



Technology for Sustainable Growth

76th ANNUAL REPORT
2020-2021



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

"It is vital to remain psychologically strong and stay united in our shared sense of purpose."

Dear Shareholders

I am addressing you all at a time when the nation has been impacted by the second wave of the Corona virus, leading to widespread distress and tragic loss of life. The unexpected scale and intensity of this year's surge threatened to overwhelm India's healthcare systems and undermine the prevailing macro-economic narrative. Undoubtedly, this is the most severe test ever faced by all of us – households, corporates, civil society and the Government.

At this critical juncture, as important as observing health and safety measures is to remain psychologically strong, guard against cynical despair and stay united in our shared sense of purpose. As they say, the darkest hour is before dawn, and we are already beginning to glimpse early signs that give rise to cautious optimism. The declining trend in cases across the states as well as the prospects of the vaccine rollout gaining pace should help us look forward to happier times.

Your Company reiterates its strong commitment to serve the people of this country, and expresses solidarity with the nation and its leadership.

Response to the Pandemic

L&T's first priority has revolved around taking every possible care of its employees, contract workers and society at large. For our employees, we have initiated a broad spectrum of measures that encompass financial, medical and insurance assistance as well as educational support.

These measures were communicated across the organisation and have contributed to bolstering the morale of our workforce. All these are over and above the regular benefits and insurance payments already in place for employees. In addition, quarantine centres, fully equipped with oxygen generators and other vital

equipment, have been set up to meet the emergency needs of our employees and their families as well our contract workmen. Employees can also avail of in-house vaccination drives and secure help through medical services and professional online counselling.

We consider our contract workers as part of our extended workforce and have continued to pay their wages and provide food, shelter and medical assistance. This was done while maintaining the prescribed COVID-19 preventive and containment protocols at all our factories and project sites.

As a conscientious corporate citizen, we have contributed in monetary and material terms to meet the challenges posed by this humanitarian crisis. In addition to a donation to the PM Cares Fund at the onset of the crisis, the L&T Group has also supplied test, medical and PPE kits to locations around the country. When the second wave threw up the unexpected challenge of an acute shortage of oxygen, we responded by activating our global procurement arms, and commenced delivery of oxygen generators to various hospitals in India. We also supplied oxygen concentrators, ventilators and ambulances.

As India's leading Group involved in EPC projects, high-tech manufacturing and services, we drew on our reservoir of expertise to provide assistance in a number of ways. Our construction business has converted many hospitals to Covid Care Centres. We have installed smart technologies in over 20 major cities to help state governments and local authorities in their endeavour to contain the spread of the virus. These public-spirited initiatives by your Company have been widely acknowledged by multiple state governments.

Economic Scenario

The year FY21 was an economic roller coaster. It can be best described as a 'tale of two halves' where we witnessed a precipitous slowdown in economic activity in the first half, followed by an impressive sequential rebound in the second half. The combination of fiscal and monetary measures by the Government and RBI announced in the early part of the year accounted for 10% of India's nominal GDP. Not only did it cushion the economic fallout, it also bolstered consumer and business confidence when activities resumed post the first lockdown.

Secondly, the enhancement as well as the front-loading of borrowing programmes by the Centre and States ensured that money continued to flow through various economic constituents even when tax collections were low. Against all odds, our country has demonstrated commendable economic resilience despite stringent lockdowns, reverse migration of labour and supply chain disruptions.

Post the phased lifting of the lockdowns last year, the Indian economy recorded growth across most sectors, evidenced by way of significant increases in high frequency indicators such as energy demand, E-way bills, GST collections, cement and steel consumption, etc. These not only touched pre-pandemic levels but, in some cases, surpassed them. Despite the progressive pickup in various economic parameters, India's GDP has contracted by 7.3% in FY2020-21 mainly due to the lockdown in the first half of the year.

The global economy, already buffeted by various factors like trade tensions, political instability, Brexit and low crude prices, etc., was further stressed as the virus raged across large swathes of the world. In addition to introducing healthcare measures, most countries have opted for benevolent fiscal and monetary policies to support growth. Under-utilisation of manufacturing capacities across the world due to lower demand and decelerated global trade has become a recurring phenomenon. Increasingly, countries are resorting to a protectionist stance in an attempt to safeguard their own economies. Meanwhile, volatile oil prices due to demand-supply imbalances have affected the fiscal arithmetic of GCC countries and consequently, their ability to spend on Capex.

It appears that augmenting India's stock of vaccines, and accelerating its rollout across the country is the safest and surest route to full economic recovery.

Capex Spends

India's capex cycle over the last five years has revolved around public investments, while private investments remained largely lacklustre. Given the scale of India's infrastructure deficit, we remain optimistic about the Government's intent to complete around 7400 projects as envisaged in the National Infrastructure Pipeline, aggregating to ₹ 111 trillion by FY25. The project pipeline is expected to be collectively funded by the Central

Government, State Governments and PSUs to the extent of 79% with the remaining 21% being envisaged to come from the private sector.

We believe a phased recovery in economic activity over the next couple of years will result in tax buoyancy, and consequently enable the Government to forge ahead with various infrastructure projects. While the Union Budget 2021 highlighted large outlays on infrastructure, the Government also postponed the fiscal consolidation exercise to FY25, essentially creating more room for future Capex spends. Currently, many projects in India are also being funded by various bi-lateral/multi-lateral agencies which can potentially plug funding gaps, if any, in the National Infrastructure Pipeline. Private sector balance sheets have been looking healthier, thanks to the combination of incentives around PLIs, low tax rates and liquidity, as well as visibility of pick up in industrial demand and select segments of real estate. We are bullish about an uptick in private investments in the medium term. India's investment/GDP ratio which has been languishing, should see significant improvement in the coming years. Once private investments revive, we could hopefully see shades of a repeat of the 2003-08 capex cycle in India when both public and private investments gained momentum in tandem.

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. Your Company is poised to capitalise on these opportunities as they emerge.

Group Performance Overview

In a year marked by anxiety and uncertainty, your Company turned in a creditable performance and registered appreciable recovery across key performance parameters. Our order inflow for the year at ₹ 175,497 crore was achieved on the back of strong domestic wins in the Infrastructure and Hydrocarbon segments. Despite the COVID-19 led disruption, order inflow was boosted by the thrust given by the Indian Government to the Infrastructure sector to help put the economy back on track. We secured multiple large and prestigious orders during the year, viz., the Mumbai-Ahmedabad High Speed Rail (popularly called the 'Bullet Train'), a bridge across the Brahmaputra in Assam as well as EPCC packages for the Barmer Refinery in Rajasthan.

The L&T Group recorded revenues of ₹ 135,979 crore during FY2020-21, registering a decline of 6.5%. The decline was mainly due to the slowdown of project execution and manufacturing activity, affected due to lockdown-related disruptions in first half of the year. This was partially compensated for by a more normalised level of operations during the second half of FY2020-21.

As on March 31, 2021, the order book at ₹ 327,354 crore provides multi-year revenue visibility. The infrastructure segment has a 75% share of the consolidated order book. The order book registered a growth of 7.7%, on the back of some mega orders secured during the year.

Shareholder value was delivered through healthy profit after tax which stood at ₹ 11,583 crore, representing a growth of 21.3% over the previous year. During the year, the Company concluded the divestment of its Electrical & Automation (E&A) business including the sale of the integrated marine automation solutions company, Servowatch Systems Limited.

The Company continues to focus on shareholder value creation by divesting non-core assets, capturing cost efficiencies and leveraging technology for productivity gains. The Company's strategically diversified business portfolio, geographical dispersion, robust balance sheet and strong order book are reliable signposts to a brighter future. Further, its proven execution strengths and committed workforce are helping it to successfully transition into a more digitally evolved work environment. This should enable the business to thrive and grow, once the immediate challenges posed by the pandemic are overcome.

It gives me great pleasure to inform you that the Board of Directors has recommended a final dividend of ₹ 18 per share for FY2020-21. This is in addition to the ₹ 18 per share of special dividend declared earlier during the year.

International Business

The Company has gradually expanded its international footprint through geographic dispersion as a conscious de-risking strategy. While the Middle East region has obviously remained an area of focus, the Company has turned its attention to many countries in Africa as well as South East Asia. Currently, the Middle East region constitutes 61% of the international order book of ₹ 68,773 crore.

Training, Talent Management and Next Line Planning

At the L&T Group, we have crafted a culture of continuous training and empowerment, with an emphasis on transparency, efficiency and empathy. Our people occupy prime position in the organisation's hierarchy of stakeholders, and therefore continuous attention is given to retention and development of talent at all levels. Talent management has been broadly classified into three domains: Business Leadership, Technical Leadership and Project Leadership. For Business Leadership, a robust '7 Step Leadership Development Model' has been in place for more than a decade. The Company's top management ensures that employees are accorded opportunities for professional development and are able to grow along with the business they work for. Our initiatives in digitalisation have enabled us to provide the relevant learning experience to our employees, even as they worked remotely during the lockdown.

Sustainable Development

Our Group is over eight decades old, and we have been at the forefront of many sustainability initiatives, long before they were mandated by law. In other words, we internalised the spirit behind ESG and were among the early companies who turned precepts into practice. An annual reporting cycle has been maintained for all our Sustainability Reports since 2008. These reports are accessible on the Company's website. The reports, which serve as ESG progress scorecards, are aligned to the Global Reporting Initiative (GRI) standards and Sustainable Development Goals (SDGs), and have been independently verified by a third-party assurance agency.

Our approach covers a wide spectrum of materially relevant parameters. This involves placing under the lens factors such as energy conservation, use of renewable energy, reduction of GHG emissions, water efficiency and materials management. We also calibrate our growing green portfolio, clock improvements in sustainability implemented by our vendors as well as measure enhancements in employee engagement, safety and well-being.

As the community sees it, sustainable development must necessarily translate into the tangible things that make life safer, less burdensome and more promising for their children. On our part, we are helping to provide the

communities around us with better access to potable water, an improved level of sanitation, and facilities for health, education and skill building. We are also committed to expanding and enhancing the scope of our activities far into the future – for happy communities contribute to the society's general sense of well-being.

Turning to governance, at L&T, our core values pivot around the principles and ideals based on independence, transparency, accountability, responsibility, compliance, ethics and trust. In recognition of our efforts, we received the 'Grant Thornton Bharat SABERA' award for Best Integrated Reporting.

As stated in our Integrated Report, I also wish to underscore that we have clarified our position vis-à-vis controversial weapon segments in Defence Engineering: we are not involved in any such weaponry.

Outlook

The outlook for FY2021-22 is one of cautious optimism, with the country's GDP regaining positive territory thanks to the base effect in the first half, followed by robust growth in the second. While the current resurgence of COVID-19 may dent prospects in the initial part of the year, vigorous vaccination efforts and improved adherence to safety protocols should spark a revival in the latter half. We therefore believe the recovery is 'delayed' and not 'derailed'.

One unintended but welcome consequence of the pandemic has been the rapid adoption of digital technologies. This was a lifeline which ensured that economies do not get paralysed due to lockdowns and other constraints. Another positive fall-out has been an increased awareness of sustainability and a more stringent emphasis on Environment Protection, Social Responsibility and Governance frameworks. With countries signing up for time-bound zero carbon emission targets, newer business opportunities should emerge for your Company in green hydrogen, renewables, water and waste management and allied fields.

Elsewhere, the recovery of the global economy has been uneven, with the performance of several countries still below pre-COVID-19 levels. With oil firmly back above USD 60 per barrel, we should see an upswing in GCC Capex spends as well as improved prospects in Africa and South East Asia.

Against the backdrop of the pandemic and its aftermath, your Company will continue to uphold the primary dictum of maintaining the health and safety of its people. Simultaneously, it will aggressively pursue opportunities for growth, both in domestic and international markets. The focus would be on mega project wins, efficient execution of its large order book and productive utilisation of its monetary resources. All of this is targeted at ensuring a sustainable business model and thereby enhancing shareholder returns.

As we pass through a crisis of unprecedented magnitude, I would like to thank Team L&T as well as our customers,

vendors, the Government 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 14th May 2021)

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. D. K. SEN
Whole-time Director & Sr. Executive Vice President
(Development Projects)

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

MR. JAYANT DAMODAR PATIL
Whole-Time Director & Sr. Executive Vice President
(Defence & Smart Technologies)

MR. SUBRAMANIAN SARMA
Whole-time Director & Sr. Executive
Vice President (Energy)

MR. S. V. DESAI
Whole-time Director & Sr. Executive Vice President
(Civil Infrastructure)

MR. T. MADHAVA DAS
Whole-time Director & Sr. Executive Vice President
(Utilities)

MR. M. M. CHITALE
Independent Director

MR. SUBODH BHARGAVA
Independent Director

MR. M. DAMODARAN
Independent Director

MR. VIKRAM SINGH MEHTA
Independent Director

MR. ADIL SIRAJ ZAINULBHAI
Independent Director

MR. SANJEEV AGA
Independent Director

MR. NARAYANAN KUMAR
Independent Director

MR. HEMANT BHARGAVA
Nominee of Life Insurance Corporation of India

MRS. PREETHA REDDY
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

76th Annual General Meeting through Video Conferencing or Other Audio Visual Means
on Thursday, 5th August 2021 at 3.30 p.m. IST

Chairman & Board of Directors

CEO & Managing Director S N Subrahmanyam

