

## BUILDING THE FUTURE



**68<sup>th</sup> Annual Report**  
**2012-2013**





## 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



## THE L&T PLEDGE

On the occasion of the  
Platinum Jubilee of our company,  
we solemnly pledge to carry forward  
the glorious heritage of our Company.

We are proud to be part of Team L&T,  
which over the last 75 years  
has helped build our nation,  
created value for our stakeholders,  
and developed the communities around us.

We resolve today to continue  
this tradition of service.

Undeterred by obstacles,  
we will work towards a better future for all,  
and realise our dreams.

We will do this with the passion,  
commitment and drive that has become:  
'The L&T Way'.



LARSEN & TOUBRO



**A. M. Naik**

Group Executive Chairman



Dear Shareholders,

It has been a challenging year for Indian industry. The economy, impacted by decelerating GDP growth, mounting fiscal deficit and high Current Account Deficit, has seen lacklustre investment momentum in infrastructure, energy and industrial capital expenditure.

The few positives to emerge from this scenario were the clutch of fiscal reforms introduced in the latter half of the year with a view to revving up the economy. These measures range from phased deregulation of diesel prices, formation of a Cabinet Committee on Investments, direct transfer of subsidies to beneficiaries and efforts

to reduce the losses of state-owned power distribution companies. These measures will need to be sustained and supplemented by a slew of others to effectively recharge the economy and restore its growth trajectory.

**Performance Overview**

Against the backdrop of this challenging environment, your Company has turned in a commendable performance on all key performance parameters.

Order Inflows which are the mainstay of any company engaged predominantly in Engineering & Construction business, clocked in at ₹ 88,035 Cr representing an impressive 25% growth over the previous year. The



unexecuted Order Book at the year-end stands at ₹ 153,604 Cr. This provides a healthy revenue and margin visibility over the next few years. Project execution was largely on track - borne out in the 14% growth in Gross Revenues which came in at ₹ 61,471 Cr. Profit after Tax registered ₹ 4,911 Cr which translates to a growth of 10% over the previous year.

At the Group level, Gross Revenues displayed a growth of 16% and stood at ₹ 75,195 Cr for the year under review. PAT, at ₹ 5,206 Cr represents a growth of 11% over the previous year.

It gives me pleasure to announce that your Company has recommended dividend of ₹ 18.50 per equity share on a face value of ₹ 2 per share for the year. The corresponding dividend during the previous fiscal was at ₹ 16.50 per equity share.

In addition, I am glad to share that, in the 75<sup>th</sup> anniversary year, your Company has also recommended bonus shares in the ratio of 1:2 (i.e., one bonus equity share of ₹ 2/- each for every two equity shares of ₹ 2/- each held).

### **Internationalisation**

In times of challenge, a mix of long range strategy and agile tactical responses are critical to success. Your Company has countered the slowdown in the domestic market by expanding its footprint and intensifying operations in geographies with promising business potential. This outreach is predominantly in the Gulf countries, South East Asia Regions and now working to extend to Australia, a few CIS countries and select African nations. Quite a few senior business development executives of different nationalities and having rich domain experience with customer insight have been inducted at the local level in these countries.

The thrust on penetration into international markets is yielding results. International Order Inflows represent 17% of the total inflows during the year under review.

### **Talent Management**

In the last two decades, we have seen the young generation being attracted to new economy sectors, resulting in lack of top talent coming into the core sector, particularly in Project and Construction industry. This has

become a global phenomenon and is not restricted to India. Hence development of human resources, along with talent acquisition continues to receive focussed attention in your Company.

People remain the cornerstone of the organisation. We ensure that employees gain ample opportunities for personal and professional growth. Our Leadership Development Academy in Lonavala - Maharashtra, Project Management Institutes at Vadodara - Gujarat and at Chennai - Tamil Nadu, and systematic career progression of staff are a few of the multiple initiatives that will facilitate succession planning.

We recognize that the process of internationalization involves adopting and embracing a multi-cultural work ethos - while retaining our core national identity. We have intensified recruitment of lateral hires at the management level, particularly in the Gulf countries and for new growth geographies.

### **Sustainable Development**

Your Company has aligned itself with the Millennium Development Goals formulated by the United Nations, and has progressed well on the Social, Environmental and Economic agenda pursued over the last few years. Considerable headway has been made in the areas of energy conservation, healthcare, environment protection and social uplift of the deprived sections of society. The Company harnesses untapped energy of India's youth through broad-based skill development centres and promotes social development through on-going mother & child healthcare programmes. Your Company has been recognised in various national and international forums for its sustainability efforts.

### **Outlook**

Even as the macro environment remains challenging, your Company is effectively targeting specific opportunities within India and internationally. Segments that hold promise in FY14 include –

#### **1) Infrastructure -**

- a) Roads – This segment witnessed severe contraction in ordering by NHAI in FY13 but is expected to pick up in FY14 through ordering of more than 3,500 km of new projects on Engineering,



Procurement & Construction (EPC) mode. We being the distinct leader in the segment, will selectively participate in these EPC bids where the prospects meet our internal viability benchmarks. Some upcoming road projects in the Gulf countries are also being targeted in FY14.

- b) Metro and Mono Rails – The Company has been involved in the execution of metro rail projects in cities across the country and India's first monorail in Mumbai (trial runs conducted in FY13). This enables the Company to exploit opportunities to secure contracts in India, where multiple cities are initiating metro rail projects. We are also participating in mass rapid transport prospects in the Gulf countries.
- c) Railways Business – The thrust on strengthening the rail network across the country holds good prospects for our railways business. We have already secured an initial order in consortium with a Japanese company for a major section of the Dedicated Freight Corridor. We are also exploring international markets, especially the Gulf countries where several projects are coming up.
- d) Water & Renewable Energy – Backed by strong project execution capabilities and operational excellence, the Company has achieved good growth in Water and Renewable Energy sector in FY13. With current Order Backlog and good order prospects, the business from these sectors is expected to see an upswing in FY14.
- e) Urban Infrastructure – Opportunities in residential buildings, office space, hospitals, hotels, educational institutions, shopping complexes and factories continue to provide a large canvass of business potential. Your Company has become the EPC contractor of choice for major developers and this is driving profitable growth.
- f) Airports – Increasing passenger and cargo traffic has sustained growth in aviation industry. On the back of excellent track record in this sector, we are well-positioned for airport projects within and outside India.

## **2) Heavy Engineering & Shipbuilding -**

We have the capability to meet the requirements for high technology critical equipment and systems. In the process plant equipment segment, the international market looks

promising in the medium term. The domestic nuclear segment is expected to see ordering activity in FY14. The defence sector has been adversely impacted by the slow pace of decision making as well as deferral of contract awards. However, recent initiatives to involve private sector in defence equipment manufacturing augurs well for your Company.

The shipyard at Kattupalli has been completed and is capable of building warships, submarines and specialized commercial vessels. It is equipped with a state-of-the-art shiplift that enables it to undertake simultaneous new build, repair & refits. While the global commercial shipbuilding trend remains subdued, we envisage that the Indian defence sector is likely to open up and provide opportunities for building defence vessels.

## **3) Hydrocarbon –**

On the domestic front, Exploration & Production (E&P) spends in upstream hydrocarbon segment is expected to sustain during FY14. The announcement of the recent policy to treat fertiliser production on priority basis will result in setting up new fertilizer plants. This will provide increased opportunities. Onshore gas processing segment is also expected to witness implementation of redevelopment projects. Large investments are also expected in cross-country pipeline projects.

In the upstream sector, the Company is equipped to repair, rebuild and construct new Jack-ups, drilling rigs and FPSO topsides. The business is well placed to leverage its multi-locational Modular Fabrication Facilities to respond to global trends towards modularization of onshore Gas Processing plants.

We have improved our international presence through several prestigious orders. We are increasingly pursuing opportunities overseas through alliances with the leading global EPC companies. This has necessitated putting in place a multi-national organization, with a cross-cultural team possessing local knowledge and domain expertise. The Company proposes to form a subsidiary for its Hydrocarbon Business. This will enable greater autonomy and formulation of HR policies in line with industry practices so as to attract the best talent.



#### **4) Thermal Power -**

Policy paralysis, negative market sentiments and procedural bottlenecks have adversely affected the domestic Power sector in the last couple of years. Pressing concerns with respect to land, fuel, financing and statutory approvals have dried up the order pipeline, putting pressure on the Company's capacity utilization.

This is further aggravated by large scale imports since the country's policies do not provide a level playing field, particularly against imports from 'managed' economies.

Under the circumstances, we are doing our best to be competitive through cost reduction, design optimisation and smart sourcing.

Emphasis will also be on expanding our spectrum of services to select Gulf countries and the Southeast Asia for Gas based power plants.

#### **5) Power Transmission & Distribution -**

Government policies lay stress on investments in strengthening the power grid and the power distribution system through central and multilateral funding agencies. We have demonstrated a steady growth in order book position in domestic and international markets.

The emphasis on strengthening of transmission grids in Gulf countries will continue to provide significant business opportunities for power transmission and distribution business in the coming years.

#### **6) Metallurgical and Material Handling -**

The short-term outlook in this area continues to be challenging, due to prevailing complexities of policies governing mining, land acquisition and absence of new power projects. These are sought to be resolved through various government proposals, legislations and policies. As the economy grows, demand for metals particularly steel, aluminium and copper will necessitate expansion of capacity. We are well positioned to benefit from the confidence we enjoy because of our track record and timely completion of projects.

Material Handling prospects in areas of power, mining, ports and long distance conveyors for bulk ores are likely to grow in line with economic growth.

#### **7) Electrical & Automation -**

The Electrical & Automation business continues to maintain its leadership position in LV Switchgear. It has also made a mark in the MV segment through an acquisition of an international company a few years ago. Product development in both LV and MV Switchgear continues to forge ahead. The project business has enhanced its focus on international markets. The coming year should see an upward momentum. The Company has also acquired two small companies which will bridge technology gaps in one case and enhance product range in another.

#### **8) Machinery & Industrial Products -**

The Construction Machinery business maintained its leadership position in premium excavators segment despite shrinkage in construction equipment market and entry of new competitors. In Industrial Products, the valves business maintained the positive trend in FY13, registering a growth in sales of 9% over the previous year. Major investments in the oil & gas segment planned in the USA, Middle East and other countries provide good opportunities for international operations.

#### **9) Information Technology & Integrated Engineering Services Business -**

L&T Infotech, a wholly owned subsidiary, grew at 22% Y-o-Y on a consolidated basis. Profit after Tax grew by 49%.

L&T Infotech has embarked on building a strong sales and marketing team globally with emphasis on the Americas, Europe, Gulf countries and the Far East. The Company has also undertaken some major initiatives intended to make the L&T Infotech name more visible and distinctive because of differentiated solutions it offers in multiple domains.

Technology Services, a Strategic Business Unit of L&T, is being formed into a subsidiary, which will result into consolidation of all engineering services business of L&T and L&T Infotech. This subsidiary will provide autonomous functioning in line with industry practices.

#### **10) Financial Services -**

This business, which was listed in 2011, continues to grow profitably with a loan book in excess of ₹ 33,000 Cr at the end of FY13. Net Interest Margins at 5.5% reflect the healthy interest spreads that the business earns. The business has successfully concluded acquisitions in



mutual funds business and housing finance. The insurance business is also joining hands with the Future Group and the Generali Group to leverage the complementary strengths of both players and to enable achievement of scale and early profitability.

#### **11) Developmental Projects -**

Development projects undertaken by the Company in roads, ports, metro rail and power continue to progress satisfactorily, with some of these projects currently operational. The Company plans to open up alternate funding lines to enable commissioning of the upcoming projects and reduce dependencies on your Company's balance sheet.

Before I conclude, I would like to extend my thanks to Team L&T, customers, vendors and other stakeholders,

without whom our continued growth momentum would not have been possible. I would also like to thank my fellow Board Members for their unstinted support and encouragement.

Thank You



A. M. Naik

Group Executive Chairman

Mumbai, May 22, 2013



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## Company Information



### Board of Directors

<b>MR. A. M. NAIK</b>	<i>Group Executive Chairman</i>
<b>MR. K. VENKATARAMANAN</b>	<i>Chief Executive Officer &amp; Managing Director</i>
<b>MR. M. V. KOTWAL</b>	<i>Whole-time Director &amp; President (Heavy Engineering)</i>
<b>MR. S. N. SUBRAHMANYAN</b>	<i>Whole-time Director &amp; Senior Executive Vice President (Construction &amp; Infrastructure)</i>
<b>MR. R. SHANKAR RAMAN</b>	<i>Whole-time Director &amp; Chief Financial Officer</i>
<b>MR. SHAILENDRA ROY</b>	<i>Whole-time Director &amp; Senior Executive Vice President (Corporate Affairs &amp; Power)</i>
<b>MR. S. RAJGOPAL</b>	<i>Independent Director</i>
<b>MR. S. N. TALWAR</b>	<i>Independent Director</i>
<b>MR. M. M. CHITALE</b>	<i>Independent Director</i>
<b>MR. N. MOHAN RAJ</b>	<i>Nominee of LIC</i>
<b>MR. SUBODH BHARGAVA</b>	<i>Independent Director</i>
<b>MR. A. K. JAIN</b>	<i>Nominee of SUUTI</i>
<b>MR. M. DAMODARAN</b>	<i>Independent Director</i>
<b>MR. VIKRAM SINGH MEHTA</b>	<i>Independent Director</i>
<b>MR. SUSHOBHAN SARKER</b>	<i>Nominee of LIC</i>
<b>Company Secretary</b>	Mr. N. Hariharan
<b>Registered Office</b>	L&T House, Ballard Estate, Mumbai - 400 001
<b>Auditors</b>	M/s. Sharp & Tannan
<b>Solicitors</b>	M/s. Manilal Kher Ambalal & Co.
<b>Registrar &amp; Share Transfer Agents</b>	Sharepro Services (India) Private Limited



