



A movement, a mission
a 'Lakshya'

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LARSEN & TOUBRO LIMITED

It's all about Imagineering™



VISION

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.

LARSEN & TOUBRO LIMITED



*'A Goal is a Dream with
a Deadline'*

Aspire, Alm ... Accomplish

A goal is much more than a statement of intent, far greater than a mark to be secured. It is the banner that rallies the team, the tune that strikes a universal chord, and brings a collective focus to our individual perspectives of the future. A goal gives to belief the backbone of conviction, adds purpose, sharpens direction, fires passion and charges men with the zeal of missionaries.

At L&T, we have set ourselves a goal. It is a goal that everyone in the Company identifies with, and strives to contribute to in his or her own way.

Our goal is enunciated in a unique movement known to every L&T - it is as 'LAKSHYA' (as target is called in Hindi). The following pages highlight the efforts of the Company in various fields - developing its human resource reservoir, riding the crest of the technology wave, transcending geographical boundaries and discharging its responsibilities to society ... all of them are part of the Company's pursuit of its greater goal - its *Lakshya*.



A. M. Naik
Chairman & Managing Director

Dear Shareholders,

The Indian economy has moved to a high growth trajectory, recording an increase of over 8% in GDP last year. A robust contributor to this surge has been manufacturing with 9% increase in output. The year also witnessed a record FDI inflow of over US\$ 7.5 billion. With the large investment plans currently in the pipeline and the overall buoyancy in the economy, the Company foresees significant growth opportunities. This is reflected in the 49% increase in order inflow during the year. As on March 31, 2006, Company's order book stood at Rs.247 billion including Rs.34 billion from international business.

We have sustained our various efforts towards value creation for all our stakeholders. This is reflected in the market capitalisation of Company increasing 2.5 times from Rs. 129 billion to Rs 334 billion in a year's time, outperforming the Sensex.

Implementation of strategic plan – Lakshya : The five-year strategic plan of the Company entered the implementation phase during the year. The plan aims at achieving global competitiveness, advancing the Company in the journey towards profitable growth and transforming it into an Indian multinational.

The plan sets growth directions for each of the businesses of the Company and provides roadmaps for achieving them. Necessary processes to implement the strategic plan have been institutionalized and implementation is being monitored through rigorous program management tools.

Focus on scaleable, high growth core businesses: An on-going

portfolio review is being carried out with a view to focus on businesses which are scaleable and enjoy competitive advantage such as hydrocarbon, infrastructure particularly developmental projects, defence and power. As part of this exercise, the Company has exited from the dairy machinery and glass container businesses and has divested stakes in L&T-Niro Limited and L&T-John Deere Private Limited, realizing premium valuations.

Given our commitment to becoming a knowledge-based premium conglomerate, investments in technology across all businesses continue to remain at the forefront of the Company's business strategy.

The Company is accordingly building capacity at various strategic locations, including a manufacturing technology centre at Coimbatore in South India.

Strengthening International Business: L&T has identified the Middle East and China as prime centers for international expansion for manufacturing and project businesses. Extensive market opportunities exist in the Middle East for hydrocarbon, power transmission & distribution, infrastructure, electricals, valves and heavy engineering equipment. We are taking necessary steps like formation of joint ventures and creation of infrastructure to tap the opportunities.

L&T is actively working on establishing a manufacturing footprint overseas. A modular fabrication yard is being set up in the Sultanate of Oman for Engineering Projects Division. The Company has entered into a joint venture in Saudi Arabia for manufacture and marketing of switchboards and



related system solutions and has also incorporated a wholly-owned subsidiary in China for a green field facility to manufacture high-end Air Circuit Breakers. Our China strategy covers sourcing of materials, setting up of a manufacturing base and gaining market access.

Operational Excellence: Operational excellence is the key for achieving our *Lakshya* targets. This involves institutionalizing standard operating procedures, strengthening project management capabilities, sharpening cost and delivery competitiveness, lean manufacturing, value engineering and reducing cycle time. The 'Shared Services' model has further helped in enhancing process efficiencies.

Talent Management: Surge in the Indian economy and booming market of Gulf has opened new vistas for talent. As a result acquisition and retention of talent has become a challenge. The Company recognizes that success of its growth plans hinges on its human resource management capabilities. Talent acquisition and retention is therefore a focal point at all levels of management. The Company has launched many initiatives for its talent management viz. leadership development, sharpening performance management, revamping training & development and higher emoluments through compensation restructuring. Shareholders support is solicited in this crucial area.

Risk Management: While the businesses of the Company continue to expand, the attention of the management is increasingly being focused on risk management. Adhering to the stringent time and cost targets in

executing mega projects is of critical significance. The Company has taken steps for establishing an effective risk management mechanism for monitoring the status of the significant risks and reviewing mitigation effectiveness.

Enhancing Brand Image: Various initiatives are being taken by the Company for enhancing its brand presence as a high end technology Company. We expect this will help our various business divisions improve their market position and facilitate talent acquisition through a higher level of brand recognition. Our new tagline - **It's all about Imagineering** - signifies the fusion of engineering with imagination.

Looking Ahead: The gross sales of the Company during the year have grown by 12% mainly due to substantial order inflows in the last quarter of 2004-2005. The current activity level and the favourable economic environment reinforce our confidence in foreseeing a growth rate of 20 to 25 per cent in the medium term. Hydro carbon, infrastructure, power and minerals & metals sectors continue to be on the growth path with large projected investments.

Sustained government initiatives in the infrastructure sector such as public private partnerships augur well for the growth of our construction business. Your Company has promoted and expanded L&T Infrastructure Development Projects Limited with a mandate to develop projects across all sectors in Infrastructure i.e. roads, bridges, ports etc. The newly set up L&T Infrastructure Finance Company Limited will fund projects in the booming infrastructure segment.

We also have recently announced our formal entry into shipbuilding - a business that will add a new dimension to our manufacturing capability. While operations have been initiated at our Hazira works, we are actively seeking other options in the east as well as the west coast of the country. Excellent prospects are envisaged in defence, nuclear and aerospace. We, therefore, see an exciting and bright future ahead of us.

I wish to place on record my appreciation for the outstanding commitment and hard work of all our employees, whose constant value creation endeavors have yielded excellent results. I am also grateful for the continuing support of my colleagues, our customers, business associates, shareholders and members of the Board. It is my belief that the faith and trust reposed in us would power and propel all future initiatives of Team L&T.

With best wishes,

A. M. Naik

Chairman & Managing Director

Mumbai, May 25, 2006

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**COMPANY INFORMATION****BOARD OF DIRECTORS**

A. M. Naik	<i>Chairman & Managing Director</i>
J. P. Nayak	<i>Whole-time Director & President (Machinery & Industrial Products)</i>
Y. M. Deosthalee	<i>Whole-time Director & Chief Financial Officer</i>
K. Venkataramanan	<i>Whole-time Director & President (Engineering & Construction Projects)</i>
R. N. Mukhija	<i>Whole-time Director & President (Electrical & Electronics)</i>
V. K. Magapu	<i>Whole-time Director & Senior Executive Vice President (IT & Technology Services)</i>
K. V. Rangaswami	<i>Whole-time Director & Senior Executive Vice President (Construction)</i>
M. V. Kotwal	<i>Whole-time Director & Senior Executive Vice President (Heavy Engineering)</i>
S. Rajgopal	Nominee — UTI
B. P. Deshmukh	Nominee — GIC
Kranti Sinha	Nominee — LIC
S. N. Talwar	Non-Executive Director
M. M. Chitale	Non-Executive Director
Lt. Gen. Surinder Nath (Retd.)	Non-Executive Director
U. Sundararajan	Non-Executive Director
A. K. Shukla	Nominee — LIC

*L&T's Corporate Office in Mumbai*

**61st ANNUAL GENERAL MEETING,
AT BIRLA MATUSHRI SABHAGAR
19, MARINE LINES, MUMBAI 400 020
ON FRIDAY, AUGUST 25, 2006
AT 3.00 P.M.**

AUDITORS

M/s. Sharp & Tannan

SOLICITORS

M/s. Manilal Kher Ambalal & Co

REGISTRAR AND SHARE TRANSFER AGENTSSharepro Services (India) Private Limited,
Satam Industrial Estate, Chakala,
Andheri (E), Mumbai – 400 099.**COMPANY SECRETARY**

N. Hariharan

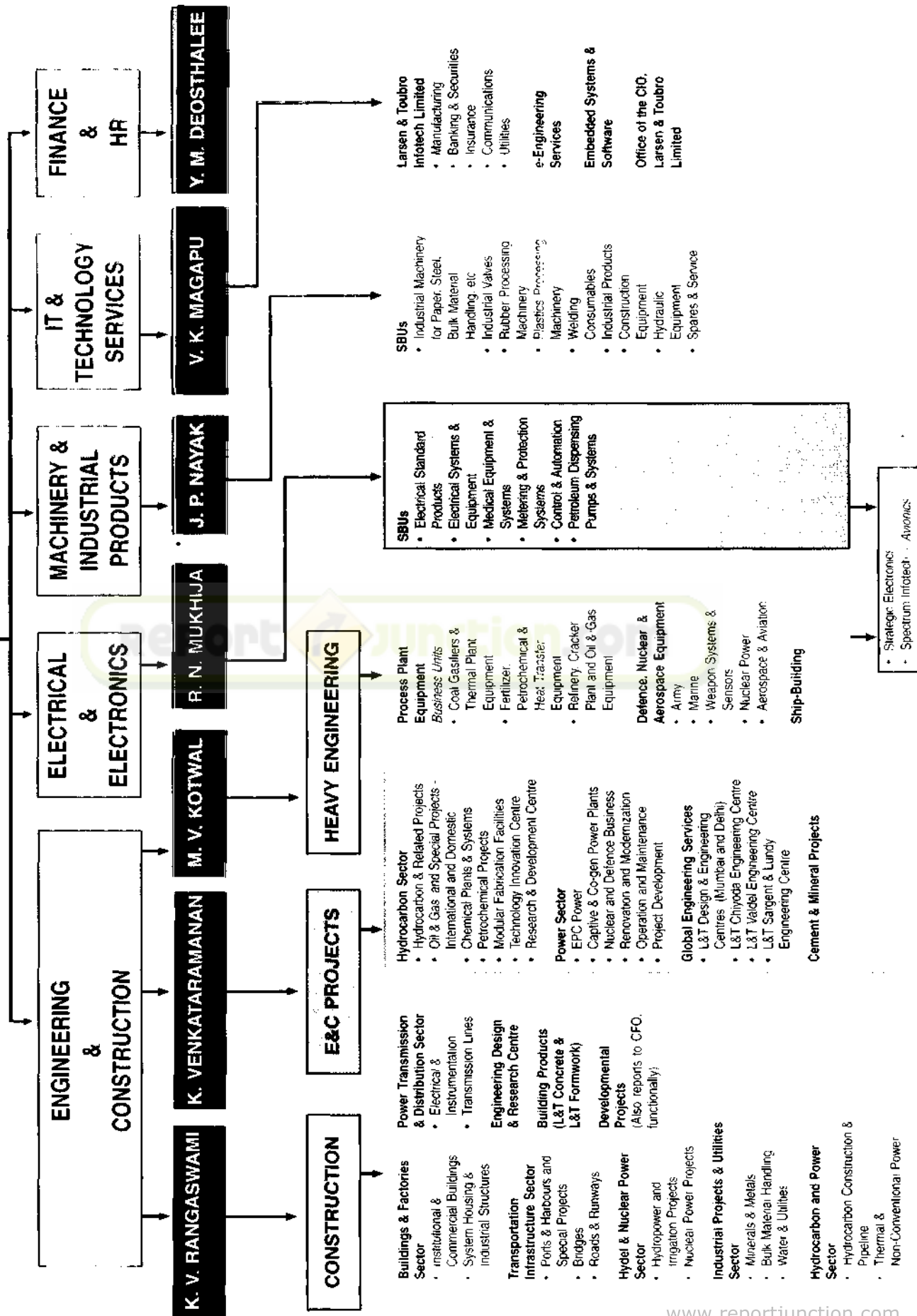
REGISTERED OFFICE :

L&T House, Ballard Estate, Mumbai 400 001

ORGANISATION STRUCTURE

A. M. NAIK

CHAIRMAN & MANAGING DIRECTOR





Leadership Team



(Front row – from left to right): Mr. J.P. Nayak, Mr. A.M. Naik, Mr. Y.M. Deosthalee
(Rear – from left to right): Mr. K. Venkataramanan, Mr M.V. Kotwal, Mr V.K. Magapu,
Mr. R. N. Mukhija and Mr. K.V. Rangaswami

PEOPLE

Your company's most precious resource



'Talent strikes targets no one else can strike. Genius strikes targets no one else can see.'



**Lakshya -
Developing Human
Capital**

If we were asked to single out the one thing that distinguishes L&T from its peers, and sets this company apart from the rest, we would point not to its impressive track record of achievements, not to the records it has set and surpassed in every sector it

operates, or even to the large, state-of-the-art manufacturing facilities around the country. We would, instead, point to a remarkable individual - the L&T-ite.

L&T is its people. This is a Company whose character has been shaped and whose course determined by its own employees. We recognize therefore that all our strategic goals - enhancing shareholder value, achieving profitable growth, becoming an Indian multinational ... hinge on a single crucial factor - our ability to attract, retain and develop the skills of our human resources. Talent identification, acquisition, and development in terms of career planning and succession planning are therefore accorded top priority and consistently receive management attention.

MISSION

Building a vibrant, professional work environment that attracts, nurtures and retains good performers and; developing the expertise to be able to be a strategic partner to fulfill present and future business needs

Mission Statement of L&T's HR department

Talent Attraction

The campus is the nursery of future corporate leaders. Through intense effort across the last few years, L&T has created a significant brand presence in premier engineering and management institutes around the country. Young talent increasingly look upon L&T as a career destination that offers them the finest opportunity for enhancing their skill sets, professional growth and personal fulfillment. In addition to campus recruitment, leadership talent is rejuvenated and replenished through lateral recruitment.

'Campus Ambassadors'

Your Company initiated the concept of 'Campus Ambassador' to establish a visible and vibrant presence in the premier engineering and business campuses of the country. Tasked with promoting the L&T brand and ensuring that L&T is viewed as an employer of choice, the Campus Ambassador is a dedicated resource for building relationships with students and faculty. He is typically a distinguished alumnus of the institute he liaises with. He shares his vast knowledge and experience in the engineering industry with young minds and also takes part in influencing engineering course curricula to meet industry needs.