



LARSEN & TOUBRO LIMITED

It's all about Imagineering

62nd Annual Report 2006-2007



***Investing
in
Growth***



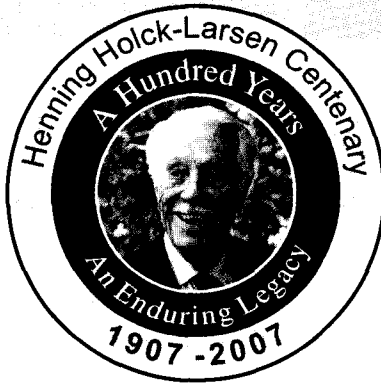
VISION

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



"It is our ability to anticipate the future, and react accordingly that will determine our success"

Henning Holck-Larsen

Dear Shareholders,

It gives me great pleasure to present the annual report of the Company for the financial year 2006-2007 and share with you the success of our organization. This fiscal year has been an excellent one in terms of all round growth and profitability. The results of the initiatives conceived under our strategic plan 'Lakshya' formulated in 2005 have been very encouraging. Order book, Revenues and Profits are at the highest level ever. EVA increased smartly by over 150% from Rs. 2.17Bn to Rs. 5.53Bn during the Financial year.



A. M. Naik
Chairman & Managing Director

As a Company engaged in building India's infrastructure and meeting the needs of the core sectors of the economy, it is befitting that these results emerge as our country celebrates its 60th year of independence. This is also the year when the Company commemorates the birth centenary of its co-founder Henning Holck-Larsen and commences the run up to its 70th year. The Company believes that economic progress must necessarily be achieved in harmony with the environment and society. I am happy to say that various efforts put in by the Company in this regard have been widely acknowledged. To build further on the successes achieved by the Company, we have embarked on increased investments in all aspects - engineering, manufacturing and various other projects. We are confident that these spends will enable us to maintain our growth trajectory into the future.

Performance overview:

India is one of the fastest growing economies globally with GDP growing at 9.4 % last year. High capacity utilisation across various sectors is fuelling an up trend in capital expenditure. The scale of investment in infrastructure envisaged in the 11th Five Year Plan (2007-2012) will call for greater engagement by the private sector and international institutions. All these are lead indicators for growth.

The conducive business environment coupled with a slew of measures taken by the Company for improvement of operational efficiency, institutionalization of a risk management framework and more judicious selection of projects, have yielded significant benefits. In Financial Year 2006-2007, the Company's order inflows & sales have grown by 37% and 19% respectively. The Company bagged its largest ever order in domestic & international markets such as expansion & modernisation of Delhi International Airport and an offshore platform project in Qatar. The order book as on March 31, 2007 stood at Rs. 369 Bn including Rs. 61 Bn from international business. The Company has achieved improvement in margins in all its business segments for the second year. The Subsidiary and Associate Companies have also performed well. During the year, the Company issued bonus shares in the ratio of 1:1 and recommended/paid dividend of Rs. 13 per share on a face value of Rs. 2 per share. The market capitalization of the Company has increased further from Rs. 334 Bn to Rs. 456 Bn during the year and has outperformed the Sensex.

Investing for profitable growth:

Investments are the oxygen of growth. Within the larger context of the country's increasing investments in building a brighter future, the Company is also investing in multiple spheres - people, technology, capacity expansion both domestically & internationally and brand building. This is essential for sustaining the growth momentum and continuous value creation.

People – Talent management:

Talent acquisition and retention is one of the key result areas for our senior managers. On an on-going basis, the Company renews, rejuvenates and adds Human Resource Management & Development systems, processes and practices to its repertoire and periodically does compensation benchmarking so as to ensure a vibrant and motivated workforce. The Company is constantly honing people management leadership skills of the employees and is increasingly investing in training centers across India. Innovative human resource initiatives like 'Campus to Corporate', launch of an e-learning portal – 'Any Time Learning', buddy referrals for talent acquisition, have been launched. As a result, the Company has been able to substantially increase its human resource.

Technology – Building on core engineering strength:

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 has set up

Engineering design centers at Mumbai, Baroda, Chennai, Bangalore, and Delhi as well as in the Middle East. In line with our objective of emerging as a player with end-to-end capabilities in the power sector, the Company has signed an agreement with Mitsubishi Heavy Industries Limited, Japan for super critical boiler technology and is close to achieving a similar tie-up in the field of turbines.

International Business – Strengthening presence beyond India:

The Company continues to forge alliances and to invest in international business for enhancing capabilities and achieving its vision of becoming an Indian multinational with focus in the Middle East and China. Joint ventures have been set up in Kuwait and Saudi Arabia for electromechanical construction in oil & gas, power and infrastructure sectors. The Modular Fabrication yard being set up at Sohar, Oman will strengthen the Company's presence in the Gulf region. The Company is receiving encouraging response from clients for project execution and Design & Engineering services. The Company has set up manufacturing facilities in China for high-end switchgear & rubber processing machinery and a factory is also being built for industrial valves. These initiatives will accelerate the Company's thrust towards its 'Lakshya' target of achieving 25% revenues from international business.

Capacity Expansion:

The Company is expanding capacity internationally and within India. Substantial capacity augmentation at Hazira will help us address the growing demand in oil & gas industry. The



Electrical & Electronics division is expanding its capacity at Mysore, Ahmednagar and Mahape to take care of rapid growth in the sector. The Company crossed a major milestone with the inauguration of the first two units at its 300-acre campus in Coimbatore. The facilities for the manufacture of industrial valves and switchboards are already accomplished. The campus will progressively see the establishment of manufacturing facilities for advanced tooling and high precision components in aerospace, nuclear power, defence sectors etc. The Company is building a state of the art Heavy Lift-cum-Pipelay vessel in partnership with SapuraCrest Petroleum Berhad, Malaysia that will give offshore installation capability and achieve significant competitiveness. All the divisions of the Company have planned increased investments in acquisition and installation of new equipment and manufacturing facilities.

Looking Ahead:

As we move on, the Company is well positioned to exploit the opportunities that will emerge from hydrocarbon, infrastructure, power, minerals & metals and other industrial sectors.

The Public Private Partnership model is going to be the way forward for infrastructure projects in the country. L&T Infrastructure Development Projects Limited has already consolidated its position with some completed projects and several under implementation across various sectors. With its capabilities augmented through the recent tie-up for manufacture of super critical boilers and the proposed collaboration for turbines, the Company will be in a position to set up complete power projects. L&T Infrastructure Finance Company Limited has initiated funding in the infrastructure segment.

The Company has commenced building ships at its Hazira Works. We are also scouting for a suitable site in India to set up a world-class facility for shipbuilding and repair, comparable to the best worldwide. The defence, nuclear power and aerospace sectors show potential and promise. The Raksha Udyog Ratna (RUR) status, when granted to the Company, will facilitate increased business in Defence sector. Leveraging its proven capabilities in construction and electrification for the railways, the Company envisages expanding its presence in this sector. Given the healthy order book position

and the opportunities available, the Company believes that it will be able to achieve sustained growth.

I am happy to share that the Company was ranked number 1 in two critical attributes – 'Quality' and 'Reputation' over a host of other corporates, in *The Wall Street Journal* Asia's nationwide survey of Indian companies.

To conclude, I wish to place on record my appreciation for the outstanding commitment and smart work of all our employees. I am also grateful for the continuing support of my colleagues, our customers, business associates, shareholders and members of the Board. It is this collective effort and support of each member of L&T Group's extended family that instills confidence in our ability for building on the profitable growth momentum into the future.

With best wishes,

A. M. Naik
Chairman & Managing Director

Mumbai, May 29, 2007

Henning Holck-Larsen

BIRTH CENTENARY



Henning Holck-Larsen
4-7-1907 to 27-7-2003

A Hundred Years. An Enduring Legacy.

Henning Holck-Larsen – co-founder of the company that bears his name – was a pioneer, a visionary and the builder of the engineering capabilities on which so much of modern Indian industry stands.

In this, the 60th year of India's independence, Team L&T commemorates his birth centenary by re-dedicating itself to the cause of nation-building for which he devoted his life.

In the projects we build, in the products we make and indeed, in everything we do, his legacy lives on forever.

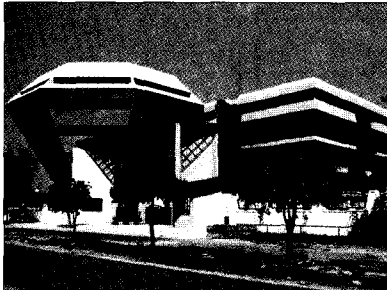


LARSEN & TOUBRO LIMITED

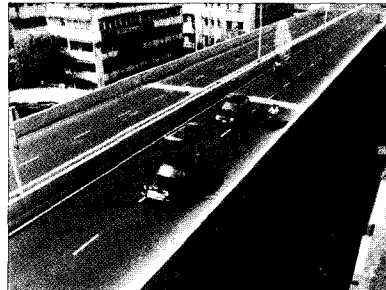
It's all about Imagineering

Advertisement released in newspapers nationwide on July 4, 2007 in commemoration of the birth centenary of the Company's co-founder - Henning Holck-Larsen.

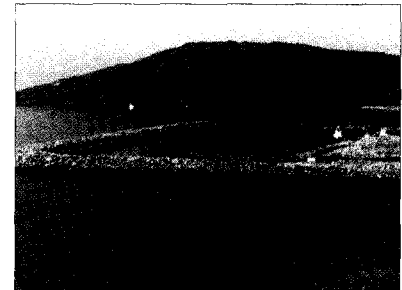
L&T - Builders to the Nation



Buildings



Roads & Bridges



Marine Projects



Airports



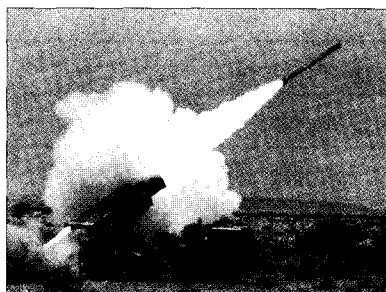
Oil & Gas Platforms



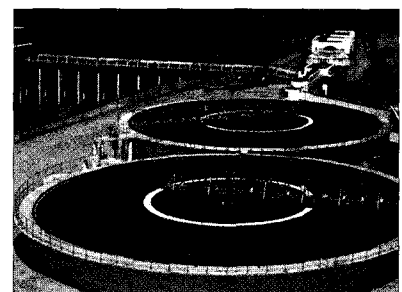
Refineries



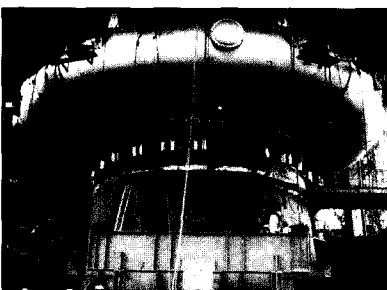
Power Projects



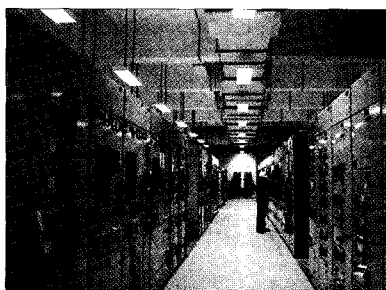
Missile & Weapon Systems



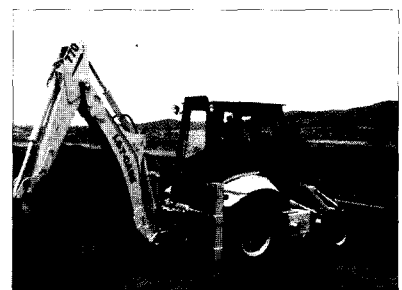
Water Treatment & Distribution



Steel Plants



Switchboards



Construction & Mining Equipment

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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>
K. V. Rangaswami	<i>Whole-time Director & President (Construction)</i>
V. K. Magapu	<i>Whole-time Director & Senior Executive Vice President (IT and Technology Services)</i>
M. V. Kotwal	<i>Whole-time Director & Senior Executive Vice President (Heavy Engineering)</i>
S. Rajgopal	Nominee — UTI
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
Thomas Mathew T	Nominee — LIC
N. Mohan Raj	Nominee — LIC
Subodh Bhargava	Non-Executive Director



L&T's Corporate Office in Mumbai

**62nd ANNUAL GENERAL MEETING
AT BIRLA MATUSHRI SABHAGAR
19, MARINE LINES, MUMBAI 400 020
ON FRIDAY, AUGUST 24, 2007
AT 2.15 P. M.**

COMPANY SECRETARY

N. Hariharan

REGISTERED OFFICE:

L&T House, Ballard Estate, Mumbai 400 001

AUDITORS

M/s. Sharp & Tannan

SOLICITORS

M/s. Manilal Kher Ambalal & Co.

REGISTRAR & SHARE TRANSFER AGENTS

Sharepro Services (India) Private Limited

ORGANIZATION STRUCTURE

A. M. NAIK
CHAIRMAN & MANAGING DIRECTOR

