



PRESS RELEASE

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Larsen & Toubro Limited:

Performance for the quarter ended September 30, 2004

Special dividend of Rs. 10 per share declared

Gross Revenues for the quarter up by 43%
Profit before tax for the quarter (*excluding extra ordinary gain*)
up by 23%

Mumbai, October 25, 2004: Larsen & Toubro Limited (L&T) reported a Gross Sales & Service income of Rs. 3004 crore for the quarter ended September 30, 2004, while registering a growth of 43% over the same period last year. Profit before tax and profit after tax for the quarter amount to Rs.499 crore and Rs.372 crore for the quarter.

The profit for the quarter includes an amount of Rs. 353 crore being the gain on sale of 105,73,883 shares of Ultra Tech CemCo Limited (representing 8.5% of the company's share capital) to Grasim Industries Limited and its subsidiary, in terms of the Scheme of Arrangement for, inter alia, the demerger of the Company's cement business. Excluding this gain, the Profit before tax and Profit after tax for the quarter amount to Rs. 145 crore and Rs. 92 crore respectively, representing an increase of 23% and 14% over the same period last year.

Cumulatively for the half-year ended September 30, 2004, Gross Sales & Service income at Rs. 5692 crore shows a growth of 52%. Profit before tax and after tax respectively (excluding gain on sale of Ultra Tech CemCo shares) at Rs. 261 crore and Rs. 173 crore, translate into a growth of 25% and 19% over last year.

Engineering & Construction Segment

During the quarter, the Engineering & Construction business booked new orders amounting to Rs. 2459 crore as against Rs. 3213 crore during the same period

last year. Delayed decisions on capex programs in the core sector and infrastructure sectors and the changes in policy environment have resulted in fewer domestic opportunities during the period under review. The order booking, however is in line with the management budgets which have recognised these developments.

Of the above, export orders amounted to Rs. 426 crore largely comprising a repeat order from China for supply of Coal Gasifiers and a Gas Reinjection facility in Abu Dhabi. These orders represent significant breakthroughs in businesses and territories that hold considerable potential in the near future.

Cumulatively for the 6 month period, order booking stands at Rs. 4692 crore, of which export orders amount to Rs. 1096 crore.

The segment's Gross Revenues for the quarter at Rs. 2560 crore have grown 48% over last year. Of this, Export Sales amounted to Rs. 603 crore. The Operating Margin for the period is in line with Management budget for the period.

Customer order backlog as at September 30, 2004, amounted to Rs. 16432 crore.

Electrical & Electronics Segment

Gross Revenues of Electrical & Electronics business for the quarter aggregated to Rs.301 crore as against Rs. 253 crore, representing a significant increase of 19% over the previous year. Continuing to hold against competition from strong MNC players, the switchgear standard products business has seen improvement in demand leading to higher offtake and realizations. Consequently, Operating margin for the quarter on net segment revenue is higher at 16.3% vis-à-vis 12.3% last year.

Overall Outlook

With the Government's stand on reform initiatives and in particular about investments in the core sector and infrastructure sector, the Company is reasonably confident that E&C order booking would pick up in the second-half of the year. E&C Revenues for the year are expected to show an increase of around 30%. Operating margin for the second half of the year is expected to be significantly higher than the first half.