



**SUSTAINABILITY  
IS PROGRESS**



## 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**

# CHAIRMAN'S STATEMENT



**A. M. Naik**  
Group Chairman

**Robust self-belief and resilience – the key to success in times of challenge.**

## Dear Shareholders

Robust self-belief and resilience are the key to success in times of uncertainty and challenge. This spirit has helped India contend with an unprecedented pandemic and, in rapid succession, a war in Europe with its attendant disruptions. It is indeed creditable that amidst these

macroeconomic and geopolitical upheavals, India has managed to stay the course in its quest for growth. Your Company has also performed well while operating within the given constraints. At this juncture, we wish to reiterate our commitment to advance the interests of our country and express our solidarity with the nation and its leadership.

## Business Scenario

FY 2021-22 was an economic roller coaster with the impact of recurring bouts of COVID-19 and global disquiet counter-balanced to some extent by Country's economic resilience. Regular government spending throughout the year complemented by liquidity easing measures by the Reserve Bank of India prevented the risk of an economic meltdown and helped bolster the confidence of households and private companies.

An improved borrowing programme for the Centre and State Governments also meant that the spending proposals envisaged in the Budget continued unhindered. Most of the high frequency, mobility and service indicators gained momentum as the easing of pandemic curbs saw demand regaining lost ground before geopolitical tensions erupted to set the clock back once again.

After years of stagnation, India witnessed a pick-up in exports in FY 2021-22. Consequently, the economy expanded at 8.7% in real GDP terms vis-à-vis a contraction in the previous financial year.

India is expected to post top quartile growth among emerging nations in the medium term. Challenges hovering on the horizon include runaway oil prices, supply chain disruptions and the US rate hikes affecting capital flows into India. Despite these roadblocks, however, our view is that the bold structural reforms carried out by the Government in the last couple of years will pave the way for improved quality of growth. A slew of incentive schemes launched by the Government should stimulate manufacturing and exports in our run up to becoming a USD 5 trillion economy. Leveraging its expertise in high-tech manufacturing, your Company is well-positioned to take advantage of the opportunities as they unfold.

## Driving Growth

India's FY 2022-23 Budget focusses on consolidation with a capex-driven infrastructure thrust where the Government will do the heavy lifting and the private sector steps in to play its part. Most of the initiatives undertaken, ranging from NIP to NMP, creation of DFI, the PLI scheme, the public procurement initiatives as well as the renewed PPP models, have an overarching infrastructure focus. Clearly, they are directed to coax capex back into play. We hope that a reasonably stable domestic macro environment and an equable socio-economic climate will enable the Government to realise the vision envisaged in the NIP blueprint. Public and private investments working in tandem should also resuscitate India's Investment / GDP ratio which has been stagnant.

Since infrastructure investments serve the dual purpose of driving productivity and generating employment, we believe the underlying macro drivers for growth remain intact. Your Company is poised to capitalise on these opportunities as they emerge.

Internationally, we expect the GCC economy to remain buoyant with a strong capex fuelled by prevailing oil prices. Infrastructure and hydrocarbon opportunities are likely to open up in the African sub-continent on the back of enhanced bi-lateral/multi-lateral funding support.

## Group Performance Review

In a year marked by several disruptions, your Company turned in a creditable performance and registered appreciable recovery across key performance parameters. Our Order Inflow for the year at ₹192,997 crore was achieved on the back of major domestic and international order wins in Hydrocarbon and Infrastructure. Although the domestic ordering environment was a shade below expectations, the international environment, especially in the Middle East, is a cause for cheer.

The L&T Group recorded revenues of ₹156,521 crore during FY 2021-22, registering a growth of 15%. The growth was aided by improved project execution and manufacturing activity further complemented by a strong pick-up in the services businesses amidst a volatile macro backdrop.

As on March 31, 2022, the Order Book at ₹ 357,595 crore is large, growing and diversified. The Infrastructure segment has a 73% share of the consolidated Order Book. The Order Book registered a growth of 9%, on the back of orders secured in projects businesses.

A healthy Operational Profit After Tax at ₹ 8,572 crore, representing a growth of 23% over the previous year. Thanks to robust operational cash flows, our capital

employed metrics have reported progress, leading in turn to improved return ratios for the Group. The Group has repaid borrowings during the year resulting in improved Debt-to-Equity ratios.

Your Company continues to focus on shareholder value creation by divesting non-core assets, capturing cost efficiencies and leveraging technology for productivity gains. Our strategically diversified business portfolio, geographical dispersion, robust balance sheet and strong Order Book are reliable signposts pointing to a brighter future. Further, the Company's proven execution strengths and committed workforce are helping it to seamlessly transition to a more digitally evolved work environment. This should enable the business to thrive once the immediate challenges posed by pandemic and the geopolitical uncertainties are behind us.

It gives me great pleasure to inform you that the Board of Directors has recommended a final dividend of ₹ 22 per share for FY 2021-22.

## International Business

The Company's policy of aiming for wider geographic dispersal continues to yield positive results while de-risking exposure. While the Middle East region remains an area of focus, your Company has expanded its outreach to several countries in Africa as well as South East Asia. Currently, the Middle East region constitutes 76% of the international Order Book of ₹ 95,227 crore.

## Strategic Plan

Our Strategic Five-year Plan christened 'Lakshya 2026', continues to steer your Company's growth. Simultaneously, it also responds with agility to flux in the business environment. This year we launched Lakshya 2026, built around the following themes:

- Value accretive growth in our current business portfolio
- Exit from non-core businesses
- Developing innovative business offerings to ride the energy transition wave
- Scaling up Digital and e-commerce businesses
- Business sustainability through sharper focus on ESG and shareholder value creation

We are targeting Group Revenues of ₹ 2.7 lakh crore and ROE of 18%+ by FY 2025-26

## Training and Talent Management

People are at the heart of our successes and our continuing endeavours to do better. Our HR policies are crafted to ensure professional growth while contributing to the employee's sense of pride and well-being. We also leverage technologies as we anticipate and adapt to changing requirements. For instance, our digitalisation initiatives enabled us to provide learning experience to our employees, even as they worked remotely during multiple lockdowns.

## Sustainable Development

I am very happy to inform you that this is the maiden issue of our Integrated Annual Report, bringing together our financial and sustainability performance across multiple parameters. While the world seems to have suddenly woken up to the perils of climate change, for your Company sustainability is nothing new. We have been at the forefront of many sustainability initiatives long before they were mandated by law. Since 2008, we have maintained an annual reporting cycle for our sustainability performance. These reports are accessible on the Company's website.

Your Company has set for itself a Water Neutrality and Carbon Net Zero target of 2035 and 2040 respectively. We are already present in EPC Solar and Water space and are now actively looking at expanding our footprint in Green Hydrogen and Energy Storage. With more and more countries signing up for time-bound zero emission targets, lucrative business opportunities should emerge for your company in green hydrogen, storage solutions, renewables and the world of data infrastructure.

With regard to governance, the Company's core values pivot around the principles of independence, transparency, accountability, responsibility, compliance, ethics and trust. We will continue to uphold the value systems which have been the traditional hallmark of Larsen & Toubro for over eight decades.

As stated in the past, I wish to reiterate that our defence business does not manufacture explosives or ammunition of any kind, including cluster munitions or anti-personnel landmines or nuclear weapons or components for such munitions. The business also does not customise any delivery systems for such munitions.

## Outlook

We live in an age of unpredictability. Just when it appeared that the world had come to terms with the pandemic and that the worst was behind us, war broke out in Europe, dashing hopes of achieving the stability essential for growth. In the interdependent world we live in, conflagrations are no longer confined to the boundaries of the combatant countries. This has disrupted the global supply chains and triggered an alarming spike in prices. The consensus view is that prices of various commodities would remain elevated in the near term.

Amid all this, there is good news on the technology front. Paradoxically, it took a pandemic to open our eyes to the latent benefits of digital technologies. These technologies are irrevocably changing the way we work and interact with each other. Also, the IT spends are possibly the only deflationary force in today's inflationary world. Another positive result has been a heightened awareness of sustainability and a more rigorous emphasis on Environment Protection, Social Responsibility and Governance frameworks.

## Conclusion

I would like to thank our employees, our customers, supply chain partners and the Government for their contribution, directly and indirectly, to our growth. I also thank my fellow Board Members for their invaluable support in guiding the Company through turbulent times.

My special thanks to all our shareholders for the trust you have reposed in us. You remain an invaluable pillar of strength, and I look forward to your continued support in our journey towards setting higher levels of excellence.

My heartfelt greetings to you all as India celebrates '*Azadi ka Amrit Mahotsav*'.

*Jai Hind!*

# MESSAGE FROM THE CEO & MD



**S. N. Subrahmanyan**  
CEO & MD

## Renewing Focus, Revitalising Portfolio, Reaffirming Values

### The best time to change is now

Forward looking organisations constantly evaluate how the world is transforming and course-correct to stay ahead of the curve. At L&T, our relentless endeavour has been to pivot the organisation on its core strength of engineering and technology to enhance shareholder value.

### Resilience and Value Creation

FY 2021-22 saw L&T-ites yet again demonstrate their resilience and spirit to first overcome the challenges posed by the pandemic and thereafter reorganise themselves to push forward. During the pandemic, the prime focus was to stand by our employees, workmen, vendors, and the community at large. Driving the need to stay safe, we ensured that most of our employees were vaccinated through regular vaccination drives. I sincerely thank all our employees, workmen, and other stakeholders for standing by the organisation during those tough times.

Despite severe headwinds, we ended FY 2021-22 on a strong note on the back of several prestigious order wins. The Order Book at around ₹3.6 lakh crore is not only the highest in the history of the Company but is also diversified and growing.

### Lakshya 2026

During the year, we formulated our Lakshya 2026 strategy plan to sustain the present momentum and create value over the Plan period up to FY 2025-26. In this exercise, the Company seriously introspected and rededicated itself to its core focus areas of EPC Projects, Hi-Tech Manufacturing and Services.

**The EPC Projects** portfolio will focus on the Infrastructure and Energy sectors, with the 'Infrastructure' segment continuing to include all our construction businesses, targeting Order Inflow and Revenue growth between 11 and 13%. The 'Energy' segment will comprise the Hydrocarbon, Power, and Green Hydrogen EPC businesses. We will strive for timely delivery and, wherever possible, early completion in all the projects that we execute. Profitability will be driven by a combination of productivity of resources, operational excellence, as well as our on-going digitalisation drive.

**Hi-Tech Manufacturing** includes the Heavy Engineering & Defence Engineering businesses. Additionally, the manufacture of Electrolyzers and Battery Energy Storage Systems will form part of this portfolio. We will target Order Inflows and Revenue growth of 18%+ and improve and sustain profitability thanks to our several initiatives revolving around Design Excellence, Automation, Value Engineering, Factory 4.0, and On-time Delivery.

Value creation in the EPC Projects and Hi-Tech Manufacturing businesses will be a combination of margin improvement and lower deployment of capital.

The Services portfolio is in a sweet spot with the potential for accelerated growth. I am also happy to inform you that our teams are performing creditably in an intensely competitive scenario. Going forward, the Services portfolio will comprise two segments: IT&TS Businesses and Financial Services.

### IT&TS Business Portfolio

This portfolio includes LTI-Mindtree and LTTs. The IT&TS businesses will continue to balance the risk and cyclicity associated with the traditional projects and manufacturing segment. The momentum from existing and emerging tech trends such as Cloud, Digital, AI, Industry 4.0 is expected to propel growth in the near term. This portfolio will aim at Revenue growth in the high teens during the Plan period and be vigilant to tap opportunities for inorganic growth as they emerge. Making all these plans work will undoubtedly need high calibre digital talent, and we intend to on-board the finest minds in the industry.

The IT&TS portfolio will also have the in-house incubated e-commerce and digital platforms that were launched in FY 2021-22, SuFin and Edutech as well as the Data Center Business.

### Financial Services

This business, following the philosophy of 'Shrink to Grow', will reorganise its existing lending portfolio and migrate towards retail lending over time. We believe a growing digitalised retail portfolio, with a focus on upselling and cross-selling, will yield higher returns and lead to significant improvement in valuation.

The **Realty, Smart World & Communication and Industrial Machinery & Products** businesses will comprise the '**Others**' segment.

In the **Realty** business, we are looking for growth in the residential and commercial spaces through multiple formats under the larger objective of developing captive landbanks to leverage existing investments. **Smart World & Communication** will mature from the current EPC / O&M format to that of a total Smart Solutions Provider model that will enable us to provide complete end-to-end technology solutions. We will also grow our **Industrial Machinery & Products** portfolio, primarily comprising Construction Equipment and Valves, as demand picks up.

**Developmental Projects or the concessions portfolio** will now largely constitute the Hyderabad Metro while emerging

opportunities in the Green Hydrogen BOO projects space will be housed in this portfolio too. We would like to complete the divestment of L&T IDPL and Nabha Power during the current Plan period and unlock their value. In Hyderabad Metro, a combination of capital restructuring, improved operations, and monetisation through Transit Oriented Development should generate value over time.

### Company-wide Perspective

Our thrust areas in the Plan period are clear: Ensure sustainable growth in the current business portfolio through profitable expansion and execution, scale up through business model innovation and meet customer demands in an agile manner in the newer businesses. This should help us clock Group Revenues of ₹2.7 lakh crore and an ROE of 18%+ by FY 2025-26.

Cash flow is the lifeline of any business and we have paid close attention to the cash flow profile at the Group level. As we see it, cash generation during the Plan period will be the outcome of improved profitability and lower employment of capital. Further, as I mentioned earlier, we are looking at unlocking capital through the sale of some of our non-core assets to boost cash balances. The Company will explore option to step up pay-out ratios over time in addition to returning cash to shareholders which will accelerate ROE improvement.

### Future Ready Initiatives

We, at L&T, are committed to face the global climate change crisis and shape the future around frontier technologies to mitigate the ill effects of climate change. We do believe that alternative fuels such as Green Hydrogen will go a long way to create a cleaner environment and contribute towards the nation's energy security. We have a unique opportunity to play a significant role to accelerate the ecosystem around Green Hydrogen, with our thrust in both the EPC and BOO spaces, coupled with the backward integration of manufacturing electrolysers and grid battery energy storage systems.

On the digital front, there is maturity in understanding data security, data ownership and the Government is also continuing its thrust for data localisation. Thus, the new Data Center and Cloud Services businesses are distinctly positioned to achieve scale in the future. Another dimension to the digital world is e-commerce and the boom of services being delivered through the internet. In these spaces, we intend to capitalise on our engineering DNA to design superior services. We have made moves in the e-commerce space through

SuFin, our B2B platform for the trade of industrial products and services, where we put power in the hands of SMEs and MSMEs and our EduTech platform, through which we empower students seeking practical and application-oriented engineering courses.

### **Greener and Brighter Tomorrow**

With a vision of *'Technology for Sustainable Growth'*, the Strategy Plan factors in Climate Change and what we must do to push the agenda for a greener and sustainable tomorrow within the organisation as well. While the set specific targets may be new, proactive environment conservation is not new to L&T. We have committed to Water and Carbon Neutrality by 2035 and 2040 respectively. We have also set for ourselves interim targets on various parameters of ESG up to FY 2025-26.

We are taking steps to reduce waste production through improved recycling initiatives that encourage our people to develop and sustain environment friendly habits. Apart from our operations and services, we are also working with our partners, to reduce emissions and create a significant impact. Some note-worthy achievements related to our environmental performance include avoiding emission of around 40,000 tonnes of CO<sub>2</sub> during the year, which is equivalent to planting 500,000 trees. Our cumulative energy conservation is around 150 million units, which is equivalent to powering 70,000 homes for a year.

We are keenly focused on Circular Economy using the 6R (reduce, reuse, recycle, repair, refurbish and rethink) approach to manage waste and improve material recycling and reuse. Cumulatively, we have planted around 6 million multispecies trees, and our focus on biodiversity and protection of natural resources is sharper than ever. Our portfolio of green businesses, which includes solar, water, green hydrogen, and some others, is steadily growing and presently constitutes >30% of the total revenue.

### **Digital and Technology Adoption**

We cannot emphasise enough the importance of digital technology adoption in both EPC Projects and Manufacturing operations. In Manufacturing today, most activities are automatically controlled. The amount of data that is generated and monitored gives us a differentiated advantage vis-à-vis competition in terms of visibility of operations and remote control over various processes.

In various projects today, more than 13,000 equipment are digitally connected providing real-time visibility into operations. We also have quality and safety checks on mobile apps, which also include a database with details of our workers, their skill sets, and their home addresses. The entire site topography is being mapped through drones and light detection and ranging (LiDAR) sensors. Safety measures for workers are being communicated through augmented and virtual reality. Such level of digital adoption substantially increases productivity, improves quality and safety. This is an on-going journey, and all possibilities will be explored and implemented in the future too.

### **Raising the Bar**

Good governance has been integral to L&T's DNA for decades. We have always practised the highest level of governance and intend to keep raising the bar. We actively seek and adopt newer, better ways of doing things to keep setting new industry benchmarks.

### **People**

People are intrinsic to any business both in terms of being one of the goals for which they are run as well as the means to achieve this goal. I have often mentioned that L&T is a great technology platform that nurtures and rewards hardworking, sincere, honest, and dedicated individuals. Every person we employ adds value to the organisation. The value that some individuals add is apparent while for some others it is embedded deep inside and takes the right atmosphere for it to manifest.

It is our endeavour, as an organisation, to provide the right atmosphere, an enabling environment, and the right incentives to realise one's potential and take the organisation to the next level. Through the projects that we undertake, which are some of the biggest, largest, tallest, and heaviest, we are committed to creating opportunities at all levels for people to give expression to their creative instincts and unleash their potential.

We are also taking serious steps to increase the percentage of women in the workforce to 10% from the current 6%. Creating the ecosystem required for not letting biases, stereotypes, and discrimination creep into decision making and letting objectivity define the best person for any job has been and will remain the endeavour for creating equal opportunity for all genders.



## Giving Back to the Society

We have always believed in sharing value with our various stakeholders and our CSR initiatives, aligned with the global and national development objectives, primarily focus on healthcare and education & skilling to help more Indians become capable to earn themselves a living. In FY 2021-22, the Company spent ₹ 136 crore on CSR activities. Apart from spending on CSR-oriented projects covering water and sanitation, natural resource conservation, climate change mitigation and adoption of renewable forms of energy, L&T also responded to the pandemic by assembling 38 PSA oxygen generation units and transporting those across to different parts of the country which were worst affected. Cumulatively, 1.1 million benefitted from our CSR initiatives in FY 2021-22.

## L&T – A Technology Company

L&T is fully-gearred for the next phase of growth to evolve, accept, and adopt newer ideas as we revamp our portfolio and equip our people with tomorrow's skillsets. Adapting and assimilating smart technology will play a significant role going forward.

Challenges are part and parcel of our journey, and we are ever prepared to face and overcome them through continuous learning, unlearning, and relearning.

*Finally, we will always remember that we are in the business of nation building. For that, we must remain passionate, optimistic, calm, patient and stay united in our shared sense of purpose.*

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