

PRESS RELEASE

Issued by Corporate Communications Department
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Chairman's Speech:

61st Annual General Meeting of L&T

August 25, 2006

“I am pleased to extend you all, a warm welcome to this 61st Annual General Meeting of your Company.

I'm happy to report to you the good performance of the Company for the year 2005-

Continuous review of Business Portfolio

The Company is regularly reviewing its business portfolio so as to ensure focus on businesses, which are scaleable and enjoy inherent competitive advantages. As a part of this review, the Company has divested from some of the non-core business segments like tractors, food processing equipment an

Large investments in hydrocarbon, power and infrastructure sectors in the Middle East will generate good contracting opportunities. To address the needs of a rapidly expanding GCC market, the Company is in the process of setting up a modular fabrication facility in Oman and has entered into a joint venture in Saudi Arabia for manufacture and marketing of switchboards and other related electrical products / solutions. The Company has also created an integrated management team to monitor and facilitate new business opportunities in the Middle East across all segments.

Besides supplying technology intensive coal gasifier / process plant equipment to China, the Company's China strategy encompasses sourcing of materials and setting up of a wholly-owned subsidiary to manufacture high-end Air Circuit Breakers. The Company is also actively engaged in setting up of new manufacturing facilities in China for selected machinery and industrial products.

Profitable Growth

The core theme of Project Lakshya revolves around profitable growth for the Company by encashing the present and emerging business opportunities. Rapid expansion and increasing complexities in business creates a higher degree of exposure to risk factors like t

As per the request of Gujarat Government we initiated flood relief operations at Surat. We were given Ward Nos.13, 14 & 15 in West Zone of Surat Municipal Corporation to carry out the cleaning operations. We deployed 14 excavators, 41 dumpers and other equipment like loaders, welding machines, dewatering pumps, water tankers, tractors, etc., to carry out the cleaning operations. Our staff members and workers worked round the clock to clear the debris and provided relief to about 2,00,000 people residing in the area.

Review of Performance during FY 06

I will now apprise you of the financial performance of the Company for the year ended 31st March 2006:

The Company reported a 12% increase in Gross Revenues from operations at Rs. 14884 crore for the financial year ended 31st March 2006 as against Rs. 13255 crore for the previous year. The share of revenues from international operations constituted 18% of the total gross revenues.

Inclusive of extraordinary items and gains from divestments, Profit after Tax for the year ended 31st March 2006 has increased to Rs. 1012 crore.

The Profit After Tax excluding extraordinary items and gains from divestments at Rs. 863 crore for the year ended 31st March 2006 has increased by 37% over the previous year.

The order backlog for the Company as on 31st March 2006 was Rs. 24646 crore.

Group Financial Performance

The consolidated Gross Revenues of the Group for the year ended 31st March 2006 of the Group amounted to Rs. 16666 crore, registering a growth of 14% over the previous year. The net profit accruing to the Group, excluding extraordinary items and gains from divestitures at Rs. 1051 crore, posted an impressive growth of 51% over the previous year comparative of Rs. 696 crore.

Dividend and Bonus

Given the good performance of the Company, the Board of Directors have recommended a dividend of Rs. 22 per equity share and also announced a bonus issue in the ratio of 1:1, in deference to your long pending request.

I'm sure that you are happy with this announcement and would approve the recommendations.

Review of Performance (Q1 - FY 07)

You would have read about the Company's encouraging first quarter performance. The Company posted Gross Sales from operations at Rs 3524 crore for the quarter ended 30th June 2006 as against Rs 3132 crore for the corresponding quarter of the previous year. The share of revenues from international operations constituted 17% of the gross revenues.

The Profit After Tax for the quarter ended 30th June 2006 has increased to Rs 157 crore, up by 10% as compared to the corresponding quarter of the previous year.

The Profit After Tax for the current year first quarter however, shows an increase of 60%, when compared to the PAT of Rs 98 crore, excluding extraordinary items and gains from divestitures for the corresponding quarter of the previous year.

Outlook

The Company is optimistic about the business prospects and about its capabilities to leverage them for your benefit. As I mentioned earlier, sustained high oil prices