



TECHNOLOGY for
**SUSTAINABLE
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



A.M. NAIK
GROUP CHAIRMAN

This is the opportune moment for the Government of India and Indian industry to act in unison towards minimising our external dependencies, enhancing self-reliance and making 'aatma nirbhar Bharat' a reality.

Dear Shareholders

I am addressing you at a time when the nation is grappling with a global pandemic, while simultaneously gearing itself for a phased reopening of the economy, and preparing for life beyond Covid-19. Further, simmering tensions along our northern border have precipitated an anti-China sentiment within the country. The world too is witnessing a growing groundswell of opinion against China, and seeking viable alternative sources of supply. I believe this is the opportune moment for the Government of India and Indian industry to act in unison to minimise our external dependencies and enhance self-reliance.

Our Hon'ble Prime Minister's call for 'Aatma Nirbhar Bharat' has resonated across the country. To ensure that the PM's thrust on

self-dependence achieves the desired outcomes swiftly, it is essential for the Government to introduce much-needed reforms in several areas including Land Acquisition, Competency & Skill Building. In tandem, the administration would do well to streamline processes and accelerate the pace of decision making.

We are confident that if these measures are adopted and if the nation remains united, our determination and resolve will enable us to overcome the challenges ahead. Your company, as always, stands by the country and its leadership in this hour of need.

Right from the onset of the pandemic, L&T adopted stringent safety measures to ensure the safety and wellbeing of its people and stakeholders. As a good corporate

citizen with a social conscience, we responded to the humanitarian crisis caused by the virus with monetary and material assistance. L&T, at the group level, contributed ₹ 150 crore for the PM CARES fund in FY 2019-20, and further donated medical equipment including Personnel Protective Equipment worth ₹ 40 crore to states across the country.

Amid widespread concerns about the plight of daily wage earners, we took it upon ourselves to ensure that the 1,60,000 contract workmen at our project sites received good care. We continued to pay them their wages, provide food, shelter and medical assistance while maintaining prescribed Covid 19 preventive & containment protocols. This has involved an outlay of approximately ₹ 500 crore per month.

As India's leading technology, engineering and construction company, we are also extending expert assistance for the cause. Our construction business has converted hospitals to COVID care centres at six locations around the country. Our array of smart solutions helps civic administrators in different cities to monitor crowds and alert the authorities. Your company's public spirited initiatives have been appreciated by various state governments.

Economic Scenario

The year witnessed faltering economic growth and under-utilization of capacity due to a combination of contributory factors. Private sector investments, already under stress, were further affected by fiscal slippages at the Centre and States and tight liquidity conditions. Consumption spends, which hitherto had been a robust driver of economic growth, lost momentum in FY 2019-20. Expectedly, both export earnings and tax collections were weak. In its bid to revive the economy, the Government initiated several monetary and fiscal measures. Amongst them were a reduction in corporate tax rates, re-capitalisation of banks and consolidation within the banking sector, initiatives to improve credit availability, faster resolution of stressed assets and the announcement of packages for sectors like real estate and exports.

These steps did lead to some encouraging results. The onset of the pandemic however, negated these gains, dragging real GDP growth down to 4.2% for FY 2019-20 as a whole. The lockdown imposed towards the end of FY 2019-20, has dealt a severe blow to both demand and supply. In response, the Government has initiated a wide range of stimulus measures. Booster doses of fiscal and monetary resources aimed at improving liquidity have been announced, providing relief to stressed sections of society and revitalizing economic activity. While these measures are stemming the slide, it is likely that economic growth will still take a few more quarters to revive fully.

On the global front, the world is bracing itself for growing insularity and economic uncertainty. We see a marked slowdown in manufacturing and trade, and heightened geo-political tensions. The domino effect of the US-China trade dispute is being felt in different geographies as more countries begin to view international relations through a bipolar lens. Increasingly, countries are adopting a protectionist stance in an attempt to safeguard their own economies. Meanwhile, oil prices remained soft due to shifting demand-supply positions and rapidly changing geopolitical alignments. This has led to fiscal imbalances in oil producing countries.

It is this volatile situation which the onslaught of the pandemic has roiled further. Lockdowns in country after country have stalled the world's growth engine casting a long shadow of economic uncertainty for some time to come. A few countries are now on the road to recovery and have sought to re-boot growth by injecting stimulus measures through a combination of monetary and fiscal resources. These accommodative fiscal and monetary policies are likely to continue through 2020.

National Infrastructure Pipeline (NIP)

The Government has formulated a National Infrastructure project pipeline of ₹ 111 lac crore over a 6-year period. Although inadequate given the scale of India's infrastructure

deficit, this is a step forward. This project pipeline consists of around 6,500 projects to be collectively funded by Central Government and State Governments to the extent of 79%. The remaining 21% is envisaged to come from the private sector. A reading of the NIP indicates that the next few years are likely to see increased public spends in areas of water, metro rail networks, roads, renewable energy, power transmission and distribution as well as urban infrastructure. Projected investments by the private sector, however, appear a bit optimistic, despite corporate tax cuts. Since infrastructure investments serve the twin benefits of improving productivity and generating employment, we believe that the underlying macro drivers for investments in India remain intact and that the Company is poised to capitalise on these opportunities in the future.

Performance 2019-20

For most of the year, L&T exhibited growth and strength on all key performance parameters – even in the face of a stressed economic environment. Your Company's strategically diversified business portfolio, geographical dispersion, robust Balance Sheet, strong Order Book position and execution strengths have stood L&T in good stead.

Covid-19 impact: The period leading up to the lockdown and the subsequent stoppage of all economic activity from 25th March, 2020 has adversely affected your Company's operations in late FY 2019-20 as well as the better part of Q1 FY 2020-21. The lockdown was progressively lifted from 14th April, 2020, with the initial resumption of operations being conducted under restrictions imposed by local authorities. Currently most of these project sites are active, and execution of jobs is progressing with a reasonable level of labour workforce.

Sub-contracted labour force

The sections of society hardest hit by the prolonged lockdown are daily wage earners and contract labour. Images of migrant workers returning to their homes, some on foot, some by hitch-hiking and a large number through

special 'Shramik' trains and buses arranged by the Central Government in coordination with State Governments have been imprinted on our minds through mainstream and social media. While L&T on its part has taken measures to provide relief to workmen at our project sites, we have not been immune to the impact of labour disruption. From a sub-contracted labour force of around 2,25,000 working at project sites prior to the Covid-19 outbreak, the workforce came down to 1,60,000 at the beginning of the lockdown and dropped further as project sites were progressively reopened. Normalcy is being gradually restored and is expected to stabilise to near regular levels in the second quarter of FY 2020-21

Group performance overview

In a year overshadowed by uncertainty, your Company turned in a creditable performance and registered growth in key performance parameters. Order Inflows which enable the core EPC business to flourish and grow, expanded by 9% over the previous year. Revenues which demonstrate the ability of the Company to execute and deliver on customer commitments grew by 8%. Shareholder value was delivered through healthy Profit after Tax which stood at ₹ 9,549 crores representing a growth of 7% over the previous year. The total Order Book of ₹ 303,857 crores as on 31st March, 2020 grew by 4% over the previous year-end and provides multi-year revenue visibility to the Company. Revenue growth in the core business was provided by Infrastructure, Hydrocarbon, Heavy Engineering and Defence Engineering Segments. Businesses in the IT and Technology Services Segment, which could transition, with relative ease, to a 'work from home' environment grew significantly, aided by inclusion of revenues from an acquisition made in FY 2019-20. The Financial Services business also registered modest growth, even while grappling with constraints of tight liquidity, stoppage of disbursements in end-March, 2020 and the dominant risk-averse sentiment of the lending community.

It gives me great pleasure to inform you that the Board of Directors has recommended a Dividend of ₹ 18.00 per

share including interim dividend of ₹ 10.00 paid before 31st March, 2020.

International business

The Company has, over the years, expanded its international footprint through a geographical diversification and de-risking strategy. While the Middle East region has obviously remained an area of focus, the Company has turned its attention to North and East Africa. We have also looked at Bhutan, Sri Lanka, Bangladesh and other South East Asian countries to steadily augment our international business. As things stand, the Middle East region constitutes 57% of the international Order Book of ₹ 75,038 crores.

Talent management and succession planning

People continue to be the fulcrum of your Company's operations and focused attention is given to retention and professional development of talent at all levels. L&T has a well-structured 7-step leadership development program designed to develop leadership at multiple levels spanning junior through middle to top management. Several initiatives including monetary and non-monetary rewards are in place to incentivise performance and provide our people the impetus to surpass themselves. The top management devotes considerable attention to ensuring that employees are given opportunities for professional development and are able to grow along with the businesses they work for.

Business Developments

During the year, your Company acquired a majority stake in Mindtree Ltd., an IT-enabled services company. This acquisition has helped the services segment of the L&T Group to expand and contribute to higher revenues and profits. Going forward, we are confident that the contribution of the services businesses will exceed 40 per cent of Group turnover. The process of integrating the staff of Mindtree and aligning common interests was completed through the active engagement of top management. This is now paying off through improved performance and growth. L&T has been steadfastly following its 5-year Strategic Plan

under the overarching theme of improving the Consolidated Return on Equity (RoE). The impact of the pandemic and additional provisions in Financial Services business has, however, depressed the RoE for FY 2019-20. We are also incubating new age businesses which are expected to provide growth in the coming years.

Sustainable development

Your Company takes a 360-degree view of sustainable development that encompasses the social, economic, governance and financial aspects of an organisation. We have been disclosing our sustainability performance through our annual Sustainability / Integrated Reports which are being published for the last 12 years. The Reports, which serve as ESG progress score cards, also adhere to the Global Reporting Initiative (GRI) Standards and Sustainable Development Goals (SDGs), and are independently verified by a third-party assurance agency.

Our approach covers a wide spectrum – ranging from progressive reduction of carbon emission intensity at our campuses and project sites, water conservation at the locations we operate in and the phased induction of alternative and recycled substitutes in our operations. The health, safety and well-being of your Company's staff and all those who work at our factories and project sites are accorded the highest priority.

Wherever we are and whatever we do, we make sure that the communities around us see a tangible and durable benefit from our presence. They see it in the shape of better access to potable water, an improved level of sanitation, and facilities for health, education and skill building. We believe each of these steps contribute to building a happier community which in turn will lead to a more harmonious society.

Outlook

The Covid-19 pandemic and its fallout makes it difficult to forecast the future with any degree of certainty. While we

are hopeful that the 2nd half of FY 2020-21 will herald better economic and business activity in terms of tendering, good liquidity and revival of labour and supply chains, it would be premature to predict the Company's business outcomes for FY 2020-21. The company is putting in enormous efforts to mitigate the impact of the pandemic, and register enhanced performance in FY 2021-22.

At this point in time, we see prospects in the areas of Government buildings, data centres, healthcare infra, airports, metro railways, water projects including waste-water treatment and irrigation, hydel projects, expressways as well as onshore and offshore hydrocarbon projects. We are uncertain, however, of the timelines when these projects will take off.

We are all passing through a crisis of unprecedented magnitude, and I would like to thank Team L&T as well as our customers, vendors and other stakeholders for the confidence and trust they have reposed in us. I also thank my fellow Board Members for their invaluable support in guiding the Company and enabling another year of growth.

Thank You



A.M. Naik

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COMPANY INFORMATION

BOARD OF DIRECTORS

(as on 5th June 2020)

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 & Smart Technologies)

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. Sivaram Nair A

Registered Office

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

Auditors

M/s.Deloitte Haskins & Sells LLP

Registrar & Share Transfer Agents

KFin Technologies Private Limited

75th Annual General Meeting through Video Conferencing or Other Audio Visual Means
on Thursday, 13th August 2020 at 3.30 p.m. IST

MR. ADIL SIRAJ ZAINULBHAI

Independent Director

MRS. SUNITA SHARMA

Nominee of Life Insurance Corporation of India

MR. SUBRAMANIAN SARMA

Non-Executive Director

MRS. NAINA LAL KIDWAI

Independent Director

MR. SANJEEV AGA

Independent Director

MR. NARAYANAN KUMAR

Independent Director

MR. HEMANT BHARGAVA

Nominee of Life Insurance Corporation of India

