



PRESS RELEASE

Issued by Corporate Communications Department
LARSEN & TOUBRO LIMITED
L&T House, Ballard Estate, Mumbai 400 001

Tel: 22685786 (Direct), 22685656 Ext: 772
Fax: 91-22-22685607/ 8
E-mail: jkp-ccd@lth.ltindia.com

Larsen & Toubro Limited: Performance for the quarter ended September 30, 2005

- **Order Booking for the quarter up by 74%**
- **PAT excluding extraordinary item and gain on divestitures for the quarter up by 42%**

Mumbai, October 28, 2005: Larsen & Toubro Limited (L&T) reported Gross Sales at Rs. 3401 crore for the quarter ended September 30, 2005 as against Rs. 3004 crore for the corresponding quarter of the previous year. The Company's revenues from international operations constituted 21% of the total sales, affirming the Company's strategy to expand business in the international markets.

During the quarter, the Company divested its stake in L&T-John Deere Private Limited, in line with its strategy to focus on its core businesses.

Before considering the profits on divestitures of long term investments, Profit before tax and Profit after tax for the July-September 2005 quarter at Rs. 184 crore and Rs. 120 crore respectively are higher by 26% and 42% respectively, when compared to similar amounts for the corresponding period of the previous year. The higher growth in PBT and PAT as compared to the sales growth has been possible as a result of improvement in the operating margins across all its business segments despite the cost pressures.

Engineering & Construction (E&C) Segment

The Company's E&C segment reported excellent growth in its order booking. The new orders booked by E&C posted an increase of 78% at Rs. 4289 crore for the quarter ended September 30, 2005 when compared to the corresponding quarter of the previous year. The share of international orders booked during the July-September 2005 quarter is around 19%.

The strong order booking growth reiterates the Company's dominant presence in the segment despite stiff global competition and the conducive environment for the Company's E&C business.

Some of the major orders booked during the quarter ended September 30, 2005 are:

Domestic	Rs. crore
► Construction of Blast Furnace "H" of 2.5 MTPA capacity and electrification works at Jamshedpur, Jharkhand for Tata Steel Limited	714
► Construction of buildings, utilities and electrification, airside and landside work of Hyderabad Airport for Hyderabad International Airport Limited	495
► Construction of Sinter Plant No 4 and electric works at Jamshedpur, Jharkhand for Tata Steel Limited	289
► Engineering, procurement and construction contracts, electrical work for Anand-Rajkot pipeline project, Section A, from Anand to Chuta in Gujarat for Gujarat State Petronet Limited	176
► Supply, laying, jointing, testing and commissioning of Krishna Drinking Water Supply Project Phase II from Godakondla to Gunjal, Andhra Pradesh for Hyderabad Metropolitan Water Supply Sewage Board	101

International	Rs. crore
► Construction of residential buildings at Mogul Gardens in Dubai for Nakheel, UAE	338
► Construction of Marina scape residential block, villas and towers in Dubai for Trident International Holdings	156
► Manufacture and supplies of high-end engineering equipment to leading international EPC Contractors.	175

The share of exports of technology-intensive plant and equipment for the quarter was an impressive 76%, thereby endorsing the Company's status as a significant global player in the fabricated process plant equipment market. The cumulative order book for the half year ended September 30, 2005 for supply of such critical plant and equipment was Rs. 676 crore, of which 67% constituted exports.

E&C segment revenues for the quarter ended September 30, 2005 at Rs. 2796 crore registered an increase of 9% when compared to the corresponding quarter of the previous year. The share of export revenues for the July-September 2005 at Rs. 662 crore represents 24% of the segment revenues. The modest increase in sales is due to bunching up of a large part of the order booking towards the end of the fiscal year ended March 31, 2005.

The segment order backlog as at September 30, 2005 is at a healthy Rs. 19271 crore.

The operating margin for the quarter improved to around 6% as compared to 4% for the same quarter of previous year and is expected to improve during the second half of the financial year.

Electrical & Electronics (EBG) Segment

Electrical & Electronics segment reported a robust growth in its order booking and sales. The segment revenues at Rs. 390 crore for the quarter ended September 30, 2005 was higher by 29% when compared to the same quarter of the previous year. The increase is on account of good growth seen in the Electrical – Standard Products, Electrical – Systems & Equipment, Control & Automation and Metering Protection Systems businesses. Export revenues constitute 10% of the total segment revenue. The Company continues to be a market leader in Switchgear products through its cost efficient manufacturing, widespread distribution network, product innovation and quality.

The operating margin for the quarter was healthy, at around 16%, showing a marginal improvement over the corresponding quarter of previous year.

Other Diversified Businesses

Amongst the diversified businesses, Ready Mix Concrete, Construction Equipment, Welding Systems and Industrial Valves and other products continue to witness good demand growth. Revenues for the quarter ended September 30, 2005 at Rs. 266 crore are higher by 28%, when compared to the same period of the previous year.

The Company has sold its Glass Container business on October 24, 2005. The sale will not have any material impact on the future performance of the portfolio.

Outlook

The Company's various business units are well positioned to take advantage of the robust economic conditions.

Recent announcements and some of the steps taken by the government emphasize the continued thrust on infrastructure development. Strong oil prices have ensured continued investment in exploitation of off-shore fields both in India (by ONGC) and in the gulf region. Minerals and metals sector is likely to witness large investments by both domestic producers and MNCs. All these augur well for order inflow, both in the current year and in the medium term. The inflow of new orders for the E&C Segment for the current year is expected to grow by around 35% over the previous year.

With a healthy project order backlog and good demand growth prospects in the product based businesses, the Company expects to maintain its overall growth momentum.

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