

LED BY TECHNOLOGY
EQUIPPED FOR 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



We look forward with optimism to political leadership with the vision, maturity and resolve to usher in a resurgent era of inclusive growth and prosperity.

A.M. NAIK
GROUP CHAIRMAN

Dear Shareholders

At the outset, our hearty congratulations to the new Government on winning a decisive mandate in the General Elections. With the uncertainties thrown up by the polls now behind us, the country can re-focus on its primary goal of building a new future for all its citizens. We look forward with optimism to the new political leadership which we believe possesses the vision, maturity and resolve to usher in a resurgent era of inclusive growth and prosperity.

Economic Scenario

India's GDP in FY2019 is estimated to have grown by around 7 per cent. While this is a laudable achievement in the global context, it falls marginally short of expectations due to an interplay of macro-economic and political factors. These include the uncertainties which invariably accompany our General Elections, volatility in crude prices and unpredictable currency fluctuations. The economy also had to grapple with a funding crunch for NFBCs precipitated by the IL&FS debt default, deceleration in the agriculture and

mining sectors and widening of fiscal and current account deficits.

On a positive note, the country has largely got back on track after the initial disruptive effects of twin reform measures, viz., Demonetisation and GST. The longer-term benefits of both these measures are gradually being realised through an uptick in tax collections on an expanding base of tax payers. We also see the light at the end of the tunnel in the case of overleveraged corporate balance sheets and high bank loan delinquencies. Imaginative steps such as the resolution of stressed businesses under the Insolvency & Bankruptcy Code, bank recapitalisation and more stringent application of NPA credit provisions norms should help the sector back on its feet. It is also heartening to note that India now ranks 77th in the World Bank's Ease of Doing Business index, continuing its ascent for the second consecutive year.

Benign headline retail (CPI) inflation (a nominal anchor of monetary policy) over a prolonged period has prompted a softer monetary policy resulting in lower interest rates. Eventually, this should rev up private sector investment, which has remained dormant for the past few years.

Though corporate earnings have registered reasonable growth during FY19, FIIs have been withdrawing significant tranches of money from secondary markets for the better part of the year. Domestic money managers also rebalanced their portfolios by favouring defensive sectors and reducing allocations to cyclical sectors like Infrastructure. The last few months of FY19 have, however, witnessed a rebooting of confidence in the future of the economy, with markets too recording a significant inflow of FII money.

While the private sector has been somewhat tentative in increasing spends in FY19 (in areas of PPP, industrial capex and certain segments of urban infrastructure), the public sector has been far more forthcoming with vigorous investments in key sectors. These include water, metro rail networks, railways, roads and road adjacencies (special bridges, expressways and city flyovers), power transmission & distribution and hydrocarbon. The strong underlying macro drivers of investments in these sectors are expected to sustain into FY20 and beyond. Encouragingly, the private sector also seems to have overcome its bashfulness, and begun to show signs of revival in road concessions, airports, healthcare, metals, mining and cement capacity augmentation. Gross fixed capital formation rate improved to 32.3% in FY19 from 31.4% in FY18, signalling a smart rise in public investment spending.

On the international front, optimism and growth are being held hostage to geo-political uncertainties, such as Brexit, the flaring of protectionist tendencies and the combustible issue of trade tariffs. Current consensus forecasts point to a slowdown in the world economy in 2019, precipitated by higher oil prices in 2018 and tempering of US growth, even as the US Fed is under pressure to adopt an accommodative monetary stance. Against this backdrop, your Company's investments in targeted geographies are expected to yield salutary returns. Our clear thrust is towards renewable energies, hydrocarbon expansion and non-oil revenues in the Middle East as well as significant investments in infrastructure in non-Middle East geographies where your Company has consolidated its presence.

Group level Performance Overview

Your Company has once again turned in a stellar performance on all key parameters. Order Inflows, which are the lifeblood of any business with Engineering, Procurement and Construction (EPC) as its core, came in at ₹ 176,834 crore in FY19 registering a strong growth of 16% over FY18. The unexecuted Order Book as on 31st March, 2019 stood at ₹ 293,427 crore which gives us strong revenue and

margin visibility for the next few years. Revenues in FY19 have clocked in at ₹ 141,007 crore registering a resurgent growth of 18% over FY18. PAT touched an all-time high of ₹ 8,905 crore in FY19 representing a substantial growth of 21% over FY18.

The touchstone of your Company has been its focus on shareholder value creation and your Company has delivered on this front in FY19 as well.

It gives me great pleasure to inform you that the Board of Directors has recommended a Dividend of ₹ 18.00 per share. The corresponding dividend in the previous year was ₹ 16.00 per share.

International business

Geographical de-risking has always been part of your Company's game plan for international markets. Across the last decade, the strong organisation which we have built in the oil-rich Middle East region has paid handsome dividends, while insulating us from the periodic ups and downs of the domestic economy. The recent volatility in crude prices due to political and economic crosscurrents has, however, led to reduced investments in OPEC regions. Having proactively readied itself for such an eventuality, your Company forayed into select African countries, Bangladesh and Sri Lanka. This sustained drive over the last few years has started yielding results, with non-Middle East business contributing to around 45% of the International Order Book.

Meanwhile, L&T Infotech (LTI) and L&T Technology Services (LTTS) accelerated their growth thrust in the US and European markets.

Talent Management and Succession Planning

Your Company believes that people are the basic building blocks of a business organisation, and places unrelenting emphasis on nurturing, retaining and developing talent at all levels of management. The wide canvas of businesses within the Group offers unparalleled opportunities for professional growth. Structured professional and leadership development programmes, monetary and non-monetary rewards as well as a conducive work environment and mentoring at various levels form the backbone of HR initiatives of your Company.

I personally allocate quality time to mentoring the next generation of leaders for the Group, apart from involvement in strategy, business portfolio rationalisation and CSR.

Sustainable Development

Your Company views sustainability as the essential discipline of balancing economic growth with social inclusiveness and environmental conservation. Our Sustainability Policy mirrors our values and ethos, while our Sustainability Programme is aligned to universally recognized development goals and focused on measurable outcomes. We offer green technology solutions for our clients, work continuously on energy intensity reduction and shrinking our carbon footprint. A 'reduce, reuse, recycle and redeem' principle has helped us reduce consumption of natural resources. Most of our campuses are water positive and many harness green energy. On the community front, the social infrastructure which we help to build is introducing positive change in the lives of thousands who live in proximity to our campuses. The mantle of social responsibility extends beyond the organization to a youthful army of your Company's employee volunteers known as 'L&Teers'. It is indeed heartening that many L&Teers, entirely of their own volition, have made social change their personal mission.

In 2018-19 your Company moved to a higher level of disclosure in the public domain and published its first Integrated Report (<IR>) which conforms to the International Integrated Reporting Council (IIRC) framework and is in accordance with the Global Reporting Initiative (GRI) Standards.

Total spends on CSR initiatives in 2018-19 by your Company amounted to ₹ 122 crore under eligible items, as defined in the Companies Act. This translates to 2% of the average annual net profits of the Company over the last three years. The focus areas under CSR continue to be health, education, skill building, water and sanitation.

Outlook

Apart from the hustle of the election campaigns distracting attention from economic policy-making, this year we had to contend with global deceleration and financial constraints cramping many economies. All this is likely to present challenges to India's growth story in FY20. We expect the investment climate to improve in the second half of FY20, as the new Government settles down. Financial markets and capital inflows may witness volatility in the first half of FY20 but gain relative stability in the latter half, given India's inherent potential as an investment destination in the emerging markets space.

The traction that the country's infrastructure development has seen in the last few years will, to our minds, continue

in the future. Retail (CPI) inflation, projected by the RBI to remain below 4% up to end-2019, should facilitate a soft monetary policy in FY20. Additionally, the decisive market interventions of the central bank, the recent recapitalisation of public sector banks and the ongoing resolution of chronic stressed asset cases through IBC give us reason for a broadly positive outlook.

Segments which hold promise in the current year include:

1) Infrastructure

a) Urban Infrastructure

Your Company has for several years been at the forefront of designing and constructing large and complex civil infrastructure. Our capabilities and track record place us in pole position to make the most of numerous emerging opportunities. These include: airports, commercial buildings, hospitals, educational institutions, convention centres, shopping malls, IT buildings, affordable housing and high-end residential real estate.

b) Smart Cities

Your Company leads the way in building smart city infrastructure and is well-positioned for the projects likely to be ordered out. We are looking at expanding opportunities in intelligent traffic management and surveillance systems, smart electric grids & lighting, fibre optic cabling and transport & logistics systems. The domain expertise available with L&T Infotech and L&T Technology Services positions your Company as a formidable player in Master Systems Integration for smart city projects.

c) Roads

While the focus of the National Highways Authority of India continues to be on both EPC and the Hybrid Annuity Model, expressways as well as special bridges and city flyovers are likely to buttress the overall roads investment programme in the country.

d) Railways

With the execution of the first two legs of the Dedicated Freight Corridor well underway, the focus has shifted to the Mumbai-Ahmedabad high speed rail project, rapid electrification of railway lines and track upgradation / augmentation. All these are likely to provide good business prospects in FY20.

e) Metro Rail

In the last few years, urban planning authorities have zeroed in on metro rail networks as the most viable solution for decongesting urban traffic in our cities. While over ten cities have operational metro rail networks covering close to 600 km of inner city networks, another 600 km are currently under construction and around 1400 km are in the planning stage. Investment in this area is expected to continue for many years as more and more cities move from drawing board to execution phase over the years. Total spends on Metro Rail networks in the country over the next few years are expected to be in the region of ₹ 400,000 crore.

2) Water Infrastructure

The sector has seen a surge in investments over the last few years, and the momentum is expected to continue. Infrastructure for management of water resources within the country, waste-water treatment facilities as well as large lift irrigation systems are likely to see continued investment. Inland waterways infrastructure could receive focused government attention from FY20 onwards.

3) Power Transmission & Distribution (PT&D)

Prospects in India and other focused geographies continue to be strong, with investments by Central as well as State utilities offering good business opportunities. The Saubhagya initiative launched by the Government in 2017 to transmit electricity to individual households along with smart metering has given good business traction to your Company. This programme is expected to extend into FY20 as well.

While building further on its presence in the Middle East markets, your Company has also successfully entered parts of East Africa, Algeria, Egypt and countries in East Asia. These geographies are likely to provide continual growth opportunities.

4) Hydrocarbon

This business has grown rapidly in FY19 in terms of Order Inflows and Revenues. It sees sizeable investment prospects in domestic and international markets in both offshore and onshore segments. Prevailing oil prices, hovering around USD 70 per barrel (Brent Crude), should spur further investment in oil producing countries, and ensure a pipeline of continued investments in the production and processing of hydrocarbons.

5) Heavy Engineering

Your Company's competitive position is built around its strong technological capabilities in designing and production of sophisticated equipment for the oil & gas, fertiliser and power sectors. On the back of significant all-round growth in FY19, the business is expected to leverage strong domestic and global business opportunities in FY20.

6) Defence Engineering

This business segment was formed keeping in mind the abundant business opportunities that are likely to come up in the domestic market on a continuing basis. Your Company's expertise spanning three decades, in both land-based and naval systems, gives this business a competitive edge in responding to the strong defence capex outlay that is likely to sustain at a national level in the coming years.

7) Thermal Power Generation

This sector continues to face a host of challenges. Manufacturers of core power generation equipment must contend with over-capacity, intensive competition and inadequate coal supply. Aggravating this is a customer base weakened by financially-stressed IPPs, public utilities in the red and rural customers clamouring for more subsidised power. Despite these prevailing conditions, your Company sees the potential to bid for around 8 GW of upcoming projects in the power EPC space as well as tenders for retrofitting existing power plants with state-of-the-art emission control equipment. During the last year, we successfully executed gas-fired power plant projects in Bangladesh and are targeting similar opportunities in neighbouring countries.

8) Realty

The real estate sector is slowly picking up as demonstrated in an increase in sales, a gradual reduction of unsold inventory levels and improvement in absorption rates. Your Company's real estate development projects in Mumbai as well as Bengaluru are progressing well and are expected to provide steady revenues and profits over the next few years. The launch of new projects in Mumbai and Chennai should provide growth momentum to this business.

9) Information Technology and Technology Services (IT&TS)

This business segment, comprising two separate listed entities (L&T Infotech and L&T Technology Services) has recorded strong revenue growth and increased profitability over the last few years. The business is expected to continue registering strong growth in FY20 while maintaining margins.

10) Financial Services

The NBFC space in India since mid-2019 has been dominated by the unfortunate developments concerning IL&FS. It has led to a liquidity squeeze, and made lenders wary of rolling over short liability positions. Your Company's financial services business successfully weathered the upheaval thanks to its robust financial structure, control on ALM mismatches, short term strategy and sound operating practices. The situation has since improved and the business turned in a superlative financial performance in FY19 on all key parameters even during a volatile year. The business has delivered top quartile Return on Equity (ROE) in FY19 and expects to continue this strong ROE performance in FY20.

11) Development Projects

Your Company has a clutch of concessions in roads, transmission lines, coal fired power plants, hydel power plants and a large metro rail (in Hyderabad). In FY19, we successfully divested five road assets to an Infrastructure Investment Trust (InvIT) and a container port (in Kattupalli, Tamil Nadu) as part of our wide-ranging efforts to enhance Group ROE. Certain stretches of the Hyderabad Metro Rail have been completed in FY19 and it is expected that the network will be commissioned fully in FY20. The focus here is on monetisation of the value created in these businesses.

L&T-NxT

Your Company is an early adopter of digital technologies among India's E&C companies, and is adept at IoT, Lidar, photogrammetry, BIM, AI and Machine Learning. Launched three years ago, the digital initiative yielded significant asset productivity gains and process efficiencies to operations ranging from pre-bid engineering and cost-estimation, project execution and monitoring and supply chain interactions.

On the strength of wide-ranging digital transformations achieved successfully within the L&T group, we have now launched a new strategic initiative 'L&T-NxT' to extend this in-house experience and expertise to global markets and create value for our clients in select industry verticals. Leveraging the domain expertise of L&T across diverse industry segments, L&T-NxT targets building a business through the use of new age technologies, such as IIoT, digitalisation and analytics, Artificial Intelligence, Augmented / Virtual Reality, Geo-spatial applications and Cyber Security to partner our clients in their transformation journey. We believe there is a huge opportunity ahead with an increasing number of companies moving towards

Industry 4.0 and adopting 'Smart' products, systems & processes to unlock incremental value. While it is too early to talk about financials, L&T-NxT is well positioned to capture a significant market share and become one of the key drivers for L&T's growth in the long term.

Acquisition of Mindtree Limited

Your Company is in the process of acquiring a controlling stake in Mindtree Limited, a company operating in the IT services space. We believe the acquisition would be completed in the best interests of all stakeholders. For L&T, it is a good opportunity to grow the IT&TS business portfolio and create value for the shareholders.

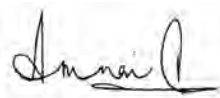
Strategic Plan

Your Company's 5-year strategic plan 'LAKSHYA' is the roadmap for growth and value addition. LAKSHYA extends from FY17 to FY21 and encompasses every major performance parameter to achieve the over-arching goal of boosting ROE. Your Company is well on its way to achieving its targets and has recorded progress on all fronts of the Lakshya plan over the last three years (FY17 to FY19). We remain confident of achieving the goal in FY21 (the terminal year of the plan) and in the meantime, have been developing the next strategic plan (to be launched from FY22) to ensure steady, profitable growth into the future.

Acknowledgements

I would like to thank the leadership team of L&T headed by Mr. S.N. Subrahmanyam and all the employees for their stellar contribution to the Company's performance. I also thank our customers, vendors and other stakeholders for their confidence and trust in the Company. I acknowledge and thank my fellow Board Members for their invaluable support in taking the Company to greater heights.

Thank You



A.M. Naik
Group Chairman

CONTENTS

Company Information	7	Statement of Changes in Equity	314
Organisation Structure	8-9	Cash Flow Statement	315-316
Leadership Team	10	Notes Forming Part of the Financial Statements	317-417
L&T Nationwide Network & Global Presence	12-13	Auditors' Report on Consolidated Financial Statements	418-429
Corporate Social Responsibility	14-18	Consolidated Balance Sheet	430-431
Annual Business Responsibility Report (ABRR) 2018-19	20-41	Consolidated Statement of Profit and Loss	432-433
Standalone Financials - 10 Year Highlights	42	Consolidated Statement of Changes in Equity	434-435
Consolidated Financials - 10 Year Highlights	43	Consolidated Cash Flow Statement	436-437
Graphs	44-45	Notes Forming Part of the Consolidated Financial Statements	438-545
Route Map to the AGM Venue	46	Information Regarding Subsidiary Companies	546-555
AGM Notice	47-63	Proxy Form	557-558
Directors' Report	64-167	Shareholder's Satisfaction Survey Form – 2018-19	559-560
Management Discussion & Analysis	168-299		
Auditors' Report on Standalone Financial Statements	300-309		
Balance Sheet	310-311		
Statement of Profit and Loss	312-313		

COMPANY INFORMATION

BOARD OF DIRECTORS

MR. A. M. NAIK
Group Chairman

MR. S. N. SUBRAHMANYAN
Chief Executive Officer and Managing Director

MR. R. SHANKAR RAMAN
Whole-time Director & Chief Financial Officer

MR. SHAILENDRA NARAIN ROY
Whole-time Director & Sr. Executive Vice President
(Power)

MR. D. K. SEN
Whole-time Director & Sr. Executive Vice President
(Infrastructure)

MR. M. V. SATISH
Whole-time Director & Sr. Executive Vice President
(Buildings, Minerals and Metals)

MR. JAYANT DAMODAR PATIL
Whole-Time Director & Sr. Executive Vice President
(Defence, L&T-NxT)

MR. M. M. CHITALE
Independent Director

MR. SUBODH BHARGAVA
Independent Director

MR. M. DAMODARAN
Independent Director

MR. VIKRAM SINGH MEHTA
Independent Director

Company Secretary
Mr. N. Hariharan

Registered Office
L&T House, Ballard Estate, Mumbai - 400 001

Auditors
M/s.Deloitte Haskins & Sells LLP

Registrar & Share Transfer Agents
Karvy Fintech Private Limited

74th Annual General Meeting at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai - 400 020.
on Thursday, 1st August, 2019 at 3.00 p.m.

MR. ADIL SIRAJ ZAINULBHAI
Independent Director

MR. AKHILESH KRISHNA GUPTA
Independent Director

MRS. SUNITA SHARMA
Nominee of Life Insurance Corporation of India

MR. THOMAS MATHEW T.
Independent Director

MR. AJAY SHANKAR
Independent Director

MR. SUBRAMANIAN SARMA
Non-Executive Director

MRS. NAINA LAL KIDWAI
Independent Director

MR. SANJEEV AGA
Independent Director

MR. NARAYANAN KUMAR
Independent Director

MR. ARVIND GUPTA
Nominee of SUUTI

MR. HEMANT BHARGAVA
Nominee of Life Insurance Corporation of India

Chairman & Board of Directors

CEO & Managing Director S N Subrahmanyam

