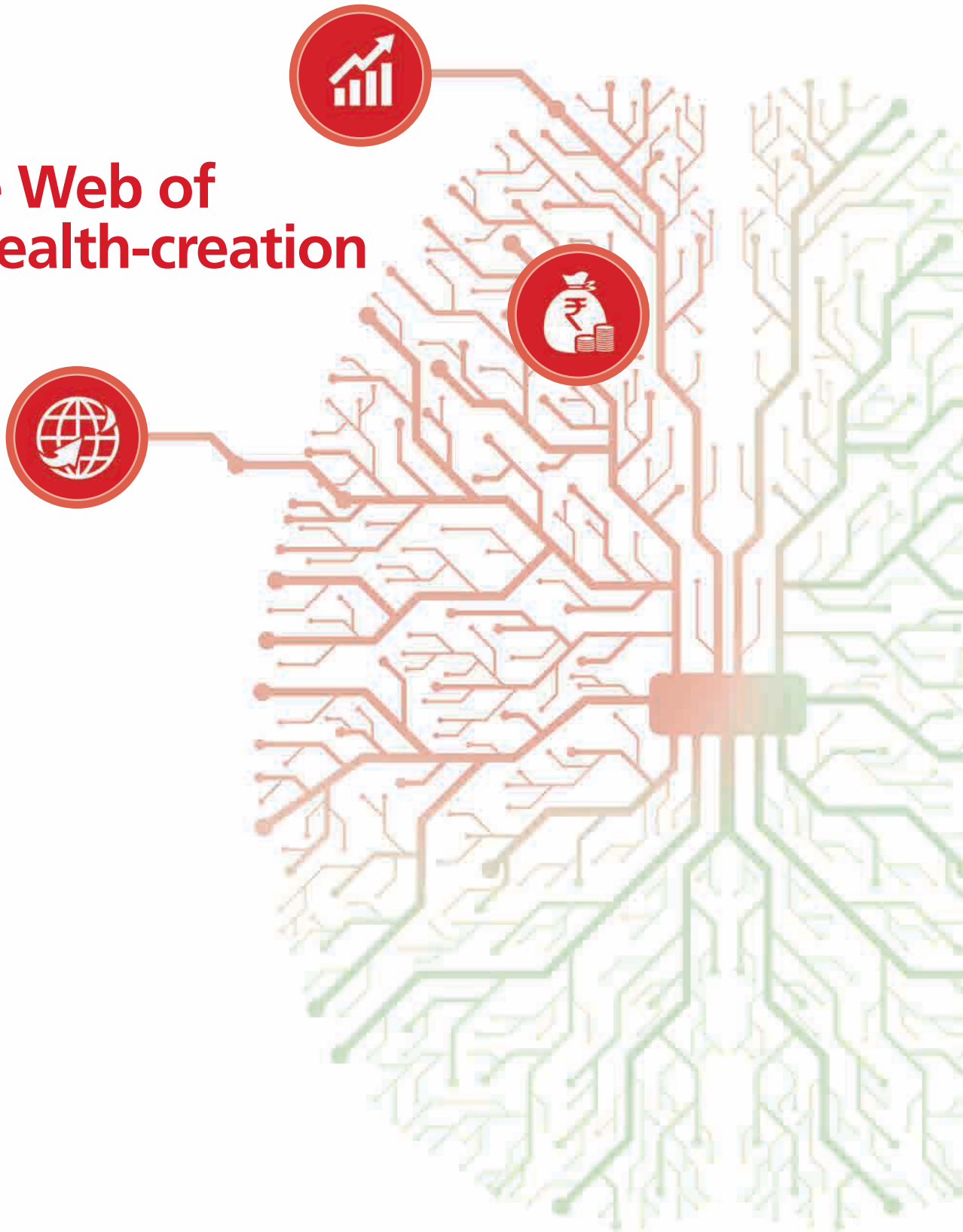


economic performance

Wide Web of Wealth-creation





Economic Performance

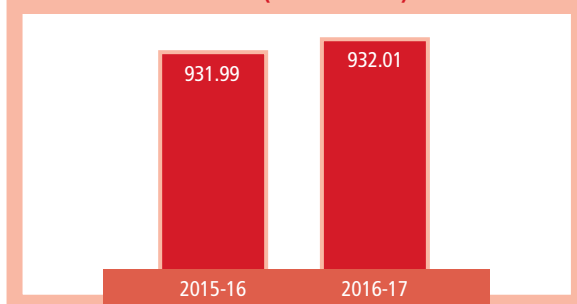
At L&T, we believe in building the country's infrastructure through collaborations with businesses, governments, multinational organizations, philanthropic organizations and maximizing economic returns on our existing investments. L&T is a Listed Company in India with shares listed on the National Stock Exchange and Bombay Stock Exchange. During 2016-17, the Company has performed well in all key economic performance parameters with an impressive growth of 43% in the Group Profit After Tax at ₹ 60 Bn. The Company bagged fresh orders worth ₹ 1,429,950 Million recording a growth of 5%. The Group Revenues stand at ₹ 1,100 Bn which grew by 8% during 2016-17. The Order Book of the Company stands at a robust ₹ 2,613 Bn, providing good revenue visibility for 2017-18. The Board of Directors recommended a bonus issue in the ratio of 1:2 and a pre-bonus dividend of ₹ 21 per share.

We continue to engage with India's strategic sectors and critical areas of infrastructure development. Our inherent strengths and capabilities place us at an advantageous position to gain from strategic, large-scale national programmes like 'Make in India' and 'Digital India'. We will leverage our proven manufacturing capabilities at the upper end of the technological spectrum, to build complex equipment and systems in sectors such as defence, aerospace, thermal and nuclear power.

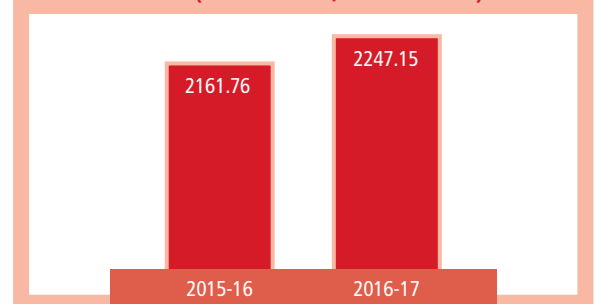
Digital technologies are fundamentally altering the way the world is functioning. The Company has embraced the change and 'Digitalization' is identified as a core theme in our Strategic Plan. A major programme to automate processes is underway in our Construction business. They will be progressively extended across the Company, to improve efficiencies, revenue and profitability.

The Company continues to pursue international business opportunities in select countries with a view to diversify geographical concentration risks. It has established its presence in Gulf Cooperation Council (GCC) countries, predominantly in the Infrastructure and Hydrocarbon sectors. It is evaluating selective prospects in North Africa, East Africa and some countries to the East like Myanmar, Malaysia and Vietnam. The unexecuted Order Book from international markets stood at ₹ 697 Bn, which contributes to 27% of the total Order Book.

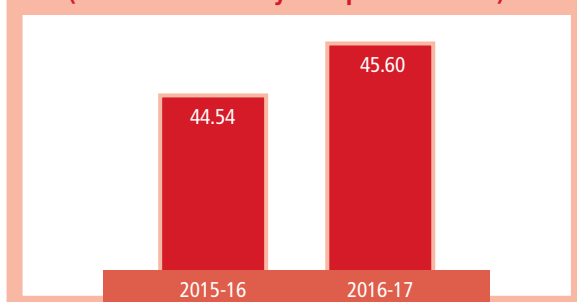
Order Inflow (Standalone) ₹ Bn



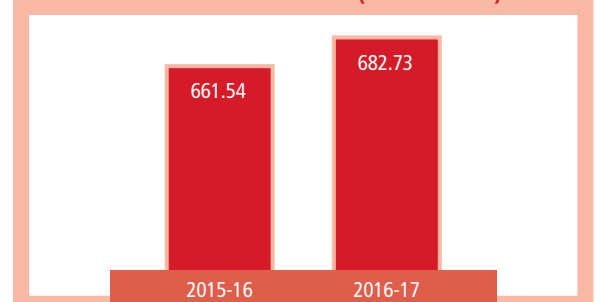
Order Book (Standalone, Cumulative) ₹ Bn



PAT (Excl. extraordinary/exceptional items) ₹ Bn



Economic Value Generated (Standalone) ₹ Bn



Note: The shareholding pattern as of 31st March, 2017 is presented in the Annual Report 2016-17, Page 113.

Particulars	2015-16	2016-17	L&T's Market Capitalisation as on 31 st March, 2017 was ₹ 1471.85 Bn
EPS (₹ per share)	53.71	58.49	
ROCE	11.1%	11.30%	

Restatement: Figures for 2016-17 & 2015-16 are as per Ind A S and for earlier periods as per IGAAP and hence not directly comparable. Ind AS - New set of Indian Accounting Standards, IGAAP - International GAAP®

(₹ Bn)

Liquidity and Capital Resources	2015-16	2016-17
Cash and cash equivalents at the beginning of the period	27.65	20.78
Add: Net cash provided/(used) by:		
• Operating activities	33.00	61.47
• Investing activities	-173.99	-77.52
• Divestment proceeds	158.76	77.83
• Financing activities	-24.64	-60.52
• Discontinued operations	0	—
Cash and cash equivalents at the end of the period	20.78	22.05

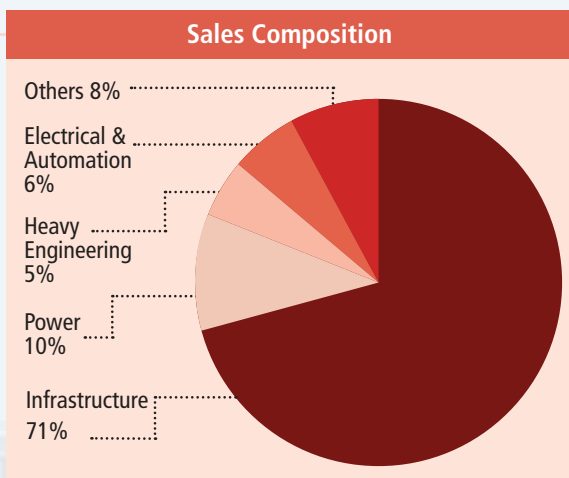
No significant financial assistance was obtained from the Government in the reporting year.

Restatement: Figures for 2016-17 & 2015-16 are as per Ind AS and for earlier periods as per IGAAP and hence not directly comparable.



Economic Value	Particulars	2015-16	2016-17
Generated (A)	Total Income	661.54	682.73
Distributed (B)	Manufacturing, construction and operating expenses	501.69	519.90
	Employee wages and benefits	49.75	51.46
	Payments to providers of capital:		
	Interest	14.77	13.18
	Dividend	15.12	17.02
	Community investments (CSR spend)	1.20	1.01
Retained	=A-B	79.01	80.17

Restatement: Figures for 2016-17 & 2015-16 are as per Ind AS and for earlier periods as per IGAAP and hence not directly comparable.



Employee Cost and Benefits

Particulars	2015-16	2016-17
Cost towards wages/ salaries (a)	42.83	45.55
Other benefit costs (b)	6.92	5.92
Total personnel cost = a+b	49.75	51.46
Average payout /employee (millions)	1.15	1.24

Restatement: Figures for 2016-17 & 2015-16 are as per Ind AS and for earlier periods as per IGAAP and hence not directly comparable.

Supply Chain

L&T has a large supply chain network of vendors, contractors, distributors and service providers. Since supply chain is a major cost centre, bringing in functional efficiencies can go a long way in reducing operational expenses. Each business is provided with its own procurement and supply chain teams. We aim to source our raw material locally to promote indigenous companies while optimizing costs. During 2016-17, more than 80% of the Company's raw material requirements were met by local suppliers.

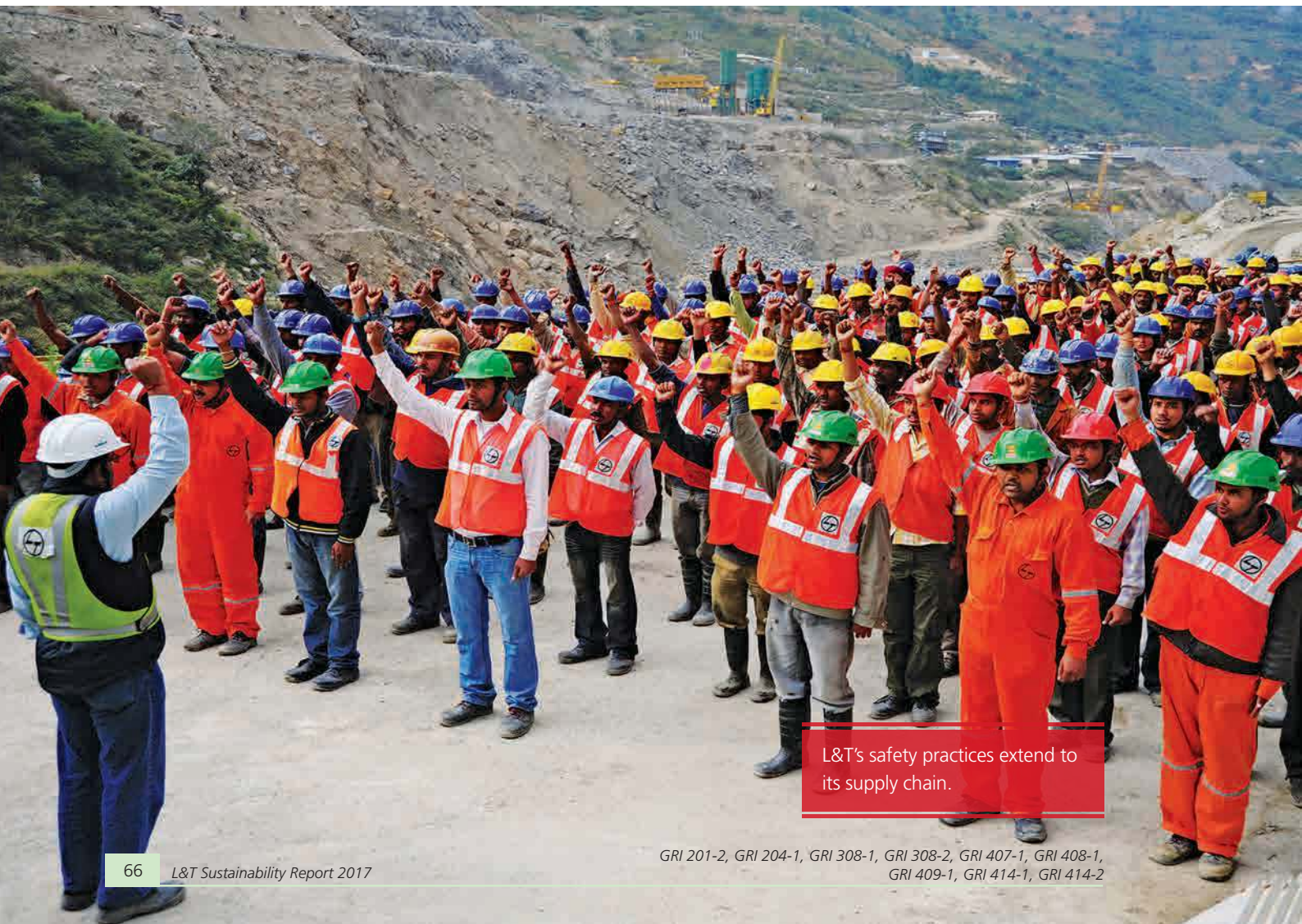
Environmental & Social Code of Conduct for Suppliers and Capacity Building

L&T's commitment to environment, safety and green practices extend to its supply chain universe too. In line with the Company's Green Supply Chain Policy, an 'Environmental & Social Code of Conduct for Suppliers' was formulated to cover specific clauses on environmental management and compliance, human rights, labour practices, prohibition of child labour, freedom of association and collective bargaining, prohibition of forced and compulsory labour, ethics and

transparency, and impact on society. This was applicable during the period 2012-16. Since 2016-17, the 'Environmental & Social Code of Conduct for Suppliers' has been integrated with the Business Code of Conduct for suppliers. It is mandatory for all new and existing vendors/suppliers to follow this Code. While existing suppliers have been apprised of this combined CoC, new suppliers are introduced to it during the on-boarding process.

Sustainability awareness and capacity building sessions are conducted for suppliers and transporters at regular intervals. The programme familiarizes them with the Company's requirements in the areas of occupational health and safety, environment protection and social responsibility. The objective of this programme is to adopt good sustainability practices in the supply chain and help them identify energy, water and material conservation opportunities, use of innovative practices and reduce operational cost. Bus drivers who facilitate employee commuting are also trained in defensive driving techniques regularly.

supply chain



L&T's safety practices extend to its supply chain.

Turning surplus into savings

Surplus stocks of project sites re-distributed to cut wastage

L&T's Metallurgical and Material Handling (MMH) team devised a method of putting surplus materials from project sites nearing completion to good use by transferring them to new projects. The materials covered were steel, tools & tackles and consumables.

Due to the complexity and involvement of a large quantum of mechanical works, MMH projects involve purchasing a large number of high-value consumables, tools and tackles and other construction materials for execution. The materials lying at near completion projects can be categorized as:

- Surplus Stock: Surplus materials in stores which can be re-deployed at other sites.
- Used but re-usable stock: The materials are issued, but have a shelf life that is long enough for redeployment at other projects.

Surplus equals reusable

The team took stock of the surplus material at the stores. The material list was then circulated to new

projects to select required materials. They were dispatched in a timely manner, cutting down the need for a new procurement. This process is now part of a regular system available online. The system automatically tags surplus material in the inventory and allocates it to the required project site.

Initially, 15 project sites were chosen for re-using stock, based on the percentage of work completed. Also, a team of 17 engineers, selected from sites, were given an orientation on the process. They travelled across selected sites to assess re-usable material. The material cleared by the team was then sent to new sites for selection.

Result

This initiative helped save of ₹ 310 million in the last three years.

Process innovation for better results

Surplus stocks of project sites re-distributed to cut wastage

WET Business – the IT City, Mohali site undertook an initiative to revise the methodology of fixing of manhole covers in slabs. As per the conventional method, slabs were cast in a casting yard and were erected on manholes. The cover fixing was done on the slab at site. This process led to improper bonding

between the manhole cover and the slab, which led to the development of cracks. The site revised the method, and now the manhole covers are fixed in the slabs at the time of its casting, which results into a monolithic structure and saves time and cost while delivering proper results.



Climate Change Challenges and Efforts

Globally, organizations have embraced the cause of climate change and devised ways to build businesses around it. Green Practices can bring challenges but also provide opportunities to help reduce costs and improve the bottom-line of the Company.

We have a large portfolio of Green Products and Services intended to reduce the emission levels of our customers and provide us with business opportunities. Some of our offerings are solar power plant solutions, small hydro-power plants, efficient power transmission and distribution systems, energy-efficient equipment, metro and mono rail systems, green buildings; water treatment, recycling & distribution infrastructure, supercritical and ultra-supercritical thermal power plants & equipment and coal gasifiers.

We believe that our ability to operate efficiently will be further enhanced with our proven capabilities in measuring, managing, and mitigating Green House Gases (GHG) emissions – with the help of innovation, new technology and stakeholder collaboration. The Company remains committed to reducing its GHG emissions and the related impact. Carbon footprint mapping is conducted across the organization and emission reduction targets are a part of our Sustainability Roadmap 2021.

Climate change can also pose economic challenges in the form of regulation. It is possible that countries or regions

of the world will alter or tighten norms on GHG emissions in the form of significant new taxes, fees, or other costs. Our main strategy for managing this challenge includes gathering frequent updates on the regulatory changes and participating in industry fora to aid policy formulation. Climate change can also pose challenges in the form of extreme weather events, for our construction and manufacturing businesses, nationally and internationally. **Changes in temperature could lead to health concerns for our employees at project sites, delayed projects may result in operational losses.** Changes in monsoon patterns can also have a significant impact. On the other hand, excess rains and reduction of solar influx may impact the solar business.

The Company formulated its Sustainability Roadmap 2021 - the third since the inception of the programme.

We are working towards the objectives of climate change adaptation and mitigation initiatives, and proactively disclosing our carbon emissions annually through the Carbon Disclosure Project. Our initiatives include increased use of renewable energy, promotion of green building construction, energy efficiency, enhancement of green cover and increased use of solar & renewable energy solutions at our campuses.

5S for stellar performance

This year, the Power business implemented 5S across three of its project sites in Darlipali (Odisha), Malwa-II (Madhya Pradesh) and Bheramara (Bangladesh) respectively. 5S covers Sort (Seiri) to make work easier by eliminating obstacles; Set in Order (Seiton) to arrange all necessary items so that they can be easily selected for use; Sanitation (Seiso) clean your workplace on a daily basis completely or set cleaning frequency; Standardize (Seiketsu) to standardize the best practices in the work area; and Sustain (Shitsuke) to ensure all defined standards are being implemented.

This practice enables safe and efficient operations, enhances productivity while reducing cost and cycle times. The implementation had multiple benefits including inventory reduction, lower costs due to waste minimization, zero injuries on-site, and enhanced customer confidence. It also resulted in more organized workspaces and a greater sense of well-being and motivation among employees at project sites.

climate change challenges and efforts



CASE STUDY

L&T creates history in nuclear construction

Taking a giant leap towards modularization in construction methodologies, L&T's Heavy Civil Infrastructure team at Kakrapar Atomic Power Plant lifted and installed a 355 MT Inner Containment dome liner as a single unit. The team had worked tirelessly over a four-month period to create the structure. This involved executing over 53 km of welding to piece the structure together to form a unique tori-spherical shape, brought about by the two-dimensional bending of the backing members.

The Atomic Energy Regulatory Board (AERB), one of the toughest regulatory bodies in the country, complimented them saying that they were unable to differentiate between the 3D model of the dome liner and the one created by L&T. The flawless execution of the project came on the heels of five consecutive RoSPA Gold Medals and three consecutive Sarvasreshta Suraksha Puraskar from National Safety Council of India, for their impeccable safety record.



Kakrapar Atomic Power Plant construction

Green Portfolio: Products & Services

We developed our Green portfolio to deliver engineering and design solutions focused on sustainability. This includes technology solutions that are low on carbon emission, water consumption and air pollution to improve energy efficiency with clean energy and resource conservation. As the world takes the path towards low carbon economy to implement Climate Change Mitigation and Adaption strategies, it is essential to create green infrastructure that reduces GHG emissions. Our Green Portfolio offers infrastructure that has low impact on the environment and focuses on public well-being.



Renewable Energy

Solar Power Plants

Solar Photo Voltaic (PV) based power plants utilize renewable solar energy and contribute to reduction of GHG emissions.

L&T rolled out tracker technology on a large scale and is currently executing more than 200 MW of tracker-based projects. L&T commissioned India's largest solar tracker-based power plant in Tamil Nadu. Through a first-of-its-kind distributed generation project in Bihar, the solar business has entered the energy storage business, providing solar power to 200 villages.

Hydro-power Plants Our 'Water to Wire' solutions

Renewable energy based power plants that harness the energy of moving water.

Hydel projects with an aggregate capacity of 870 MW are in various stages of development by L&T.

Energy Efficiency

Efficient Power Transmission and Distribution System

L&T offers highly-efficient Power Transmission and Distribution Systems (PTDS), designed to reduce pilferage as well as transmission and distribution losses. This saves 20-40% of electricity, and reduces CO₂ emissions significantly. PTDS includes transmission lines, underground cable networks, substations, distribution networks, electrical, instrumentation and communication solutions.

The Transmission Line business has commissioned about 20 transmission corridors of 2,400 km in length in FY16-17. The projects commissioned include India's longest 765 kV D/C Kudgi TL (380 km) and 400 kV Quad Moose D/C Madhugiri to Bidadi Transmission Line (94 km).

Energy-efficient Equipment

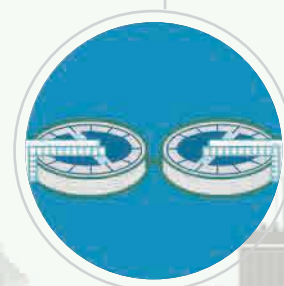
L&T's Electrical & Automation business offers a range of eco-friendly products, systems and services for industrial, commercial and residential applications.

Products: Low-watt loss fuses, AC drives, soft starters, power factor improvement capacitors.

Systems: Industrial & building automation solutions, smart metering systems.

Software Functions: Energy performance analysis and integrated energy management systems.

Our green products and services portfolio showed a stellar growth and increased to ₹ 197.94 Billion in the FY 2016-17. It contributed to 28.99% of overall sales.



CO₂ Emission Reduction

Metro and Mono Rail

Mass Rapid Transit systems provide enhanced connectivity, reducing the number of vehicles on the road, which in turn, reduces pollution and maximizes resource efficiency.

L&T has successfully executed metro rail projects in multiple cities across the country and internationally. L&T is executing the Hyderabad Metro project covering a total distance of 71.16 km in 3 different corridors. This is the world's largest public-private-partnership in the urban transportation sector.

Green Buildings

The Company constructs certified Green Buildings which consume less energy and water, utilize recycled material and locally sources most of its construction material.

More than 49.1 million sq. ft. of Green Building space has been constructed by the Company for its clients. Additionally, 8.84 million sq.ft. of green space is under various stages of construction.

Water & Resource Conservation

Water Treatment & Distribution Infrastructure

L&T constructs bulk distribution and water treatment systems, waste water treatment plants, effluent treatment & recycling plants and lift irrigation systems.

L&T has built over 2600 MLD of water treatment plants and laid over 31,000 km of water and wastewater pipelines. The business has also laid pipeline networks to bring more than one lakh hectares of land into cultivation.

Supercritical and Ultra-supercritical Thermal Power Plants and Equipment

Supercritical technology aids energy efficiency with lower fuel and water consumption, emitting lesser Green House Gases (GHGs). Its land requirement and O&M expenses over the project lifecycle are also lower.

L&T is executing 4 orders of ultra-supercritical and supercritical thermal power plants in India.

Coal Gasifiers

Coal gasification technology offered is used to produce synthesis gas, an economical alternative to natural gas. Synthesis-gas based plants use coal economically, thereby lowering CO₂ emissions.