appointed as a Director of the Company on 20<sup>th</sup> April, 2001 in the casual vacancy caused by resignation of Mr. G.P. Kohli. Pursuant to Section 262 of the Companies Act, 1956, Mr. A. Ramamurthy will hold the office of a Director upto the date of the ensuing Annual General Meeting when Mr. G.P. Kohli would have retired, had he continued as a Director. The Company has received a notice in writing from a member proposing the candidature of Mr. A. Ramamurthy 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 Mr. A. Ramamurthy is interested in this resolution.

##### Item No. 9 :

At the last Annual General Meeting, the remuneration of the Statutory Auditors of the Company for the year 2000-2001, was fixed at Rs. 30,00,000/- (Rs. Thirty Lac only) exclusive of service tax, travelling and other out of pocket expenses.

Effective 1st April, 2000, the Company acquired the rubber processing machinery business, which was carried on by LTM Limited, wholly owned subsidiary of the Company. This increased the scope of auditing work undertaken by the auditors. It is therefore proposed to increase the remuneration payable to the auditors by Rs. 1,35,000/-, which is commensurate with the scope and coverage of the audit undertaken. The total remuneration payable for the year would work out to Rs.31,35,000/-.

The approval of members is sought under Section 224A for the increase in the payment of remuneration for the year 2000-2001.

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.

##### Item No. 10 :

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 public financial institution or a Government Company or Central Government or any State Government, or
- 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
- 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, 29<sup>th</sup> May, 2001

##### Registered Office:

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

# Directors' report

LARSEN &amp; TOUBRO LIMITED

The Directors have pleasure in presenting their Annual Report and Accounts for the year ended 31st March, 2001.

## FINANCIAL RESULTS

	2000-2001 Rs. crore	1999-2000 Rs. crore
Profit before depreciation and tax	651.83	662.74
Less: Depreciation on Fixed Assets	315.51	295.32
	<u>336.32</u>	<u>367.42</u>
Add: Transfer from Revaluation Reserve	2.38	2.14
Profit before tax & extraordinary item	338.70	369.56
Profit on transfer of undertaking	-	12.57
Profit before tax	338.70	382.13
Provision for tax	23.64	40.50
Profit after tax	315.06	341.63
Add: Balance brought forward from previous year	67.01	31.50
Balance available for disposal which the Directors appropriate as follows :	<u>382.07</u>	<u>373.13</u>
Debenture Redemption Reserve	97.85	-
Foreign Projects Reserve	9.15	18.00
Housing Projects Reserve	13.35	8.50
Dividend/ Interim Dividend	161.85	161.82
Dividend Tax 16.48		
Dividend Tax on shares if and when allotted 0.03	16.51	17.80
General Reserve	35.00	100.00
	<u>333.71</u>	<u>306.12</u>
Balance to be carried forward	<u>48.36</u>	<u>67.01</u>

## DIVIDEND

The Directors recommend payment of dividend of Rs. 6.50 per share of Rs. 10/- each on 24,85,45,098 shares and prorata dividend in respect of 1,04,318 shares allotted effective 1.09.2000 under ESOP at Rs. 3.79 per share

The dividend in respect of 4,02,581 shares, payable if and when allotted

161.59	161.56
0.26	0.26
<u>161.85</u>	<u>161.82</u>

## YEAR IN RETROSPECT

The Sales and other income for the financial year under review, were Rs. 8035.09 crore as against Rs. 7599.11 crore for the previous financial year registering a marginal increase of 5.7%. The Profit before tax (after interest and depreciation charges) of Rs. 338.70 crore and the Profit after tax of Rs. 315.06 crore for the financial year under review as against Rs. 382.13 crore and Rs. 341.63 crore respectively for the previous financial year, declined by 11.4% and 7.8% respectively.

## 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. 613 crore, and the issues were fully subscribed.

The Company redeemed some of the privately placed debentures aggregating Rs. 432 crore.

## CAPITAL EXPENDITURE

As at 31st March, 2001, the gross fixed assets stood at Rs. 6441.27 crore and the net fixed assets at Rs. 4670.99 crore. Additions during the year amounted to Rs. 513.72 crore.

## DEPOSITS

1282 deposits totalling Rs. 1 crore due for repayment on or before 31st March, 2001 were not claimed by the depositors on that date. As on the date of this report, deposits aggregating Rs.0.21 crore thereof have been claimed and paid or renewed.

## SUBSIDIARY COMPANIES

During the year, the Company increased its holding in Narmada Cement Company Limited (NCCL) consequent upon conversion of 1,75,000 FCDs of Rs.100/- each into 1,75,00,000 equity shares of Rs.10/- each and 41,40,000 partly paid up equity shares into fully paid up equity shares of Rs. 10/- each, upon payment of call money. The Company also acquired 60,320 equity shares offered by the shareholders of NCCL pursuant to the public offer.

The Company also subscribed and acquired 99.99% of the equity shares in L&T Western India Tollbridge Limited, L&T Cement Limited, L&T Equipment Leasing Company Limited and L&T Holdings Limited. During the year under review, the Company formed a subsidiary company, Larsen & Toubro LLC in Delaware in U.S.A. The Company's wholly owned subsidiary L&T Finance Limited subscribed and acquired 99.99% equity shares in L&T Capital Company Limited and L&T Trade.com Limited. These companies have thus become subsidiaries of the Company.

Effective 1st April, 2000, the Company acquired, as a going concern, the Rubber Processing Machinery business of LTM Limited, a wholly owned subsidiary of the Company, for a lump sum consideration of Rs. 25.13 crore.

L&T Finance Limited has extended its financial year up to 31st March, 2001 and hereafter will close its accounts on 31st March, every year.

The Company disinvested part of its holding in Narmada Infrastructure Construction Enterprise Limited and L&T Transportation Infrastructure Limited.

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 subsidiary companies are annexed.

Larsen & Toubro LLC and L&T Holdings Limited were incorporated on 2nd January, 2001 and 26th February, 2001 respectively. These companies have not closed their financial year as of 31st March, 2001.

## AUDITORS' REPORT

The Auditors' Report to the Shareholders do not contain any qualifications.

## 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 Employees Stock Option Scheme are given in Annexure "B".

During the year, employees who had exercised their options granted and vested under the Employees Stock Option Scheme (B) were allotted 1,04,318 shares effective 1st September, 2000.

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' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- that the selected accounting policies were applied consistently and the directors made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2001 and of the profit of the Company for the year ended on that date;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual accounts have been prepared on a going concern basis.

#### DIRECTORS

Dr. Basudeb Sen resigned as Director of the Company with effect from 18th October, 2000. He was a Director since 25th January, 1999, representing Unit Trust of India. Mr. G.P. Kohli resigned as Director of the Company with effect from 20th

April, 2001. He was a Director of the Company since 18th September, 1997, representing Life Insurance Corporation of India.

The Directors record their appreciation of the valuable services rendered by Dr. Basudeb Sen and Mr. G.P. Kohli.

At the meeting held on 18th October, 2000, Mr. Brij Gopal Daga was appointed Director of the Company in casual vacancy caused by the resignation of Dr. Basudeb Sen.

At the meeting held on 20th April, 2001, Mr. A. Ramamurthy was appointed Director of the company in casual vacancy caused by the resignation of Mr. G.P. Kohli. Mr. Ramamurthy will hold office up to the date of the ensuing Annual General Meeting when Mr. G. P. Kohli would have retired by rotation and is eligible for re-appointment.

Mr. J.P. Nayak, Mr. Y.M. Deosthalee, Dr. D.V. Kapur, Mr. S.S. Marathe and Mr. H. Holck-Larsen retire from the Board of Directors by rotation and are 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.

#### ACKNOWLEDGEMENT

The Board of Directors thanks the Financial Institutions, Banks, Government Authorities and all the stakeholders for their continued co-operation and support to your Company.

For and on behalf of the Board

**S.S. MARATHE**  
Director

**A.M. NAIK**  
Managing Director

Mumbai, 29th May, 2001

### Annexure 'A' to the Directors' Report

(Additional information given in terms of notification issued by the Department of Company Affairs)

#### A CONSERVATION OF ENERGY:

##### (a) Energy conservation measures taken :

- Installation of high efficiency burners.
- Modifying ovens/furnaces for switching over to cheaper/cleaner fuel like natural gas in place of LPG or diesel, and changing indirect heating to direct heating
- Controlling crushers/elevators and compressors to match output to load requirement.
- Applying appropriate voltage to lighting circuit.
- Improving natural light by measures like use of polycarbonate roof, opening windows, studying illumination needs and eliminating tube lights.
- Installing Power factor controller/capacitors to conserve energy.
- Increasing use of cost effective power from captive plant.
- Reducing leakage of compressed air.
- Reducing energy consumption of fans by
  - installing low pressure drop cyclones.
  - using aerodynamically designed blades.
- Replacing illuminating devices with energy efficient ones.

- Maintaining old machinery in good condition, retrofitting or replacing with energy efficient ones.
- Optimising use of central compressor (running at low pressure) by using dedicated compressors special loads (high pressure low discharge).
- Replacing welding generators with rectifiers/inverters.
- Minimising idle running of equipment like air conditioners, pumps, lights, drilling machines, HF generators and Welding machines.
- Continuation and increasing scale of measures taken in earlier years.

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

- Using cheaper gas, Butane, in place of Acetylene for gas cutting.
- Fixing occupancy sensors to switch on/off air conditioners.
- Using environment friendly green gas generator, for gas cutting operation.
- Conducting energy audit.
- Installation of variable frequency drives and SPRS.

##### (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.



## (d) Total Energy Consumption and Energy Consumption per unit of production as per Form A in respect of industries specified in the Schedule:

## FORM A

## Disclosure of particulars with respect to conservation of energy

## A. POWER AND FUEL CONSUMPTION

		Glass 2000-2001	Glass 1999-2000	Cement 2000-2001	Cement 1999-2000
<b>1. Electricity:</b>					
(a) Purchased					
Unit	'000 kWh	18104	23439	210220	278750
Total Amount	Rs. Crore	6.85	9.19	86.33	116.83
Rate/Unit	Rs.	3.78	3.92	4.06	4.19
(b) Own generation					
(i) Through diesel generator					
Unit	'000 kWh	58.63	67.68	293123	305513
Units (kWh) per ltr. of fuel oil	kWh/ltr.	3.46	2.76	4.05	4.15
Cost/Unit	Rs.	4.46	4.12	2.38	1.98
(ii) Through Steam Turbine/Generator					
Unit	'000 kWh	Nil	Nil	273770	267103
Units (kWh) per kg of Coal	kWh/kg			1.08	1.05
Cost/Unit	Rs.			1.03	1.05
(iii) Through Steam Turbine/Generator					
Unit	'000 kWh	Nil	Nil	263356	185876
Units (kWh) per kg of Naphtha	kWh/kg			3.37	2.44
Cost/Unit	Rs.			2.89	2.96
<b>2. Coal:</b>					
i) Used in kilns:					
Calorific value range	kcal/kg			3800-6750	3800-6750
Quantity	Tonnes			1603558	1596594
Total cost	Rs. Crore	Nil	Nil	260.60	229.77
Average rate	Rs./Tonne			1625	1439
ii) Used in Captive power plants:					
Calorific value range	kcal/kg			3800-4200	3800-4200
Quantity	Tonnes			254527	253104
Total Cost	Rs. Crore	Nil	Nil	28.73	27.94
Average rate	Rs./Tonne			1129	1104
<b>3. Furnace Oil: *</b>					
Quantity	k. ltrs.	8137	10503	165763	159687
Total cost	Rs. Crore	7.30	8.26	160.93	119.09
Average Rate	Rs./k. ltr.	8972	7860	9708	7457
<b>4. Others: Propane/LPG</b>					
Quantity	Tonnes	1936	2277		
Total Cost	Rs. Crore	3.13	2.53	Nil	Nil
Rate/Unit	Rs./Tonne	16167	11110		

## B. CONSUMPTION PER UNIT OF PRODUCTION:

Product :	Tonne	2000-2001 Glass	1999-2000 Glass	2000-2001 Cement	1999-2000 Cement
Electricity	kWh	364	338	91	94
Furnace Oil *	ltr.	163	151	0.43	0.50
Coal	Tonne	Nil	Nil	0.13	0.14
Calorific value range of coal	kcal/kg			3800-6750	3800-6750
Propane	kg	39	33	Nil	Nil

\* includes HFO, HSD, LDO &amp; Naphtha

## B] TECHNOLOGY ABSORPTION:

## (e) Efforts made in technology absorption as per Form B

## FORM B

## (Disclosure of particulars with respect to Technology Absorption)

## RESEARCH AND DEVELOPMENT (R &amp; D):

## 1. Specific areas in which R&amp;D carried out by the Company :

- Development of new products/designs/processes/methods/materials/machines/tools, improvement of systems in existing products/processes in related manufacturing areas of electrical/electronic switchgear products, medical equipments, energy meters & relays, petrol dispensing pumps, industrial machinery, defence equipment, glass bottles, transmission and towers, various types of concrete: high performance, aerated/foam/light-weight, self compacting, low shrinkage, concrete using fly-ash, blast furnace slag and less portland clinker, third generation plasticizers, factory made panel system and construction methods, value engineering, analytical engineering, cement/mineral/chemical/thermal processes, process simulation, Developing capabilities for welding difficult materials, configurations, weld overlays, conserving weld metal, improving finish and reducing cycle time.
- Testing & Certification of existing products for conformity to new Indian/International standards.

## 2. Benefits derived as a result of above R &amp; D :

- Indigenisation / Import substitution.
- Cost reduction / competitive pricing, Improved utilization/productivity of existing manufacturing facilities, materials & energy.
- Technology upgradation.
- Enhancement in quality and service to the customers.
- Development of new designs in products and processes.
- Maintaining market leadership / preparedness to counter competition.
- Being eco-friendly and reducing environmental pollution.
- Reducing manufacturing / delivery time.
- Making products user friendly.
- Meeting unique needs of the customers.
- Attaining Qualification of our processes from internationally recognised bodies.

3.	<b>Future Plan of Action :</b>		
	<ul style="list-style-type: none"><li>Continuation of the present work in R&amp;D for introduction of new products and processes, improvement in the existing products and processes in various areas in which the Company is operating.</li><li>Faster introduction of new products and processes for catering to changing needs of customers</li><li>Strengthening infrastructure for R&amp;D.</li><li>Improving interaction with research / educational institutions.</li></ul>		
4.	<b>Expenditure on R &amp; D :</b>		(Rs. crore)
		<b>2000-2001</b>	<b>1999-2000</b>
	(a) Capital	1.29	0.69
	(b) Recurring	18.06	17.02
	(c) Total	19.35	17.71
	(d) Total R&D Expenditure as a percentage of total turnover	0.26%	0.25%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. **Efforts in brief, made towards technology absorption, adaptation and innovation :**
- Training of personnel abroad for exposure to the latest products / designs, manufacturing technologies and construction practices.
  - Participating in national/international conferences, seminars and exhibitions.
  - Imparting training to personnel by foreign technicians in various manufacturing / construction techniques.
  - Evaluation/adaptation/modification of imported designs/technologies to suit indigenous requirements, alternative materials/components.
  - Parametric studies, evolving theoretical models duly validated by experimental studies conducted at in-house laboratories and pilot plants as well as feedback and operating data during commissioning of various plants and machinery.
  - Collaborative efforts with Indian educational institutions for technology upgradation.
  - Developing Technology for products/processes in house.
  - Learning technology by working with world leaders.
  - Analysing feedback from users to improve products & services.
2. **Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc. :**
- Improvement in existing processes and product quality, performance, productivity, safety, product reliability & serviceability to attain global standards.
  - Cost reduction and competitive pricing.
  - Reducing capital cost, and maintenance/ operating cost to end user.
  - Import substitution and reduced dependence on collaborators.
  - Introduction of new products with indigenous know-how.
  - Better accuracy, speed, safety standards, aesthetics and economy in construction jobs
  - Saving in Foreign Exchange.
3. **Information regarding technology imported during the last 5 years**

TECHNOLOGY IMPORTED		YEAR OF IMPORT	STATUS
1	Fired Heaters for Retineries, Petrochemicals & fertilizers	1996	Absorbed
2	Design & Driving of hollow precast / prestressed piles	1996	Absorbed
3	85 T Rigid Dumpers	1996	Abandoned
4	Precast segmental construction of box girders for bridges/viaduct superstructure	1997	Absorbed
5	Cryogenic storage of liquefied gases	1998	Absorbed
6	High lift wagon tippler, Side arm charger and barrel reclaimer	1998	Absorbed
7	Spreader mobile transfer car, Ship loaders, Level lifting cranes	1998	Under absorption
8	Dense phase ash handling system	1998	
9	Low pressure synthesis process for ammonia	1999	Absorbed
10	Modular formwork & H-20 steel beams as replacement of timber beams	1999	Absorbed
11	Helical heat exchanger	2000	Absorbed
12	High speed paper machines using Recycled waste Paper	2000	Under absorption
13	Global Positioning System for construction of breakwater	2001	Under absorption

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(f) **Activities relating to exports: initiatives taken to increase exports: development of new export markets for products and services; and export plans :**

The Company has a diversified range of products. Each business group of the company has dedicated cells, for giving impetus to exports. The sales engineers are in constant touch with the overseas markets. The Company regularly participates in prestigious international exhibitions and conducts market surveys and direct mail campaigns. The Company has offices abroad and agents in various countries to help exports. The company is intensifying efforts in selected countries and exploring new markets. The company is expanding reach of new products through synergy with existing products. International EPC Projects has been identified export as thrust area.

The quality systems of the Company at its Works located at Powai, Madh, Hazira, Chennai, Ahmednagar, Faridabad, Mysore, Kansbahal, Nashik and Pondicherry have received ISO 9001 standard certification. They cover design and manufacture of boilers, pressure vessels, heat exchangers, reactors, power projects and other equipment fabricated with ferrous and non-ferrous materials, electrical/ electronic switchgear products, medical equipments, energy meters & relays, petroleum metering & dispensing units, glass bottles, transmission lines, and machinery, equipment, spares & castings for core industrial sectors like chemical, cement, steel, power & minerals and rubber processing.

The following operations have received ISO 9002 standard certification for quality systems:

Manufacture of cement at Awarpur, Hirmi, Kovayil, Jharsuguda & Tadipatri.

Manufacture of bottle closures at Powai.

Fabrication of steel structures, vessels, tanks and manufacture of material handling equipment at Chennai.

Operations at Powai for design and manufacture of electrical switchgear, petroleum metering & dispensing units as well as for manufacture of cement at Awarpur, Hirmi, Kovayil, Jharsuguda & Tadipatri have also been certified for environmental standards ISO 14001.

Efforts are being made to develop new markets and consolidate the existing ones by developing products and services conforming to international standards.

Exports cover fabricated equipment, electrical/ electronic switchgear products, medical equipments, petrol dispensing pumps, cement, metal bottle closures, glass bottles, welding electrodes, etc. The company has been receiving export orders for critical equipment from major International EPC contractors and customers. The Company's Construction Group is executing various projects abroad.

The Company is continuously exploring avenues to increase exports.

(g) **Total Foreign Exchange used and earned.**

		<b>2000-2001</b>	<b>(Rs. crore)</b> <b>1999-2000</b>
Foreign Exchange earned		709.79	325.85
Foreign Exchange saved / deferred exports		100.44	168.09
	Total	810.23	494.94
Foreign Exchange used		1059.49	758.90