



PRESS RELEASE

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L&T Launches Foreign Currency Convertible Bonds Issue

Mumbai, November 2, 2004: Larsen & Toubro Limited launched a foreign currency convertible bonds issue aggregating to USD 125 mn in the international markets on 1st November, 2004. The issue was well received by the international FCCB investors.

The Convertible Bonds have a maturity of 5 years and are redeemable at a premium to provide a yield to maturity of 4%p.a. to the investors. The bonds carry a coupon of 1.25% payable annually in arrears. The Bonds are convertible into Global Depository Shares at a premium of 35% over the BSE closing share price of Rs.831.70 on 1st November, 2004 anytime after the 41st day after closing of the issuance until the close of business on the 7th day prior to maturity. The Bonds are non callable for a period of three years, after which the Company has right to call these Bonds subject to a call hurdle of 130% of the conversion price. The Bonds will be listed in the Hongkong Stock Exchange.

The proceeds from the Bond issue would be used for financing the capital expenditure plans of the Company and for possible international / domestic acquisitions. The Company is looking to grow both organically and inorganically and the resource base is expected to provide flexibility to the Company to look at acquisitions.

Considering the recent hikes in interest rates both in the domestic and in the international markets and the outlook indicating hardening interest rates, the transaction provides a reasonable interest arbitrage for the Company with respect to its other options for raising resources apart from locking in a healthy premium of 35% over base share price of Rs.831.70.

FN: Conv Debentures