

# Transformation for Growth







## MISSION

### Execution Par Excellence

We are committed to evolving into a major Indian multinational, occupying leadership position in the hydrocarbon industry.

Our people are our prime movers. We practise collaborative team-working with zeal, responsiveness and a sense of urgency. We encourage our personnel to demonstrate an entrepreneurial spirit and assume ownership for their actions.

We believe in an ethical work culture, with emphasis on governance in all business dealings. Our endeavour is to practise the highest levels of Quality, Health, Safety, Environmental and Information Security in all our operations.

Our focus is on sustainable value creation for all our stakeholders. We are passionate about our performance culture and committed to delivering excellence at every phase of our operations.



Subramanian Sarma  
CEO & Managing Director

Date: 20th April, 2016



**L&T Hydrocarbon Engineering**

## About Us

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L&T Hydrocarbon Engineering is an engineering, procurement, fabrication, construction and project management company providing integrated 'design to build' solutions to large and complex Offshore and Onshore hydrocarbon projects worldwide.

Earlier a business vertical of Larsen & Toubro, the Company is now a wholly owned subsidiary of the reputed technology, engineering and construction conglomerate.

As a dedicated subsidiary, L&T Hydrocarbon Engineering is positioned to sharpen its focus on service to its customer base and enhance responsiveness in all its engagements. The subsidiary continues to draw on the parent company's organisational strengths and experience.

The Company has over three decades of experience and expertise in the hydrocarbon segment, and conforms to global standards and norms across all aspects of project management, HSE and corporate governance.

The Company caters to the needs of its client base in multiple geographies – India, the Middle East, Asia-Pacific, Africa, the Americas and Europe.

It is conscious of its larger responsibilities as a corporate citizen, and is committed to the development of the communities around its facilities and project sites.

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## Company Information



Mr. K. Ravindranath | Dr. Ashok Kumar Balyan | Mrs. Bhagyam Ramani | Mr. Subramanian Sarma | Mr. K. Venkataramanan | Mr. Sarthak Behuria | Mr. R. Shankar Raman | Mr. Vikram Singh Mehta

### Board of Directors

<b>Mr. K. Venkataramanan</b>	<i>Non-Executive Chairman</i>
<b>Mr. Subramanian Sarma</b>	<i>Chief Executive Officer &amp; Managing Director</i>
<b>Mr. K. Ravindranath</b>	<i>Whole Time Director</i>
<b>Mr. R. Shankar Raman</b>	<i>Non-Executive Director</i>
<b>Mr. Vikram Singh Mehta</b>	<i>Independent Director</i>
<b>Mr. Sarthak Behuria</b>	<i>Independent Director</i>
<b>Dr. Ashok Kumar Balyan</b>	<i>Independent Director</i>
<b>Mrs. Bhagyam Ramani</b>	<i>Independent Director</i>

Chief Financial Officer	Mr. R. Venkatesh
Company Secretary	Ms. Alpana S. Khale
Registered Office	L&T House, Ballard Estate, Mumbai 400 001
Auditors	M/s. Sharp & Tannan

## Message from the Chairman



**Mr. K. Venkataramanan**

*Non-Executive Chairman*

Dear Stakeholders,

As I look back at the year gone by, it gives me immense satisfaction to see the progress that the Company is making under the able guidance of the new Managing Director, Mr. Subramanian Sarma. As you all are aware, the Company – which, as a separate legal entity, is still in its infancy – has faced a few challenges in the past couple of years, primarily on account of the learning curve in the execution of challenging large and complex projects in the Middle East. Now, with most of these legacy projects progressively closing out, the stage is set for the Company's turnaround.

Oil prices have been on a downward trajectory during the past one year. Globally, E&P Capex spends have been slashed. However, certain pockets like Kuwaiti and Saudi Arabian National Oil Companies and Indian PSUs have remained resilient.

The Company has, over the years, created the world-class infrastructure base critical to the execution of EPC projects, including modular fabrication yards, an offshore installation vessel, strategic heavy construction plant and machinery and engineering centres, and has nurtured talent across the organisation. With this strong foundation, the Company is well-positioned to capitalise on the global opportunities emerging in the

hydrocarbon sector.

The Company has rolled out a long-range Strategic Plan for the next five years and the Management is committed to creating a lean and agile future-ready organisation which can rapidly respond to the emerging challenges and industry needs. During the year, the Company carved out two new growth verticals offering value-added modular solutions and high-end engineering services, to strategically de-risk the EPC portfolio.

As I pass on the baton to the next generation of our leaders, I have full confidence and faith that they will do justice to the responsibility entrusted to them. The future looks promising. I look forward to your continued support to unleash the full potential of our organisation and lead it to greater heights.

Warm regards,



K. Venkataramanan  
Chairman

## Message from the CEO & MD



**Mr. Subramanian Sarma**  
*Chief Executive Officer & Managing Director*

Dear Shareholders,

I feel privileged and honoured to address my first communication to you.

Charles Darwin had famously stated, "It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change."

It has been a year of transformation and change for L&T Hydrocarbon Engineering Limited (LTHE). A year in which we have consolidated and reorganised the business and propelled ourselves towards our goal of becoming a USD 3 billion+ Company by the year 2021. We also redefined our vision, which is now to 'Revolutionize the Hydrocarbon Industry', underpinned by our new mantra of 'Execution par Excellence'.

During our transformation journey, we had to make some very difficult, yet much needed, decisions for the overall interests of the business. The drop in oil prices created a challenging external environment and the Company responded with an overhead rationalisation programme to become a leaner and more agile organisation. We now have a much more cohesive, flexible and stronger execution platform to enable seamless project delivery.

The Company has also been positioning itself strategically, with a keen eye on the future. We have so far concluded an Exclusivity Agreement with McDermott

International for Deep Water development off India's east coast and a Teaming Agreement with Parsons Inc. for offering Engineering Services in the Americas.

We are starting to see some of our actions bearing fruit with significant recent awards in Oman and India, and the Company is well-placed to secure further large-value orders in the GCC.

The Lakshya 2021 Strategic Plan, which has been under development since November last year, is now approved and rolled out. The key focus areas for the next two years shall now be Capability Building, Operational Excellence and further Strategic Partnerships to take our project execution capability to the next level.

On behalf of the Management, I assure you that the business is turning around and that we shall soon see LTHE well and truly back on the road to prosperity.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Subma'.

Mr. Subramanian Sarma  
*Chief Executive Officer &  
Managing Director*





# Directors' Report

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“Perfection is not attainable, but if we chase perfection, we can catch excellence.”

- *Vince Lombardi*

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# Directors' Report

The Directors have pleasure in presenting the Seventh Annual Report and Audited Accounts for the year ended March 31, 2016.

## FINANCIAL RESULTS

Summary of Financial Results of the Company is as follows:

₹ crore

Particulars	2015-16	2014-15
Turnover (gross)	7,130.59	5,748.47
Profit/(loss) before Depreciation, Interest, Taxes & Amortisation	306.95	(779.34)
Less: Depreciation & Amortisation	101.41	105.44
Profit/(loss) before Interest & Taxes	205.54	(884.78)
Less: Interest	78.52	117.57
Profit/(loss) before Tax	127.02	(1,002.35)
Less: Tax (including deferred tax provision)	40.55	(348.23)
Profit/(loss) after Tax	86.47	(654.12)
Add: Balance brought forward from previous year	(559.96)	97.23
Less: Dividend (including Dividend Distribution Tax)	–	–
Less: Additional charge to retained earnings on revision of useful life	–	3.07
Balance carried to Balance Sheet	(473.49)	(559.96)

## YEAR IN RETROSPECT

The gross sales for the financial year under review were ₹ 7,130.59 crore as against ₹ 5,748.47 crore for the previous financial year registering growth of 24%. The Net Profit / (Loss) before tax was ₹ 127.02 crore and the Profit / (Loss) after tax was ₹ 86.47 crore for the financial year under review as against ₹ (1,002.35) crore and ₹(654.12) crore respectively for the previous financial year. The Company turned profitable during the year on account of close out of stressed international projects and better margins in domestic operations coupled with higher turnover.

## CAPITAL & FINANCE

1) During the year under review, the Company raised ₹ 260 crore by issue of 12% p.a. Non-Cumulative Optionally Convertible Redeemable Preference Shares of ₹ 10/- each, on rights basis, to the Holding company. Further, the terms of 10% p.a. Non-Cumulative Non-Convertible, Redeemable Preference Shares issued in 2014 were modified to make them convertible at the option of issuer. This will provide greater flexibility to the Company's capital structure.

2) Inter Corporate Deposits from Holding company outstanding as on March 31, 2016 are ₹ 506.18 crore.

## CAPITAL EXPENDITURE

As at March 31, 2016, the gross fixed and intangible assets, stood at ₹ 1,437.38 crore and the net fixed and intangible assets, at ₹ 803.58 crore. Capital expenditure during the year amounted to ₹ 21.41 crore.

## TRANSFER TO RESERVES

There were no appropriations made during the financial year ended March 31, 2016.

## DEPOSITS

The Company has not accepted any deposits from the public during the financial year ended March 31, 2016. There were no deposits outstanding as of March 31, 2016.

## PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN OR SECURITY PROVIDED BY THE COMPANY:

During the year under review, the Company has purchased the following investments from Larsen & Toubro Limited, Holding Company:

Entity	Nature of Operations	JV Partner	Type of Shares	No. of Shares	% stake	Amount (₹ crore)
L&T Sapura Shipping Pvt Ltd	Chartering of 'LTS 3000' Heavy Lift Pipelay Vessel	Sapura Kencana Bhd, Malaysia	Equity	9,53,11,850	60%	104.49
L&T-Chiyoda Ltd	Onshore Engineering	Chiyoda Corporation, Japan	Equity	45,00,000	50%	52.90
L&T-Valdel Engineering Ltd	Offshore Engineering	–	Equity	11,79,000	100%	60.48
L&T-Gulf Pvt Ltd	Onshore Pipeline Engineering	Gulf Interstate Engineering, USA	Equity	40,00,016	50.0002%	10.74
L&T Sapura Offshore Pvt Ltd	Offshore Installation Contractor	Sapura Kencana Bhd, Malaysia	Equity	6,000	60%	0.01

A statement containing salient features of the financial statement of subsidiaries & associates is provided as Annexure 'A' to this Report.

## PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Audit Committee has approved the Related Party Transactions for financial year 2015-16.

All the Related Party Transactions were in the ordinary course of business and at arm's length.

There are no material transactions which need to be disclosed in the Director's Report under Section 134(3)(h) of the Companies Act, 2013 read with Companies (Audit and Accounts) Rules, 2014.

## DIVIDEND

In view of the unabsorbed losses of previous years, the Directors do not recommend any dividend on preference or equity shares.

## MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY, BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE REPORT

There are no material changes and commitments affecting the financial position of the Company, between the end of the financial year and the date of the report.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is provided in Annexure 'B' forming part of this Report.

## RISK MANAGEMENT POLICY

The Company has formulated a risk management policy and has in place a mechanism to inform the Board Members about risk assessment and mitigation procedures.

A detailed note on risk management is given under financial review section of the Management Discussion and Analysis of this Annual Report.

## CORPORATE SOCIAL RESPONSIBILITY

The Company has a Corporate Social Responsibility committee comprising Mr. Vikram Singh Mehta, Mrs. Bhagyam Ramani and Mr. K. Ravindranath as the Members.

The details of the various projects and programmes to be undertaken by the Company as a part of its CSR framework are available on its website [www.lnhydrocarbon.com](http://www.lnhydrocarbon.com).

The disclosures required to be given under Section 135 of the Companies Act, 2013 read with Rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in Annexure 'C' to the Board Report.

The details of the amount to be spent during the current financial year and the manner in which it was spent is given below:

Particulars	₹ crore
Average Net Profit of the Company (excluding profit/(loss) of overseas branches) for the last three financial years	370.00
Amount to be spent as CSR	7.40
Amount unspent	3.57

During the year under review, actual spend on CSR activities was ₹ 3.83 crore, against the prescribed limit of ₹ 7.40 crore.

Section 135 of the Companies Act, 2013 requires the Company to spend at least 2% of the average net profits of the preceding 3 years (excluding profit/loss of international branches) on CSR activities. Based on this, the Company was required to spend ₹ 7.40 crore during FY 2015-16. The Company takes up social and community development initiatives at and around its project sites for maximising the impact of its CSR activities. During the year, no major domestic project sites were established, whereas, the old sites were in process of demobilisation & hence, the full amount of CSR could not be spent. Further, there were also delays in receipt of approvals from the relevant local authorities. Hence, the actual spend on CSR activities during the year was ₹ 3.83 crore. The Company is however, committed to the CSR cause and has identified a number of CSR projects, to which it shall contribute going forward. The company intends to expand the CSR initiatives in a systematic manner to achieve maximum impact in the most needy locations and will continue to support these ongoing projects.

## LIST OF DIRECTORS & KEY MANAGERIAL PERSONNEL:

### A. The Present Directors of the Company are –

1. Mr. K. Venkataramanan
2. Mr. Subramanian Sarma
3. Mr. K. Ravindranath
4. Mr. R. Shankar Raman
5. Mr. Vikram Singh Mehta
6. Mr. Sarthak Behuria
7. Dr. Ashok Kumar Balyan
8. Mrs. Bhagyam Ramani

### B. Appointment of Directors during the year:

During the year, following appointments were made on Board:-

1. Mr. Giovanni Cerchiarini was appointed as a Non-Executive Director in casual vacancy with effect from July 2, 2015.
2. Mr. Subramanian Sarma was appointed as Chief Executive Officer and Managing Director of the

Company with effect from August 19, 2015 up to and including August 18, 2018.

3. Mr. K. Venkataramanan was designated as Non-Executive Chairman of the Company with effect from October 1, 2015.

Mr. K. Ravindranath, Director of the Company, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting of the Company.

#### C. Resignation of Directors during the year:

1. Mr. U. Dasgupta retired as Whole Time Director with effect from the closing of working hours of July 1, 2015.
2. Mr. N. Hariharan resigned as a Non-Executive Director with effect from the closing of working hours of September 28, 2015.
3. Mr. K. Venkataramanan retired as Managing Director of the Company with effect from the closing of working hours of September 30, 2015
4. Mr. Giovanni Cerchiarini resigned as a Director with effect from the close of working hours of February 29, 2016.

#### D. Key Managerial Personnel:

The following are the Key Managerial Personnel as per the provisions of the Companies Act, 2013.

1. Mr. R. Venkatesh, Chief Financial Officer was appointed on May 1, 2015.
2. Ms. Alpana Khale, Company Secretary was appointed on August 19, 2015.

Mr. P. S. Kapoor resigned as Company Secretary and Chief Financial Officer with effect from April 30, 2015.

#### NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

The meetings of the Board are held at regular intervals with a time gap of not more than 120 days between two consecutive meetings. Additional meetings of the Board of Directors are held when necessary. During the year under review, 6 meetings were held - April 28, 2015, June 29, 2015, July 21, 2015, August 19, 2015, October 21, 2015 and January 20, 2016.

The agenda of meetings are circulated to the Directors in advance. Minutes of the meetings of the Board of Directors are circulated amongst the Members of the Board for their perusal.

#### AUDIT COMMITTEE

The Company has an Audit Committee in terms of the requirements of the Companies Act, 2013. It comprises three members all of them being Independent Directors as under:

1. Dr. Ashok Kumar Balyan - Chairman
2. Mr. Sarthak Behuria

3. Mrs. Bhagyam Ramani

During the year under review, 4 meetings were held on 28th April 2015, 21st July 2015, 21st October 2015 and 20th January 2016.

In accordance with the requirements of the Companies Act, 2013, the Company has established a vigil mechanism framework for directors and employees to report genuine concerns.

#### COMPANY POLICY ON DIRECTOR APPOINTMENT AND REMUNERATION

The Company has constituted the Nomination & Remuneration Committee in accordance with the requirements of the Companies Act, 2013 read with the rules made thereunder. The Committee comprises two Independent Directors, one Non-Executive Director and the Managing Director as under:

1. Mr. Sarthak Behuria - Chairman
2. Dr. Ashok Kumar Balyan
3. Mr. K. Venkataramanan
4. Mr. Subramanian Sarma

The Company has formulated a policy on director's appointment and remuneration including recommendation of remuneration of the key managerial personnel and other employees and the criteria for determining qualifications, positive attributes and independence of a Director.

#### DECLARATION OF INDEPENDENCE

The Company has received a Declaration of Independence as stipulated under Section 149(7) of the Companies Act, 2013 confirming that he/she is not disqualified from continuing as an Independent Director.

#### EXTRACT OF ANNUAL RETURN

As per the provisions of Section 92(3) of the Companies Act, 2013, an extract of the Annual Return is attached as Annexure 'D' to this Report.

#### DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms that:

- i. in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of profit of the Company for that period;
- iii. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- iv. the Directors have prepared Annual Accounts on a going-concern basis; and
- v. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

The Company has designed and implemented a process-driven framework for Internal Financial Controls (IFC) within the meaning of the explanation to Section 134(5) (e) of the Companies Act, 2013. For the year ended March 31, 2016, the Board is of the opinion that the Company has sound IFC commensurate with the nature and size of its business operations, is operating effectively and no material weaknesses exist. The Company has a process in place to continuously monitor the same and identify gaps, if any, and implement new and / or improved controls wherever the effect of such gaps would have a material effect on the Company's operations.

#### **PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES AND DIRECTORS**

The Nomination & Remuneration Committee and the Board have laid down the manner in which formal annual evaluation of the performance of the Board, Committees and individual Directors has to be made.

It includes circulation of questionnaires to all Directors for evaluation of the Board and its Committees, Board composition and its structure, its culture, Board effectiveness, Board functioning, information availability, etc. These questionnaires also cover specific criteria and the grounds on which all Directors in their individual capacity will be evaluated.

The inputs given by all the Directors were discussed in the meeting of the Independent Directors held on March 22, 2016, as per schedule IV of the Companies Act, 2013. The performance evaluation of the Board, Committees and Directors was also reviewed by the Nomination and Remuneration Committee and the Board of Directors.

#### **COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND ANNUAL GENERAL MEETINGS:**

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Board Meetings and Annual General Meetings.

#### **PROTECTION OF WOMEN AT WORKPLACE:**

The parent company Larsen & Toubro Limited (L&T) has formulated a policy on 'Protection of Women's Rights at Workplace' which is applicable to all group companies. This has been widely disseminated. No cases of sexual harassment were received during 2015-16.

#### **AUDITORS**

The Auditors, M/s. Sharp & Tannan, Chartered Accountants, Firm's Registration No. 109982W, hold

office until the conclusion of the ensuing Annual General Meeting. As per provisions of The Companies Act, 2013, M/s. Sharp & Tannan are eligible to be appointed for the next three years. Certificate from the Auditors has been received to the effect that they are eligible to act as auditors of the Company under Section 141 of the Companies Act, 2013. The Board recommends the appointment of M/s. Sharp & Tannan, Chartered Accountants, as statutory auditors of the Company for a term of two years commencing from Financial Year 2016-17.

#### **AUDITOR'S REPORT**

The notes to accounts referred to in the Auditor's Report are self-explanatory and therefore do not call for any further comments of Directors.

#### **COST AUDITORS**

The Board of Directors have appointed R. Nanabhoy & Co., Cost Accountants as Cost Auditors of the Company for conducting the audit of cost accounting records for the Financial Year 2016-17.

A proposal for ratification of remuneration of the Cost Auditor for FY 2015-16 is placed before shareholders.

#### **SECRETARIAL AUDITORS**

The Board of Directors had appointed Mrs. Naina Desai, Practicing Company Secretary, as the Secretarial Auditor of the company under Section 204 of The Companies Act, 2013 for the Financial Year ended March 31, 2016.

The Secretarial Audit Report in Form MR-3 is attached as Annexure 'E' to this Report. The same does not contain any qualification.

#### **DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS**

During the year under review, there were no orders passed by the regulators or courts or tribunals impacting the going-concern status and the Company's operations in future.

#### **ACKNOWLEDGEMENT**

Your Directors take this opportunity to thank the Customers, Supply Chain Partners, Business Associates, Employees, Management of the Holding Company, Banks, Central and State Government authorities, Regulatory authorities, and various other stakeholders for their continued co-operation and support to the Company.

For and on behalf of the Board

#### **K. VENKATARAMANAN**

*Non-Executive Chairman*  
DIN: 0001647

*Mumbai, April 27, 2016*

# Annexure 'A' to the Directors' Report

## FORM AOC – 1

(Pursuant to First proviso to subsection 3 of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

### PART A SUBSIDIARIES

#### Statement containing salient features of Financial Statements of Subsidiaries

₹ crore

SN	Particulars	Name of the Subsidiary			
		L&T Valdel Engineering Limited	L&T Sapura Shipping Private Limited	L&T Sapura Offshore Private Limited	L&T Gulf Private Limited
1	Reporting Period for concerned Subsidiary	01 April 2015 to 31 March 2016	01 April 2015 to 31 March 2016	01 April 2015 to 31 March 2016	01 April 2015 to 31 March 2016
2	Share Capital	1.18	158.85	0.01	8.00
3	Reserves & Surplus	70.23	39.56	0.86	14.68
4	Total Assets	98.55	689.68	14.23	28.80
5	Total Liabilities	27.15	491.27	13.75	6.11
6	Investments	0.35	–	–	0.39
7	Turnover	123.88	198.93	7.24	19.33
8	Profit before Taxation	18.34	22.57	1.22	3.04
9	Provision for Taxation	6.90	0.52	0.26	1.05
10	Profit after taxation	11.44	22.05	0.96	1.99
11	Proposed Dividend	–	–	–	–
12	% shareholding	100 %	60%	60%	50.0002%

### PART B : ASSOCIATES AND JOINT VENTURES

#### Statement containing salient features of Financial Statements of Associate Companies/Joint Ventures

SN	Particulars	L&T Chiyoda Limited
1	Latest Audited Balance Sheet date	31 March 2016
2	Shares of associates held by the Company on year end	
	Number of shares	45,00,000
	Amount of investment (₹ crore)	52.90
3	Description of how there is significant influence	By virtue of 50% shareholding & right to nominate 50% of Board strength
4	Reason why the associate is not consolidated	Control is joint, as all Board decisions need to be approved by at least 1 Director nominated by both the JV partners
5	Net worth attributable to shareholding as per latest audited Balance Sheet (₹ crore)	41.63
6	Profits/(Loss) for the year (₹ crore):	
	Considered in consolidation	–
	Not considered in consolidation	(10.17)

## Annexure 'B' to the Directors' Report

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

#### A. CONSERVATION OF ENERGY

##### (a) Energy Conservation measures taken:

##### Improving Energy Effectiveness/Efficiency of Equipment and Systems

- Optimize running of Air Compressors used for Blasting/Painting through optimum loading of Blasting operation & reduction in idle running
- Conversion and retrofitting of equipment e.g. Installation of on-off timers in high mast towers
- Usage of inverter-based Welding Machines

##### (b) Additional investments & proposals, if any, being implemented for reduction of consumption of energy:

- Implementation of Energy Management System ISO 50001
- Replacement of metal halide lamps in place of sodium lamps
- Replacement of existing window/split ACs by energy efficient inverter based AC
- Energy saver unit installation in lightings and welding machines at yards
- Installation of Capacitor bank in yard
- Installation of Occupancy sensors at offices and porta cabins at yards

##### (c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The measures taken have resulted in savings in cost of production, cost of power consumption, energy savings & reduction in maintenance cost and reduction in processing cycle time.

##### (d) Total Energy Consumption and Energy Consumption per unit of production as per Form A in respect of industries specified in the Schedule:

The Company provides engineering, procurement & construction solutions on turnkey basis in oil & gas, petroleum refining, chemicals & petrochemicals and fertilizer sectors and pipelines. Hence, disclosures in Form A are not applicable to the Company.

#### B. TECHNOLOGY ABSORPTION

##### RESEARCH AND DEVELOPMENT (R&D)

##### 1. Specific areas in which R&D is carried out by the Company:

The Company has well-established R&D facilities for carrying out applied research in the areas of Chemical Engineering, Material Science & Corrosion, Thermal Engineering, Machinery & System Engineering, Mechanical Engineering and Water Technologies.

##### Research work is currently focused on the following:

##### • Chemical Engineering

Design, analysis and simulation of Gas Processing plant and equipment (Gas/Liquid Separation, Condensate Fractionation, Gas Dehydration, Gas Sweetening Units and C2/C3/C4 component recovery Systems); Process Design of slug catchers, Process simulation for Ammonia and Urea Plants; Process Engineering for Gas Compressor Modules; Flow simulation studies for Oil & Gas Projects; Steady State and Dynamic Simulation of Oil & Gas Processing plants; Refractory engineering for Fertilizer and Refinery Plant equipment; Technology evaluation, Coal characterization, Modelling and simulation for Gasification technologies; Technology evaluation for Hydrocracker and ultra-low sulphur fuel, Two-phase flow modelling; Pipeline flow assurance studies; Value Engineering for project cost optimization; Modelling of Pressure Swing and Temperature Swing Adsorption beds for product purification; Failure analysis and troubleshooting of various process units such as Steam Generators, Thermo-siphon System, Pressure Swing Adsorption unit, HP/LP Flash Drum and Gas Compressors.

##### • Material Science & Corrosion Engineering

Material selection, verification and characterization for Gas Processing Plants, LNG Pipelines / Terminals and Offshore facilities; Risk assessment and generation of Corrosion Management Manual / Plan for Gas Processing and Oil & Gas facilities, involving equipment and flow-lines; Troubleshooting and Failure Analysis studies for equipment and components (such as Process Piping, Waste Heat Recovery System, Heat Exchangers, Reformer tubes, Turbine

blades, Valves, Fasteners, Fittings, Coatings etc.); Preservation and Restoration techniques for critical systems; Chemical cleaning / surface engineering of metals and non-metals; Characterization of various materials with state-of-the-art instrumentation; Materials for strategic applications.

- **Thermal Engineering**

Design verification of Thermo-siphon Re-boilers and Cryogenic Fluid Heaters; Design of Indirect Bath Heaters for well fluid heating; Check-rating and design optimization of Waste Heat Recovery coils and Heat Exchangers; Failure analysis and troubleshooting of Inter-stage Cooler of Gas Compressors; Troubleshooting of Heat Exchanger vibration due to fluid elastic instability and piping system vibration due to cavitation in valves; CFD analysis for design optimization and troubleshooting of Hypersonic Wind Tunnels, Flare and Exhaust Stack on Offshore Platforms; Safety studies for safe helideck operation at Offshore Platforms; Radiation and Dispersion Analysis for the Flare Gas and DG Exhaust Gases; Hazard analysis for gas leakage from cross-country pipelines; Investigation of fire accidents and failure analysis of flare tip on Offshore Platforms; CFD analysis to finalize the Platform layout from safety aspects and to verify performance of Lube-oil Coolers and Air Coolers; Support for commissioning of Offshore Wellhead Platform and Process Platform; String Testing of Process Gas Compressor modules; Thermal design of equipment in Low-Temperature Thermal Desalination processes; Dynamic Simulation Study of thermal and electrical systems of captive sub-critical power plant operating in island mode; Dynamic Simulation Study of BOP components of supercritical power plant; Design verification of HVAC systems for Offshore Platforms.

- **Machinery & System Engineering**

Advanced studies in Vibration and Acoustics for machinery and piping; Fatigue Life Assessment of process piping considering Flow-induced and Acoustic-induced vibration; Lateral and Torsional Vibration analysis for Turbines and Compressors; Troubleshooting of vibration problems in Steam Turbines, Centrifugal Compressors; Failure analysis of Lubrication System in Screw Compressor; Failure analysis of Deck Crane Slew Bearing, Expander Bearing; Winch Drum Luff Wire Rope, Utility Water Pumps, PWCS Pumps, HVAC Compressor and Slewing Bearings in Offshore platforms; Noise Assessment studies for Gas Processing Plant and Wellhead Platform; Design improvement / optimization studies for Coal Pulverizers units in Supercritical Boilers; Turning Gear Failure investigations and design improvement of Boiler Feed Pump Turning Gear

in Supercritical Power Project; Technical support during Acceptance Test and Commissioning for critical machinery.

- **Mechanical Engineering**

Composite FE analysis of systems involving combined equipment, piping and structural effects; Lateral and Upheaval Buckling analysis of sub-sea pipelines; Seismic analysis of buried pipelines; Fitness For Service (FFS) assessment of in-service equipment and structures containing damage or flaws; Coupled Thermal-Structural Transient and Fatigue analysis of process equipment; Lifting, transportation and load-out analysis of process equipment and Offshore structures, Strain Gauging for underwater applications and residual stress measurement using non-destructive techniques; Design optimization studies of Model Injection Mechanism for hypersonic wind tunnel application; Design optimization study for piping of Air Independent Propulsion System for strategic application.

- **Water Technologies**

Total water management solutions including technology evaluation, design and detailing of water / wastewater facilities for Oil & Gas – Upstream & Mid & Downstream sector; Waste minimization / recycling studies; Oil-water Separation processes; Troubleshooting of Condensate Polishing Unit (CPU) in Fertilizer Plant; Design verification of oil-water separation device, such as Corrugated Plate Interceptor; Implementing Zero-liquid Discharge in process plants; Testing for water and wastewater characterization; Lab-scale pilot plant studies for treatability aspects of water and wastewater; Produced Water management for both Onshore and Offshore installations; Review of Reject Water Management systems from RO plants; Technical support towards compliance with environmental requirements of Oil & Gas Projects during Proposal Engineering and Execution.

R&D Laboratories in the areas of Vibration & Acoustics, Experimental Stress Analysis, Materials Technology, Corrosion Studies and Water Technology have been upgraded by addition of new, state-of-the-art instruments and software tools to carry out the R&D studies effectively. R&D facilities are augmented with the latest IT infrastructure. A fully E-enabled Technical Library, having a large collection of technical publications, research journals and product/technology databases further supplement the R&D resources. Emphasis is laid on creating Intellectual Properties (IP) and managing the Intellectual Property Rights (IPR). The R&D Centre has been involved in active networking with professional societies, R&D laboratories and academic institutes.



## 2. Benefits derived as a result of above R&D:

- Complete process simulation, design solutions and optimization for Hydrocarbon projects in Fertilizer sector, involving Reformers, Ammonia Plant and Urea Plant.
- Establishment of in-house capability in Process Simulation and FEED Verification for Onshore / Offshore Gas Processing Plants and design optimization of associated equipment.
- In-house expertise development for complete Refractory solutions (e.g., material selection, engineering, commissioning and troubleshooting) in high-temperature equipment for process plants.
- Capability development for dynamic simulation of equipment and processes; Enhancement of cogeneration power plant reliability and availability.
- Capability development for analyzing plant dynamics for upcoming UMPPs / other supercritical power plants.
- In-house program developed for prediction of thermal radiation from flares for offshore and onshore projects.
- Capability development for performing boiler capacity de-bottlenecking studies.
- Capability development for design evaluation of bulk flow coolers in Urea Plants and other solid-handling plants.
- Successful testing / commissioning of plants and equipment in various Hydrocarbon projects, through multi-disciplinary technology support.
- In-house capability to support business units for all materials-related assignments (such as material verification / selection / evaluation / characterization; corrosion rate estimation, selection of alternative materials; failure analysis; preservation and corrosion protection of critical equipment; development of new materials for strategic applications; identification of newer technologies and commercially available proven products and their implementation for preventing material degradation and extending useful life).
- Synthesis and Characterization of novel Nano-enabled bulk materials and coatings for high-temperature applications.
- Establishment of in-house capabilities in analysis of piping system for flow-induced and acoustic-induced vibrations; Conduct of Plant Noise studies utilizing in-house expertise; Development of in-house capabilities in special acoustic studies such as piping insulation design and valve noise / vent noise assessment.
- Development of in-house expertise in advanced FEA for Offshore application such as In-place

and Fatigue analysis of plated hull structures and Vortex Induced Vibration (VIV) analysis of long, submerged conduits.

- Development of in-house expertise in strain gauging for special applications like water-proof gauging required for measuring strains on the inner surface of pressure vessels during hydro test.
- Establishment of in-house capability in carrying out combined creep and fatigue damage assessment of process equipment subjected to elevated temperature cycles.
- Demonstration of in-house capability on design optimization of expansion bellows in thermal equipment, using advanced FEA techniques.
- Technical support to Oil & Gas, Refinery, Fertilizer and Chemical Plant Projects for complete water and wastewater management solutions; Management of Produced Water, Injection Water and Utility Water; Design of Sludge and Effluent Treatment systems; Appropriate solutions for water treatment, filtration and desalination applications; Development of water recycling, reuse and zero-discharge schemes.
- National recognition of R&D Materials Laboratory through “Excellent Laboratory Award – 2015” from NACE Gateway India Section.

## 3. Future Plan of Action:

The R&D Centre is committed to providing appropriate technology support to all hydrocarbon projects, as required by various business units. Future development activities are identified based on the anticipated needs of upcoming projects as well as requirements for in-house capability development. The following key areas have been identified under R&D Action Plan:

- Process technology for coal gasification, design optimization and system integration for EPC Projects
- Rate-based model development and simulation for Pre-Reformer, HTER and Auto-thermal Reformer
- Use of Petcoke for Gasification applications
- Modeling and Process Simulation of Fluidized Bed Gasification Reactors for high-ash Indian coals
- Process design capabilities in Petrochemical / Polymer Plants
- Modularization of Process Plants
- Carbon Capture and Sequestration (CCS) techniques for Oil & Gas Projects
- Application of Enhanced Oil Recovery (EOR) processes through chemical flooding techniques

- CO<sub>2</sub> Capture from Reformer stack in fertilizer plant and recycling as feed stock for Urea plant
- Cryogenic Air Separation Processes (technology evaluation, process simulation, heat integration and system engineering)
- Use of CFD techniques for design optimization of coal gasifiers
- Emerging (Non-traditional) energy solutions such as CBM, Shale Gas and Tar Sands
- Development of Nano-based materials for high temperature applications
- Thermal design and optimization of Cold Box for Air Separation plants
- Application of Low Temperature Thermal Desalination process for commercial use
- Design / engineering of molten salt-based thermal energy storage system for electric arc furnace with intermittent operation
- Design of Combustion Air Pre-heaters for Reformers in Ammonia Plants
- Power generation solutions for offshore process platforms using wind power
- Solar energy based desalination plants for "Clean Energy" initiative
- Development of in-house design / analysis capability for produced water treatment
- Study on use of Nano-filtration (NF) for produced water treatment
- Capability development in Air pollution and solid waste management in Oil & Gas industry
- Advanced Finite Element Analysis (FEA) techniques for analyzing coupled Fluid Structure Interaction (FSI) problems
- Capability development in Fracture Mechanics and Advanced Fatigue Analysis
- Study of advanced non-destructive techniques for residual stress measurement
- Stress analysis of non-ferrous materials like ceramic refractory and concrete structures
- Study of design philosophy of Offshore wind turbines
- Techniques for Reliability, Availability & Maintainability (RAM) studies as part of specialized engineering support for Process Plants
- Fitness for Service (Level-3) assessment using FEA
- Theoretical and experimental study on degradation mechanisms in material of construction for Ammonia Convertor

- Study on degradation / failure mechanisms for High-Strength Steel; Characterization of different heat treated low-alloy steel (Normalized + Tempered and Normalized + Accelerated cooling + Tempered) for temper embrittlement; Evaluation of hydrogen - charged DSS.
- Development of environmentally-friendly (non-toxic and bio-degradable) chemical formulations for chemical cleaning and pickling of steels; Characterization and optimization of selected chemicals based on surface cleaning efficiency and material weight loss.

#### 4. Expenditure on R&D:

₹ crore

Particulars	2015-16	2014-15
Capital	0.19	0.54
Recurring	12.37	11.48
<b>TOTAL</b>	<b>12.56</b>	<b>12.02</b>
Total R&D expenditure as percentage to total turnover	0.18%	0.21%

#### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

##### 1. Efforts made towards technology absorption, adaptation and innovation:

- Interaction with external agencies / technology partners for exposure to the latest products / designs, manufacturing technologies, processes, analytical techniques and engineering protocols
- Active involvement with International / National Professional Societies (such as IChemE, AIChE / CCPS, IChE, ICC, ASME, NACE, ASM, ASTM, AISC, ACS, HTRI, STLE, TSI, NAFEMS, etc.)
- Active participation in National / International Innovation forums and Innovation contests
- Institutionalization of in-house schemes (such as ICONs and KnowNet) for identifying, nurturing and implementing innovative ideas and technology solutions
- Networking and knowledge sharing through national / international conferences, seminars and exhibitions
- Valuation, adaptation and/or modification of imported designs / technologies to suit indigenous requirements, alternative materials / components
- Parametric studies involving theoretical models duly validated by experimental studies at in-house laboratories and pilot plants, as well as feedback and operating data during commissioning of various plants and machinery
- Review of Patents in relevant technology areas
- Nomination of R&D engineers to external training programs, expert groups and technical committees

- Collaborative efforts with educational / research institutions for research projects
- Use of state-of-the-art equipment, instrument and software as well as the latest Codes and Standards
- Analyzing feedback from customers / internal users to continually improve processes and services

## 2. Benefits derived as a result of above efforts:

- Capability development and professional enrichment of R&D Engineers through networking with domain experts and researchers in India and abroad
- Enhancement of professional skills of R&D Engineers through additional academic qualifications, certification and acquisition of Chartered Engineer status
- Successful performance simulation / optimization of process design and engineering for various Hydrocarbon projects (Refinery, Oil & Gas, Fertilizer and Chemical plants)
- Complete in-house support to business units in providing Refractory solutions (selection, design, engineering, commissioning) for high-temperature applications
- Energy conservation through optimal design, analysis and engineering of heat exchange equipment and waste heat recovery systems for Process Plants
- Optimum material selection, verification and characterization of materials for critical applications; Implementation of suitable preservation / corrosion protection techniques to achieve successful longer life and adequate performance
- Development of optimized design for Coal Pulverizers through appropriate sizing, material selection, heat treatment and indigenization of manufacturing and machining processes
- Establishment of in-house capability for specialized engineering analyses, such as Modeling & Process Simulation, Computational Fluid Dynamics, Transient Thermal Analysis, Radiation and Dispersion analysis, Risk Based Inspection (RBI) Studies, Fitness for Service (FFS) Studies, advanced Stress Analysis, Vibration & Acoustics, Rotor Dynamics, Tribology etc., in order to achieve self-sufficiency and minimise dependence on external agencies
- Multi-disciplinary technology support to Projects towards troubleshooting, failure analysis and plant commissioning, in order to achieve successful Project completion with respect to cost, time, quality and HSE targets

- Acquisition of in-house expertise in areas such as material characterization, advanced corrosion control methods, coating and wear protection techniques to assess and mitigate material-related failures and associated risks in Projects
- Contribution towards new materials development (composites / nano-materials) and indigenous solutions to control corrosion for effective support to Projects of strategic importance
- Establishment / upgradation of state-of-the art laboratory facilities for materials characterization, chemical analysis, corrosion control, coating evaluation, vibration and acoustics studies, experimental stress analysis etc., in order to provide comprehensive technology support to business units. This has reduced the dependence on external agencies and enabled effective execution of projects.

## 3. Information regarding technology imported during the last 5 years:

No technology was imported during the last 5 years.

## C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The Company has been prequalified for major international EPC projects from reputed customers in Middle East, South East Asia and CIS countries. During the year under review, the Company has appointed Mr. Subramanian Sarma as the Chief Executive Officer and Managing Director. He has over 30 years of experience in the international oil & gas contracting industry. He is based out of the Company's Middle East office to enable close monitoring of key on-going projects and drive new growth. During the year under review, the Company along with a consortium partner has entered into a six-year Long Term Agreement with Saudi Aramco which will enable the consortium to execute Engineering, Procurement, Construction & Installation of Offshore facilities such as platforms, pipelines, submarine cables and other Offshore services over the tenure of the Agreement. The Company is also in talks with reputed international EPC companies for tie-ups relating to exports of pre-fabricated structures from yards and for provision of engineering services.

## Total foreign exchange used and earned:

₹ crore

Particulars	2015-16
Foreign Exchange earned	4,711.59
Foreign Exchange used	4,098.92

# Annexure 'C' to the Directors' Report

## ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

### 1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

The Company is committed to discharging its Social Responsibility through:

- Partnership with communities in education and skill-building
- Innovation and Technology

Our 'CSR' approach is based on the dedicated involvement of our employees, who get as much value out of the initiatives, as the recipient. The focus areas for the Company are given below.

- Water Conservation & Purification
- Education and Skill building
- Health
- Environment
- Innovation and Technology

While the focus of CSR efforts will be in the areas mentioned above, the Company however may also undertake projects where societal needs are high or in special situations (such as in the case of natural disasters etc.). The CSR Policy of the Company is available on the Company's website- [www.lnhydrocarbon.com](http://www.lnhydrocarbon.com)

### 2. The Composition of the CSR Committee:

- Mr. Vikram Singh Mehta
- Mrs. Bhagyam Ramani
- Mr. K. Ravindranath

### 3. Average net profit of the Company for last three financial years: ₹ 370 crore

### 4. Prescribed CSR Expenditure (2% of the amount as in item 3 above): ₹ 7.40 crore

### 5. Details of CSR spent during the financial year:

- Total amount spent for the financial year: ₹ 3.83 crore
- Amount unspent, if any: ₹ 3.57 crore
- Manner in which the amount spent during the financial year:

₹ crore

CSR project/activity identified	Sector in which the Project is covered	Projects/ Programs 1) Local area or other 2) specify the State and district where projects or Programs were Undertaken	Amount outlay (budget) project / program wise	Amount spent on the project / programs Sub-heads: 1) Direct expenditure on projects or programs 2) Overheads	Cumulative spend up to the reporting period	Amount spent (Direct / implementing agency)
Up-gradation and renovation of "Primary Health Care" Center	Promoting Health care and Sanitation	Suvali, Hazira	0.79	0.79	0.79	Direct
Provide borewells drinking water facility for villagers	Water & Sanitation	Umbrat Village, Navsari, Gujarat	0.18	0.18	0.18	Direct

₹ crore

CSR project/activity identified	Sector in which the Project is covered	Projects/ Programs 1) Local area or other 2) specify the State and district where projects or Programs were Undertaken	Amount outlay (budget) project / program wise	Amount spent on the project / programs Sub-heads: 1) Direct expenditure on projects or programs 2) Overheads	Cumulative spend up to the reporting period	Amount spent (Direct / implementing agency)
Construction of Toilet facility in 3 Government Girls High Schools	Promoting Health care and Sanitation	Ponneri Taluk, Kattupalli	0.54	0.002	0.002	Direct
Strengthen the infrastructure of Village Milk Society by installing a Bulk Milk Chiller (BMC) in the local milk collection centre	Rural development project	Villagers of Ankadiyapura, PanchDevala, Danoli, Timbi, Mahammadpura	0.46	0.41	0.41	Direct
PurakPoshakAahar : Nutritious food program for pregnant women, infants /children up to age 6 and lactating mothers	Eradicating hunger, poverty and malnutrition	Jawahar, Palghar and Kalyan - Morabad - Shahpur	0.15	0.08	0.08	Implementing Agency
Infrastructure development by providing chairs, darri, utensils and painting of the wall to provide better environment for education	Promoting education	14 villages in and around Vadodara, Gujarat	0.04	0.04	0.04	Implementing Agency
Providing household toilets to the 175 houses in the village	Promoting Health care and Sanitation	Alva, Vadodara	0.26	0.22	0.22	Implementing Agency
Awareness session and distribution of Hygiene/ First Aid kits through Employee volunteering	Promoting preventive health & sanitation	Urban Slums, Government Schools, Government Housing societies in Vadodara	0.08	0.07	0.07	Direct
Providing health care & education support to villages around project sites	Promoting education & health care	Construction sites	0.13	0.043	0.043	Direct
Employee Volunteering through Make A Difference	Employee Volunteering	Powai	0.5	0.17	0.17	Direct
Providing drinking water facility for orphanage	Water & sanitation	Lonavala	0.39	0.12	0.12	Direct
Promoting education through technology	Promoting Education	Vadodara	0.31	0.28	0.28	Implementing Agency
Provide solar power for school in tribal area	Promoting Education	Kawthewadi Maharashtra	0.10	0.04	0.04	Direct
Contribution towards Chennai relief fund	Disaster Management	Chennai	–	0.395	0.395	Implementing Agency
LTHE- IIT Madras Scholarship scheme for M. Tech – OSE at IIT Madras	Promoting education	Powai	0.975	0.975	0.975	Direct

**6. In case the Company has failed to spend the 2% of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.**

During the year under review, actual spend on CSR activities was ₹ 3.83 crore, against the prescribed limit of ₹ 7.40 crore.

Section 135 of the Companies Act, 2013 requires the Company to spend at least 2% of the average net profits of the preceding 3 years (excluding profit/loss of international branches) on CSR activities. Based on this, the Company was required to spend ₹ 7.40 crore during FY 2015-16. The Company takes up social and community development initiatives at and around its project sites to maximise the impact of its CSR activities. During the year, no major domestic project sites were established, whereas the old sites were in process of demobilisation and hence the full amount of CSR could not be spent. Further, there were also delays in receipt of approvals from the relevant local authorities. Hence, the actual spend on CSR activities during the year was ₹ 3.83 crore. The Company is however, committed to the CSR cause and has identified a number of CSR projects, to which it shall contribute going forward. The Company intends to expand the CSR initiatives in a systematic manner to achieve maximum impact in the most needy locations and will continue to support these ongoing projects.

**7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.**

The CSR Committee hereby affirms that:

- The Company has duly formulated a CSR Policy Framework which includes formulation of a CSR Theme, CSR budget and roles and responsibilities of the Committee, CSR team formed for implementation of the CSR policy;
- The Company has constituted a mechanism to monitor and report on the progress of the CSR programs;
- The activities undertaken by the Company as well as the implementation and monitoring mechanisms are in compliance with its CSR objectives and CSR policy and its framework.

**Mrs. Bhagyam Ramani**  
*Independent Director*  
DIN: 00107097

**Mr. K. Ravindranath**  
*Whole-time Director*  
DIN: 00262462

## Annexure 'D' to the Directors' Report

### FORM NO. MGT-9

#### EXTRACT OF ANNUAL RETURN as on the financial year ended on March 31, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS:

i)	CIN	U11200MH2009PLC191426
ii)	Registration Date	April 02, 2009
iii)	Name of the Company	L&T Hydrocarbon Engineering Limited
iv)	Category	Public Limited Company
v)	Sub-Category of the Company	Public Limited Company
vi)	Address of the Registered office and contact details	L&T House, Ballard Estate, Mumbai 400 001 Tel: +91 22 6705 5656
vii)	Whether listed company	No
viii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the Company shall be stated:-

SN	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	General construction services of other industrial plants	99542699	100%

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

SN	Name And Address of the Company	CIN/GLN	Holding/ Subsidiary /Associate	% of Shares held	Applicable Section
1	Larsen & Toubro Limited, L&T House, Ballard Estate, Mumbai 400 001	L99999MH1946PLC004768	Holding Company	100%	2(46)
2	L&T Sapura Shipping Pvt Ltd Manapakkam Campus, Chennai 600 089	U61100TN2010PTC077217	Subsidiary Company	60%	2(87)
3	L&T-Chiyoda Ltd L&T House, Ballard Estate, Mumbai 400 001	U28920MH1994PLC083035	Associate Company	50%	2(6)
4	L&T-Valdel Engineering Ltd Primrose Road, Bengaluru 560 025	U74210KA2004PLC035094	Subsidiary Company	100%	2(87)
5	L&T-Gulf Pvt Ltd L&T House, Ballard Estate, Mumbai 400 001	U74140MH2008PTC177765	Subsidiary Company	50.0002%	2(87)
6	L&T Sapura Offshore Pvt Ltd Manapakkam Campus, Chennai 600 089	U11200TN2010PTC077214	Subsidiary Company	60%	2(87)

#### IV. SHARE HOLDING PATTERN (EQUITY SHARE CAPITAL BREAKUP AS PERCENTAGE OF TOTAL EQUITY)

##### i) Category-wise Share Holding - Equity Shares

No. of Shares in crores

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1) Indian</b>									
a) Individual/ HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.		100.005	100.005	100		100.005	100.005	100	-
e) Banks / FI									
f) Any Other....									
<b>Sub-total (1):-</b>		100.005	100.005	100		100.005	100.005	100	
<b>2) Foreign</b>									
a) NRIs - Individuals									
b) Other – Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
<b>Sub-total (2):-</b>									
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>		100.005	100.005	100		100.005	100.005	100	
<b>B. Public Shareholding</b>									
<b>1) Institutions</b>									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
<b>Sub-total (B)(1):-</b>									
<b>2) Non-Institutions</b>									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)									
<b>Sub-total (B)(2):-</b>									
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>									
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>		100.005	100.005	100		100.005	100.005	100	



**Category-wise Share Holding - Preference Shares**

No. of Shares in crores

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>1) Indian</b>									
a) Individual/HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.		50	50	100		76	76	100	-
e) Banks / FI									
f) Any Other....									
<b>Sub-total (1):-</b>		50	50	100		76	76	100	
<b>2) Foreign</b>									
a) NRIs - Individuals									
b) Other - Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other....									
<b>Sub-total (2):-</b>									
<b>Total shareholding of Promoter (A) = (A)(1)+(A)(2)</b>		50	50	100		76	76	100	
<b>B. Public Shareholding</b>									
<b>1) Institutions</b>									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
<b>Sub-total (B)(1):-</b>									
<b>2) Non-Institutions</b>									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)									
<b>Sub-total (B)(2):-</b>									
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>									
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>									
<b>Grand Total (A+B+C)</b>		50	50	100		76	76	100	

**(ii) Shareholding of Promoters – Equity Shares**

No. of Shares in crores

SN	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Larsen & Toubro Limited	100.005	100	–	100.005	100	–	–
	<b>Total</b>	<b>100.005</b>	<b>100</b>	<b>–</b>	<b>100.005</b>	<b>100</b>	<b>–</b>	<b>–</b>

**Shareholding of Promoters – Preference Shares**

No. of Shares in crores

SN	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Larsen & Toubro Limited	50	100	–	76	100	–	–
	<b>Total</b>	<b>50</b>	<b>100</b>	<b>–</b>	<b>76</b>	<b>100</b>	<b>–</b>	<b>–</b>

**(iii) Change in Promoters' Shareholding (please specify, if there is no change) – Equity shares:**

No. of Shares in crores

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	100.005	100	100.005	100
2	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/sweat equity etc):	NIL	NIL	NIL	NIL
3	At the end of the year	100.005	100	100.005	100

**Change in Promoters' Shareholding (please specify, if there is no change) – Preference shares:**

No. of Shares in crores

SN	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	At the beginning of the year	50	66%	50	66%
2	Allotment of 13 crore Shares on October 20, 2015.	13	17%	63	83%
3	Allotment of 13 crore Shares on March 31, 2016	13	17%	76	100%
4	At the end of the year	76	100%	76	100%

**(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): None**

SN	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise Increase/Decrease in Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
3	At the end of the year (or on the date of separation, if separated during the year)	NIL	NIL	NIL	NIL

**(v) Shareholding of Directors and Key Managerial Personnel:**

SN	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
3	At the end of the year	NIL	NIL	NIL	NIL

**V. INDEBTEDNESS**

Indebtedness of the Company including interest outstanding/accrued but not due for payment

₹ crore

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	160.63	846.82	–	1007.45
ii) Interest due but not paid	0	0.39	–	0.39
iii) Interest accrued but not due	0.34	1.61	–	1.95
<b>Total (i+ii+iii)</b>	<b>160.97</b>	<b>848.82</b>	<b>0</b>	<b>1009.79</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	–	–	–	–
Reduction	(86.55)	(298.82)	–	(385.37)
<b>Net Change</b>	<b>(86.55)</b>	<b>(298.82)</b>		<b>(385.37)</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	74.42	548.15	–	622.57
ii) Interest due but not paid	–	–	–	0
iii) Interest accrued but not due	–	1.85	–	1.85
<b>Total (i+ii+iii)</b>	<b>74.42</b>	<b>550.00</b>	<b>0</b>	<b>624.42</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

₹ crore

SN	Particulars of Remuneration	Name of MD/WTD/ Manager				Total Amount
		Mr. K. Venkataramanan	Mr. Subramanian Sarma	Mr. K. Ravindranath	Mr. U. Dasgupta	
1.	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	–	5.14	1.03	0.43	6.60
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	–	0.02	0.05	0.07	0.14
	(c) Profits in lieu of salary under section 17(3) of the Income tax Act, 1961	–	–	–	–	–
2.	Stock Option	–	–	–	–	–
3.	Sweat Equity	–	–	–	–	–
4.	Commission - as % of profit - others, specify...	–	–	–	–	–
5.	Others, please specify	–	–	–	–	–
	<b>Total (A)</b>	<b>0</b>	<b>5.16</b>	<b>1.08</b>	<b>0.5</b>	<b>6.74</b>
	<b>Ceiling as per the Act</b>	<b>0.68</b>	<b>0.79</b>	<b>1.36</b>	<b>0.34</b>	<b>3.17</b>

### B. Remuneration to other directors:

₹ crore

SN	Particulars of Remuneration	Name of Directors								Total Amount
		Mr. Vikram Mehta	Mr. Sarthak Behuria	Dr. A K Balyan	Mrs. Bhagyam Ramani	Mr. K Venkataramanan	Mr. R Shankar Raman	Mr. N. Hariharan	Mr. Giovanni Cerchiarini*	
1.	Independent Directors									
	• Fee for attending Board /Committee meetings	0.04	0.06	0.05	0.05					0.20
	• Commission									
	• Others, please specify									
	<b>Total (1)</b>	<b>0.04</b>	<b>0.06</b>	<b>0.05</b>	<b>0.05</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.20</b>
2.	Other Non-Executive Directors									
	• Fee for attending board /committee meetings					0.01	0	0		0.01
	• Commission									
	• Others, please specify									
	<b>Total (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.01</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.01</b>
	<b>Total (B)=(1+2)</b>	<b>0.04</b>	<b>0.06</b>	<b>0.05</b>	<b>0.05</b>	<b>0.01</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.21</b>

\* Mr. Giovanni Cerchiarini was appointed as Director in Casual Vacancy w.e.f. July 2, 2015. He was also appointed as Whole-time Director to be effective from the date of Central Government approval. However before the Central Government approval Mr. Giovanni Cerchiarini resigned on February 29, 2016. Hence the appointment as Whole-time Director was not effective.

**C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD**

₹ crore

SN	Particulars of Remuneration	Key Managerial Personnel		
		Alpana Khale - Company Secretary	R. Venkatesh - Chief Financial Officer	Total
1.	Gross salary			
	(a) Salary as per Provisions contained in section 17(1) of the Income-tax Act, 1961	0.36	1.28	1.64
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- as % of profit	-	-	-
	- others, specify	-	-	-
5.	Others, please specify	-	-	-
	<b>Total</b>	<b>0.36</b>	<b>1.28</b>	<b>1.64</b>

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL**

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
<b>A. COMPANY</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
<b>B. DIRECTORS</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

# Annexure 'E' to the Directors' Report

## FORM NO. MR-3

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

[Pursuant to Section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,  
The Members,  
**L&T HYDROCARBON ENGINEERING LIMITED**

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **L&T HYDROCARBON ENGINEERING LIMITED** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2016, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), **as applicable**:-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

- b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; presently, (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
  - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; presently, (Share Based Employee Benefits) Regulations, 2014;
  - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
  - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) **No** other specific business/industry related laws applicable to the Company.

I have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India.
- ii. **The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** and the Listing Agreements entered into by the Company with Stock Exchange(s), if applicable. **This is not applicable.**

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**I further report that** the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors or Committees thereof that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and

clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

**I further report that, I was informed** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**I further report that** during the audit period the company, the following events / actions have taken place which have a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc., like -

- (i) Public/Right/Preferential issue of shares/debentures/sweat equity, etc.–
  - Issue and allotment on Rights basis 26 crore 12% Non-cumulative optionally convertible redeemable preference shares of ₹10/- each aggregating to ₹ 260 crore, fully paid up, to Larsen & Toubro Limited.
- (ii) Redemption / buy-back of securities. – **NIL**.
- (iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.- **NIL**.
- (iv) Merger / amalgamation / reconstruction, etc.- **NIL**.
- (v) Foreign technical collaborations.- **NIL**.

**NAINA R DESAI**  
Practising Company  
Secretary  
FCS No. 1351  
Certificate of Practice  
No.13365

Place : Mumbai  
Date : April 27, 2016

**This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.**

## 'ANNEXURE A'

To,  
The Members  
**L&T HYDROCARBON ENGINEERING LIMITED**

Our report of even date is to be read along with this letter.

- 1) Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- 2) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- 3) We have not verified the correctness and appropriateness of financial records and Books of Account of the Company.
- 4) Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- 5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- 6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**NAINA R DESAI**  
Practising Company  
Secretary  
FCS No. 1351  
Certificate of Practice  
No.13365

Place : Mumbai  
Date : April 27, 2016

## Corporate Health, Safety & Environment Policy

As an integral part of our business philosophy, we are committed to protecting the environment and providing a safe and healthy workplace for our employees and stakeholders. To achieve this, we shall:

- Incorporate HSE considerations into all business processes
- Ensure compliance with statutory and other applicable requirements
- Prevent adverse environmental impact and avoid occupational health and safety risks
- Conserve natural resources, minimise waste generation and environmental emissions
- Impart structured training and augment resources for HSE performance
- Encourage communication, consultation and collaboration with all stakeholders



**Subramanian Sarma**  
CEO & Managing Director

Date: 1<sup>st</sup> October 2015



**L&T Hydrocarbon Engineering**



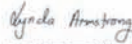
## International Safety Award Merit — 2015 —



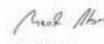
This is to certify that

### **L&T Hydrocarbon Engineering Limited, Modular Fabrication Facility, Hazira**

has achieved an International Safety Award for demonstrating a strong commitment to good health and safety management during 2014.



**Lynda Armstrong OBE**  
Chair of The Board of Trustees  
24 April 2015



**Neal Stone**  
Acting Chief Executive  
24 April 2015

British Safety Council (Company Limited by Guarantee) Registered in England and  
Wales No. 4818171 Registered Charity No. 1087271 and OSCR No. SC027886



Certificate number  
AW-0021865



Safety Innovation School at Hazira, Gujarat - part of multiple initiatives for the propagation of a safety culture company-wide





# Management Discussion & Analysis

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“Do not begin by questioning ability, rather demonstrate dependability to build capability.”

- *Anonymous*

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# Management Discussion & Analysis

## Global Economic Conditions

As per the IMF, global GDP growth in 2015 was estimated at 3.1%, marginally lower than 3.4% witnessed in the previous year. The moderation in global GDP growth was contributed mainly by slowdown in China's GDP growth rate of 6.9% in 2015 which is the slowest in last 25 years. The pace of economic recovery in Europe has also been sluggish, despite quantitative easing by ECB. Its continued policy of negative interest rates to spur consumption has not succeeded as planned. Uncertainty in the region has been exacerbated by fears of Britain's exit from EU. On the positive side, health of US Economy is improving and the Federal Reserve hiked its key interest rate for the first time since the Great Recession of 2008 in December 2015.

In terms of crude oil prices, FY16 was a highly volatile year with prices gyrating from USD 70 per barrel at the start of the year to plunging below USD 30 per barrel in the second half and finally stabilising in the mid-40s. The total global production of crude oil increased from 93 mn barrels per day (bpd) in 2014 to 96 mn bpd in 2015. Crude oil production of Organisation of Petroleum Exporting Countries (OPEC) averaged 31.5 mn bpd in 2015, an increase of 0.8 mn bpd from 2014, led by rising production in Saudi Arabia and Iraq. Contrary to market expectations of collaborative production cut by OPEC members to counter the price decline, major OPEC producers like Saudi Arabia, Iran and Iraq continued their strategy of maintaining the output to protect their market share. Consequently, even though global exploration and production capex fell by more than 20% in 2015, capex cuts in the Middle East were less than 10%,

primarily due to continued capex spend by Saudi Aramco. Conversely, petrochemical and downstream companies revived their capacity upgradation and expansion plans in view of the favourable market scenario.

## Overview of Indian Economy

India overtook China as the fastest growing major economy in the world by expanding its GDP at 7.3% during 2015, compared to China's growth rate of 6.9%. The softness in global commodity prices helped the country to bring down its fiscal deficit to 3.9% in 2015-16. The investment sentiment was further boosted by RBI, which reduced interest rates thrice during the year.

Due to softer crude prices during the year, the gross under-recoveries of Oil Marketing Companies reduced drastically from ~ ₹ 76,000 crore in 2014-15 to ~ ₹ 28,000 crore in 2015-16. This resulted in 65% increase in net profits reported by the Public Sector Oil Marketing Companies, boosting their fund availability for capacity expansions and upgradations. On the upstream front, the country's crude oil production remained flat year-on-year at 0.75 mn barrels per day. Upstream PSU oil companies have spent an estimated ₹ 76,000 crore towards capex during the year, up by 5% over the previous fiscal year.

With the government's thrust on infrastructure and Make-in-India initiatives, and the expected passing of the Goods & Service Tax (GST) bill, the economic growth in the country is expected to accelerate in the near future, providing opportunities to the Company.

## Business Overview

L&T Hydrocarbon provides "design

to build" turnkey engineering, procurement and construction solutions for the global oil & gas industry – including oil & gas extraction, petroleum refining, chemicals & petrochemicals, fertiliser sectors and cross-country pipelines. Its current in-house capabilities enable the Company to deliver complete end-to-end solutions – from front-end design through detail engineering, procurement, fabrication, project management, construction and installation up to commissioning services.

The Company has repeatedly delivered large, critical and complex projects globally, by virtue of its experienced and highly skilled project execution team, world-class HSE practices and culture of excellence. The Company has a fully integrated capability chain including in-house engineering, R&D centre, engineering joint ventures, world-class modular fabrication facilities and offshore installation capabilities. The keystones of the Company's business philosophy are striving for excellence in corporate governance, safety and quality standards, state-of-the-art IT security practices, on-time delivery and cost-competitiveness.

The geographic reach of the Company spans Asia, covering the Middle-East and South-East Asia. Major facilities in India include Engineering & Project Management Centres at Mumbai, Vadodara, Chennai and Faridabad, and Fabrication Yards at Hazira (Surat) and Kattupalli (Chennai). Overseas facilities are located across the Middle East including UAE (Sharjah), Saudi Arabia (Al-Khobar), Kuwait, Oman (Muscat) and Qatar (Doha). The business also has a major Modular Fabrication Facility at Sohar in Oman held through a fellow subsidiary.



*Umm Lulu and Nasr field development for ADMA OPCO*

The Company caters to clients across the Hydrocarbon value-chain through its verticals:

- Hydrocarbon Offshore
- Hydrocarbon Onshore
- Hydrocarbon Construction Services
- Hydrocarbon Modular Fabrication Services
- Hydrocarbon Engineering Services

### **Hydrocarbon Offshore**

This vertical offers the global offshore oil & gas industry turnkey solutions encompassing well-head platforms, process platforms and modules, subsea pipelines, brown field developments, jack-up rig refurbishment, floating production storage & off-loading (FPSO) topsides and subsea projects. Across

two decades, the Company has successfully executed large offshore platforms and pipeline projects off the east and west coasts of India, the Middle East, South East Asia and Africa; for global companies such as ONGC, GSPC, British Gas, ADMA OPCO, Bunduq, Qatar Petroleum, Maersk Oil Qatar, PTTEP, Petronas and Songas.

The Company's joint ventures with SapuraCrest Petroleum Bhd., Malaysia, namely, L&T Sapura Shipping Private Limited, owns and operates a heavy lift pipe lay vessel, and L&T Sapura Offshore Private Limited provides offshore installation services. The Company's wholly owned subsidiary, L&T-Valdel Engineering Limited, Bengaluru, renders dedicated engineering services for offshore projects.

The Company has made a foray into the deepwater segment with a long-term co-operation agreement with McDermott International to develop cost-effective solutions for subsea projects off the east coast of India. The Company, in consortium with McDermott, bagged an offshore contract for development of ONGC's Vashishta and S1 deepwater fields involving supply and installation of subsea structures in the seabed at water depths ranging from 200 to 700 metres.

During the year, the Company also won an EPCI contract from ONGC involving a new process platform, a well head platform, topside modifications, associated subsea pipelines and a living quarters platform in Bassein Field, off India's west coast.



900 TPD Ammonia plant of National Fertilizers Limited, Panipat

The Company, in consortium with EMAS AMC, a Singapore-based installation contractor, has signed a six-year Long Term Agreement with Saudi Aramco, under which the consortium will execute offshore projects in the Kingdom of Saudi Arabia. This will enable the Company to tap the large-value opportunities in Saudi Arabia over the medium term.

### Hydrocarbon Onshore

This vertical provides EPC solutions for a wide range of hydrocarbon projects covering refining, petrochemical, fertiliser (ammonia & urea complexes), onshore oil & gas processing plants and cross-country pipelines.

The Company has a track record of successful simultaneous execution

of multiple mega projects having diverse technologies from process licensors like UOP, Axens, Haldor Topsøe, CB&I Lummus, Black & Veatch, Ortloff, ExxonMobil, BOC Parsons, Invista & Davy Process Technologies. The Company's in-house Engineering Centres, along with joint venture companies (L&T-Chiyoda Limited for onshore engineering and L&T GULF Private Limited for pipeline engineering) enable the vertical to offer the complete spectrum of FEED, process and detailed engineering to clients. The Company's fellow subsidiary, Larsen Toubro Arabia is registered as an In-Kingdom EPC ('IK-EPC') Company in Saudi Arabia to address the onshore in-Kingdom opportunities.

The Company has executed Lump-Sum Turnkey (LSTK) projects

in on-shore oil & gas processing, refinery & petrochemical applications for various Indian oil majors like IOCL, MRPL, ONGC, OMPL, BPCL, HPCL, Reliance Industries etc., as well as fertiliser companies like NFL, GNFC, RCF and others. In recent years, the Company has also diversified into related areas like cryogenic terminal projects, LNG tanks and regasification plants.

Internationally, the Company is prequalified by major international oil & gas producers such as Saudi Aramco, Kuwait Oil Company (KOC) & Kuwait National Petroleum Company (KNPC), SOCAR, PETRONAS, CNPC and Dragon Oil in Turkmenistan, Lukoil in Uzbekistan and Sonatrach in Algeria. It has a successful track record of project execution with international



*Aromatics Complex at Mangalore for ONGC - Mangalore Petrochemicals Limited*

bellwethers like Abu Dhabi Gas Industries (GASCO), Petroleum Development Oman (PDO), Petronas, Chemanol, KNPC, etc.

During the year, the Company received an EPC contract from Gujarat State Fertilisers & Chemicals Limited to set up a 40k MTA Melamine Plant at Vadodara using process technology from Casale SA. Internationally, the business has won twin EPC orders from Petroleum Development Oman LLC (PDO) i.e. Saih Nihayadah Depletion Compression Phase 2 and Kauther Depletion Compression Phase 2 in central Oman, to overcome pressure depletion and maintain potential to sustain production.

### Hydrocarbon Construction Services

This vertical renders turnkey construction services for refineries, petrochemicals, chemical plants, fertilisers, gas gathering stations, crude oil & gas terminals and underground cavern storage systems for LPG and cross-country oil & gas pipelines.

The Company's major capabilities include heavy lift competency, advanced welding technologies and quality systems. The business has also invested in strategic construction equipment, a range of pipelines spread equipment, automatic welding machines and other plant and machinery for electro-mechanical construction works. The Company executed projects for major private sector

customers like Cairn Energy, Reliance Industries, HPCL Mittal Energy as well as major oil PSUs like BPCL, IOCL, ONGC and international customers like Abu Dhabi Company for Onshore Oil Operations (ADCO), Abu Dhabi Oil Refining Company (TAKREER).

The Company's fellow subsidiaries, incorporated as country-specific joint ventures with local partners, render construction support to international onshore projects – Larsen & Toubro Electromech LLC in Oman, Larsen & Toubro ATCO Saudia LLC in Saudi Arabia, and Larsen & Toubro Kuwait Construction General Contracting WLL in Kuwait.

During the year, the Company received an order for the construction of onshore gas pipelines and associated facilities



475,000 sq. m. Fabrication Facility at Hazira, India, is part of one of the largest integrated manufacturing facilities, and is green-banded by Shell for OHSS as part of its global prequalification process

including pipe-laying works in western India.

### Hydrocarbon Modular Fabrication Services

This vertical offers comprehensive Engineering, Procurement, Fabrication (EPF) modular solutions, primarily in the oil & gas & petrochemical sectors, and also renders fabrication support to offshore and onshore verticals. The Company's two strategically located state-of-the-art fabrication facilities in India ensure year-round delivery of process platforms, wellhead platforms, modular structures, heavy jackets and oil rigs. The Hazira yard near Surat caters to India's west coast and Kattupalli yard near Chennai caters to India's east coast

and South East Asia. The Company's fellow subsidiary in Oman caters to opportunities in the Middle East, i.e. UAE, Oman, Qatar and Saudi Arabia. The three yards together have a total fabrication capacity of about 150,000 MT per year.

During the year, the vertical received a number of orders for fabrication and supply of piping systems, manifold skids, etc. for supply to international locations ranging from the Middle East to the Americas.

### Hydrocarbon Engineering Services

This vertical offers comprehensive solutions covering the entire spectrum of engineering across the oil & gas value chain, from two

Centres of Excellence within India: the Technology Centre in Mumbai and the Engineering Centre at Faridabad near Delhi within the National Capital Region (NCR). The Mumbai Centre primarily focuses on Front End Engineering Design (FEED), advanced engineering solutions, specialised studies and engineering for special applications (such as reformers, cryogenic systems and modular solutions) while the Faridabad Centre specialises in a broad range of detailed engineering and project management functions.

The Engineering Services vertical has a large resource pool of over 3.5 million engineering man-hours. A large portfolio of industry-standard software tools, robust IT infrastructure

and in-house R&D facility further augment the Company's capabilities. Benchmarked through leading certification and accreditation systems, the engineering work processes offer consistent product quality with on-time delivery. Backed by decades of experience and rich domain knowledge, the Company is geared to provide value-added services to customers across the hydrocarbon sector.

### Business Environment

The volatility and sharp fall in crude oil prices during the year created an environment of investment uncertainty for the entire hydrocarbon industry, with the international offshore segment being affected the most. New field development plans were deferred and most of the private sector players announced reduction in capex spends. This shrinkage of market opportunities is less pronounced in the Middle East. Gas-based projects have been relatively less affected by the decline in oil prices and National Oil Companies continue to tender this type of projects. However, there is an increasing thrust on local 'in-country' value-add by governments and National Oil Companies.

In the domestic sector, the government announced a new Hydrocarbon Exploration & Licencing Policy (HELP) providing for a unified open acreage licensing policy, i.e. allowing producers to exploit conventional and unconventional hydrocarbons (CBM, shale gas/oil, gas hydrates) under a single license. Simultaneously, a new gas-pricing formula was announced providing for market-linked prices for deep-water and ultra deep-water fields to incentivise exploration activity. During the year, ONGC continued its capex projects notwithstanding the fall in crude prices. However, predatory pricing was seen from a few South East Asian players with idle capacity. On the flip side, lower crude prices have led to a

boost in refining and petrochemical expansion plans. Reduced naphtha and gas prices have also led to revival of LNG re-gasification terminal projects and fertiliser projects, primarily, in the nature of upgradation and energy efficiency.

In light of the above challenging external environment and multiple headwinds, the business has done well to maintain order inflow at previous year levels of approx. ₹ 10,000 crore.

### Significant Initiatives

FY 2015-16 has been a year of transformation and turnaround for the hydrocarbon business. There were several top leadership changes, starting with appointment of Mr. Subramanian Sarma, a veteran in global oil & gas contracting industry, as the CEO & MD of L&T Hydrocarbon Engineering Limited. A business re-organisation and transformation plan was unveiled during the year with a view to avoid silos, reduce costs, improve competitiveness and aid profitable execution. Key Business Transformation Actions initiated during the year include:

- Regrouping of the entire hydrocarbon business operations into five business verticals with targeted revenue streams, catering to global opportunities across the hydrocarbon value chain, including the creation of two new verticals, viz., Modular Fabrication Services and Engineering Services, to provide growth impetus for the future
- Consolidation of erstwhile geographically dispersed operations into India-centric focused verticals.
- New risk/reward sharing model to create better alignment amongst verticals and rationalisation of profit centers
- Tie-ups under negotiation with global majors to address Indian

deep-water projects, subsea manifolds, engineering services, augment utilisation of yards, etc.

- Manpower rationalisation and relocation initiatives that would result in annualised savings of over ₹ 200 crore from FY16-17 onwards
- Consolidated Business Development set-up with distinct focus groups for product as well as geographies.
- Centralised Proposal & Estimation group and streamlining of estimation process to improve bid win ratio
- Consolidation of key resources to create Centres of Excellence.
- Identifying and addressing leadership gaps

As a result of these initiatives, the hydrocarbon segment is poised to improve its bottom-line significantly from FY16-17 onwards.

### Financial Overview

During the year, the Company secured new orders of around ₹ 9,600 crore, of which around ₹ 2,700 crore were international orders.

Net Revenue from Operations registered a 24% year-on-year growth, primarily due to a lower base in the previous year. Revenue from international projects contributed to 35% of the total revenue.

Manufacturing, Construction & Operating Expenses for the year amounted to 82.7% of Net Revenue. The same is not comparable with previous year, since the previous year was adversely impacted by cost over-runs in certain stressed international projects. Staff Costs declined from 10.6% of Net Revenue in the previous year to 9% due to rationalisation in head count. Sales, Administration &

Other Expenses increased to 4.2% of Net Revenue compared to 3.2% in the previous year, mainly due to provisions arising out of close out of international legacy projects. Finance Costs have declined by 33% over previous year, in line with reduction in borrowings.

The Net Profit before tax & after tax in the current year amounts to ₹ 127 crore & ₹ 86 crore respectively, registering a turnaround from Loss of ₹ 1,002 crore & ₹ 654 crore respectively in the previous year. Since no preference dividend is declared for the year, Company's Basic Earnings per Share is ₹ 0.86 per Equity Share of ₹ 10 each. Considering the convertible preference shares outstanding, the Diluted Earnings per Share comes to ₹ 0.55 per Equity Share of ₹ 10 each.

The Company's Capital Employed as on 31 March 2016 was ₹ 1,898 crore. Net Working Capital (including Cash & Bank) dropped to ₹ 579 crore representing 8.1% of Gross Sales, compared to ₹ 657 crore (11.4% of Gross Sales) in the previous year. The improvement in Working Capital was primarily due to advances received from customers, especially in international projects and reduction in unbilled work-in-progress.

The Company's Net worth improved from ₹ 888 crore as at March 2015 to ₹ 1,276 crore as at March 2016, primarily on account of capital infusion during the year. The Company issued 26 crore 12% convertible preference shares of ₹ 10 each to its parent company – Larsen & Toubro Limited. Also, in order to provide better capital structure flexibility to the Company, the terms of existing 50 crore 10% preference shares were modified during the year from non-convertible to convertible. Net Debt as on 31 March 2016 reduced to ₹ 503 crore from ₹ 811 crore in the previous year, due to repayment of project specific borrowings on closure of international projects.

Consequently, net debt to equity ratio improved to 0.39:1 from 0.91:1 in the previous year.

Cash generated from operating activities during the year improved to ₹ 364 crore due to operating profits and receipt of advances from customers. There was no major capex outflow during the year. Cash outflow in investing activities was on account of acquisition of shares of domestic subsidiary and associate companies operating in the hydrocarbon segment, from L&T for ₹ 229 crore.

### **Risk Management & Internal Controls**

Pro-active Risk Management was identified as a key strategic initiative to ensure sustainable growth. Risk Management is an integral part of the overall governance process to identify, segregate, mitigate, control and monitor various risks at business, individual bid and operational levels. The Risk Management policy and guidelines incorporate global best practices and procedures which enable building the ability to anticipate challenges and opportunities for achieving strategic objectives.

Major risks like limited investments due to falling oil prices, onerous contract terms by clients, tight schedules, stringent localisation requirements, forex exposure, etc. are mitigated through specific actions like operational excellence initiatives, alliances, cost optimisation, improved customer relationship, compliance with stringent HSE standards, proactive forex hedging, strong contract and claims management and identification of key personnel and talent at pre-bid stage.

All projects undergo a structured pre-bid risk review by the Apex Risk Management Committee (ARMC) at business and at the corporate level as per well-defined authorisation limits. This process involves a detailed assessment of risks and

deliberation on mitigation measures by the ARMC. Periodically risk reviews are conducted for ongoing projects. Project Managers / selected project team members undergo a certified Risk Induction Programme conducted by ECRI (Engineering & Construction Risk Institute) on a continuous basis to get acquainted with industry best practices. During the year, a dedicated Business Assurance Group was established to institutionalise execution risk management on a pro-active basis.

A strong Internal Control framework is an important part of Operations and Corporate Governance. The Management has established internal control systems commensurate with the size and complexity of the business. The Internal Control Manual provides a structured approach for identification, rectification, monitoring and reporting of gaps in the internal control systems and processes. The Group follows well-documented Standard Operating Procedures (SOPs) and the operating effectiveness of various controls is periodically tested and deficiencies, if any, are promptly rectified.

During the year, an in-depth exercise to evaluate the adequacy of Internal Financial Controls and their operating effectiveness was undertaken, as per the provisions of Companies Act 2013. This activity included understanding and testing of Internal Financial Controls and evaluating its operating effectiveness based on the assessed risk factors.

### **Human Resource Development**

The Company has a unique mix of experienced professionals and young dynamic passionate individuals working in various disciplines. HR efforts ensure that the right talent is sourced, selected, trained and deployed across the organisation. In line with the business transformation, HR has also initiated its transformation exercise. The Group leverages on technology and automation by using SAP and



multiple in-house IT capabilities to manage various 'Hire to Retire' processes.

The specially designed 'Seven Step Leadership Development Programs' for high-potential employees strengthen the leadership pipeline of the organisation at various levels. The Group utilises state-of-art training infrastructure and resources like L&T Leadership Development Academy, Institute of Project Management and Technical Training Centres to train its employees on Project Management skills, functional and leadership competencies. The business has tie-ups with premier institutes like IIMs, XLRI and IITs for conducting 'Core Development Program', EMBA, M. Tech and e-learning programmes (Harvard, DDI and other certification programme) at regular intervals.

The Company continues to foster a high performance culture by recognising and rewarding good performers, and providing them with career development opportunities. The CEO & MD periodically interacts with employees through various forums like 'Town Hall', webcast, video conferencing and emails. Various other interventions and initiatives like ICONS, Long Service Awards, Team Building Workshops, non-monetary recognition events, etc. are periodically undertaken to enhance employee motivation.

### **Health Safety Environment (HSE) & Sustainability**

Health, Safety & Environment is the cornerstone of the Group's business philosophy. The business strives for continuous improvement for the protection and development of health, safety, and environmental assets of its employees and stakeholders. During the year, five projects were safely commissioned without any significant incidents. The business actively participated in Global HSE Conference and Golden jubilee celebration of Directorate General, Factory Advice Service and Labour Institutes (DGFASLI).

During the year, as a part of Corporate HSE Plan, cross-functional HSE audits were initiated across all business units. All HSE Systems and procedures were made IT-enabled to make them more user-friendly. Senior Management involvement and visibility was reinforced through systematic senior management site safety observation.

To spread safety awareness, theme-based campaigns were observed on various important dates during the year. Lessons learnt during project execution were shared throughout the organisation by way of well-documented HSE Learnings and HSE Alerts. Various HSE training programs were held, and motivational schemes were instituted.

The Company released its Sustainability Report – 'Journey Begins' – in December 2015, which covers the initiatives taken across the Company and highlights the need to enhance performance across all sustainability parameters – safety, energy, water conservation and productivity.

During the year, the Company won several national and international accolades from eminent institutions and clients like National Safety Council (Maharashtra Chapter), British Gas, Petronas Carigali Myanmar, Frost & Sullivan (F&S) and The Economic Times India Manufacturing Excellence Award (IMEA).

### **Corporate Social Responsibility**

As a responsible Corporate Citizen, the Company is aware of its responsibility towards social uplift, which is an integral part of its corporate culture. The Company's CSR Framework lays down the principles and programmes for the community at large, in accordance with section 135 of the Companies Act 2013. In-line with the Group's theme 'Building India's Social Infrastructure', the Company is committed to implementing projects

that will contribute to the quality of life, including schools, hospitals, skill training institutes, water supply and distribution and sanitation facilities. Key projects undertaken during the year include:

### **Education**

The Company partnered with NGO YASTIK to impart teaching through audio-visual means and animation and other technology across 40 municipal Board schools in Vadodara.

The Company is working with NGO Pratham to provide educational support to pre-school and primary school children in Vadodara's urban slums. There are four learning centres, covering 20 communities comprising 200-250 households. Most of the teachers are young women from the local community. The initiative also engages in capacity development of these teachers in terms of classroom management, concept knowledge and curriculum delivery. The overall objective has been to ensure measurable and visible improvement in the enrolment and learning levels of underprivileged children through supplementary education.

### **Sanitation**

Alva village in Vadodara district has 283 houses out of which 141 households do not have toilets and defecate in the open. To improve the sanitation and hygiene situation in the village, especially for vulnerable sections such as women and the elderly, the Company constructed 141 toilets in the village during the year.

Heeding the Prime Minister's clarion call on Swachh Bharat Abhiyan, the Company constructed three new toilet facilities and renovated four units at a higher secondary school in Kattupalli village, Thiruvallur district in Tamil Nadu.

## Health & Nutrition

The Company has been associated with the Baroda Citizens Council, a community development organisation for the Anganwadi Adoption programme. This is a nutritional enhancement programme which aims to curb malnutrition rates among Anganwadi children aged between 3 and 6 years. It also works towards capacity building of Anganwadi workers and helpers, and strengthens the local community around these centers.

The Company has been working on the up-gradation and renovation of a Primary Healthcare Centre (PHC) in village Suvali in Hazira. This PHC caters to approximately 30,000 villagers and about 45,000 workers employed in industries in and around Hazira. The Company contributed towards critical infrastructure including an OPD, general ward, labour room, operation theatre, post-mortem room and residence facilities for doctors and staff so that the PHC can be functional 24 x 7.

The Company installed a borewell in Umbharat village, Gujarat to cater to the drinking water needs of the villagers.

The Company supports the Purak Poshak nutrition programme for pregnant and lactating women, and children from neonatal stages up to the age of 6 in the region of Jawahar, Palghar and Kalyan-Moradabad-Shapur villages in Maharashtra, benefitting 342 people. With nutrition being the focal point on the project, the beneficiaries are provided a protein-rich diet. In addition, women are being educated about nutrition to ensure a good diet and appropriate nutrition practices in their own homes.

The Company distributed First Aid boxes to all municipal schools in Vadodara, totalling 105, covering approximately 10,000 school students. The Company conducts various activities like diabetes

campaign in underprivileged housing societies, dental camps for underprivileged children, yoga sessions in municipal schools, etc.

## Upgrading Quality of Life

The Company has successfully installed a Bulk Milk Chiller (BMC) at the local milk collection centre in Alva village in Vadodara district. This model has been replicated in five more villages and a 'one-of-a-kind' Cluster Bulk Milk Chiller (capacity-5000 litre) has been established in the region.

## Energy Conservation

To address the acute power shortage being faced at Kathewadi village, Karjat, the Company in collaboration with SIES (South Indian Education Society), carried out various activities including installation of solar-powered systems for the school, the community hall and the toilets in the village.

## Outlook

Oil prices are expected to hover in the range of USD 40 to 50 per barrel in the near future. In the domestic offshore sector, ONGC has indicated that it will be investing close to USD 5 billion in the next 4 years on development of its deep-water field KG/98-2 on India's east coast. This will provide significant opportunities to the Company's offshore and fabrication verticals over the medium term, given its strategically located Kattupalli yard on the east coast and the recent tie-up with McDermott for developing cost-effective subsea solutions. The Long Term Agreement signed with Saudi Aramco is expected to provide large offshore project wins in the Middle East in the near future.

The Indian Government has recently announced that Bharat Stage-VI (BS-VI) emission norms would be enforced from April 2020, which is a year earlier than the planned roll-out target of 2021. The Government has decided to altogether skip

Stage-V and directly adopt BS-VI which are equivalent to Euro 6 norms. To meet these norms, the Public Sector refineries will need to spend an estimated ₹ 68,000 crore on upgradation projects, providing visibility of order prospects for the next 2 years. The Government has also cleared a comprehensive Urea Policy 2015 which will incentivize indigenous production of urea and promote energy-efficiency by encouraging units to adopt the latest technology. Under the policy, the Government has also announced revival of closed Public Sector urea units having capacity of 26 lakh tonnes located across the country like Talcher, Ramagundam, Barauni, Gorakhpur, etc. Private sector companies are also expected to initiate brownfield expansion projects which will provide opportunities over the medium term.

In the Middle East, gas-processing projects are expected to be awarded in UAE, Oman and Saudi Arabia. Large-value cross-country crude oil and gas pipeline prospects are expected in Saudi Arabia, Kuwait and Oman. Mega Integrated Refining-cum-Petrochemical Projects are expected in Saudi Arabia, and fertiliser projects in Oman. Further, with the prospective moderation of sanctions, Iran is expected to offer good growth opportunities.



# Financial Statements

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“Change the changeable, accept the unchangeable, and  
remove yourself from the unacceptable.”

*- Denis Waitley*

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# Independent Auditors' Report

## TO THE MEMBERS OF L&T HYDROCARBON ENGINEERING LIMITED

### Report on the standalone financial statements

We have audited the accompanying standalone financial statements of L&T Hydrocarbon Engineering Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's responsibility for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend

on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016, and its profit and its cash flows for the year ended on that date.

### Report on other legal and regulatory requirements

- 1 As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in **Annexure A** a statement on the matters specified in paragraphs 3 and 4 of the Order.
- 2 As required by section 143 (3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014;

- (e) on the basis of the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in **Annexure B**; and
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – refer notes I and Q(12) to the financial statements;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – refer notes C(II), D(IV) and Q(3)(b) to the financial statements; and
  - iii. There has been no delay in transferring amounts required to be transferred to the Investor Education and Protection Fund by the Company – refer note Q(20) to the financial statements.

For **SHARP & TANNAN**  
Chartered Accountants  
Firm's registration No. 109982W

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : April 27, 2016

## Annexure 'A' to the Independent Auditors' Report

*(Referred to in paragraph (1) under 'Report on other legal and regulatory requirements' of our report of even date)*

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has formulated a programme of physical verification of all the fixed assets over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Accordingly, the physical verification of the fixed assets has been carried out by management during the year and no material discrepancies were noticed on such verification.
- (c) According to the information and explanations given to us and the records of the Company examined by us, immovable properties are in the name of the Company except for: (i) a freehold land having cost and net book value of ₹ 1.03 crores is in the name of Larsen & Toubro Limited; (ii) two leasehold lands having cost of ₹ 78.07 crores and net book value of ₹ 73.92 crores are in the name of Larsen & Toubro Limited; and (iii) a building having cost of ₹ 24.59 crores and net book value of ₹ 16.72 crores is on leasehold land which is in the name of Larsen & Toubro Limited.
- 2 As explained to us, inventories have been physically verified by management at reasonable intervals during the year. In our opinion, the frequency of such verification is reasonable.
- 3 According to the information and explanations given to us, there are no companies, firms and other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Accordingly, paragraph 3(iii) of the Order is not applicable.
- 4 In our opinion and according to the information and explanations given to us, in respect of loans, investments, guarantees and security the provisions of section 185 and 186 of the Act have been complied with.
- 5 According to the information and explanations given to us, the Company has not accepted deposits from the public and accordingly, paragraph 3(i)(v) of the Order is not applicable.
- 6 We have broadly reviewed the books of account and records maintained by the Company pursuant to the

rules prescribed by the Central Government for the maintenance of cost records under section 148(1) of the Act in respect of all its manufacturing and construction activities and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. The contents of these accounts and records have not been examined by us.

- 7 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund,

employees state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, employees state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, cess and other statutory dues outstanding as at 31 March 2016 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of income-tax, sales-tax, service tax, duty of custom, duty of excise or value added tax as at 31 March 2016 which have not been deposited on account of a dispute pending are as under:

Name of the Statute	Nature of the disputed dues	Amount* (₹ crore)	Period to which the amount relates	Forum where dispute is pending
Central sales Tax Act, Local Sales Tax Act, Works Contract Tax Act.	Disallowance of deemed interstate sales and non-submission of forms	0.07	1999-00	Assistant Commissioner (Appeals)
	Disallowance of sales in transit, deemed interstate sales, non-submission of forms and other matters	125.05	1989-90, 1997-98, 1998-99, 2001-02, 2003-04 to 2012-13	Deputy Commissioner (Appeals)
	Classification disputes, disallowance of forms and other matters	94.88	1996-97, 2000-01, 2001-02, 2003-04 to 2005-06 to 2011-12 & 2013-14	Joint Commissioner (Appeals)
	Non submission of forms	7.18	2005-06, 2011-12, 2012-13	Additional Commissioner (Appeals)
	Disallowance of deemed sales in course of imports, classification disputes, non-submission of forms	3.06	1999-00, 2000-01, 2002-03, 2008-09, 2009-10	Sales Tax Tribunal
	Disallowance of deemed sales in course of imports, taxability of sub-contractor's turnover and other matters	78.39	1999-00, 2000-01	High Court
	Classification disputes, disallowance of input tax credit and other matters	105.35	2006-07 to 2011-12	Supreme Court
The Central Excise Act, 1944, Service Tax under Finance Act, 1994	Demand for excise duty on fabrication of tanks, platforms and ladders	0.32	1989-90 to 2011-12	Deputy Commissioner (Central Excise)
	Demand for excise duty on fabrication of tanks, platforms and ladders	0.06	1989-90	CESTAT
	Demand for service tax on manpower recruitment and supply agency service and dispute on adjustment of excess service tax paid	1.82	09-10 & 10-11	CESTAT
	Demand towards disallowed Input credit	5.15	09-10 & 10-11	CESTAT
	Demand for service tax on manpower recruitment	4.64	2005-06 to 2010-11	CESTAT
	Demand for service tax including penalty and interest on lumpsum turnkey jobs	72.12	2002-03 to 2006-07	CESTAT

Name of the Statute	Nature of the disputed dues	Amount* (₹ crore)	Period to which the amount relates	Forum where dispute is pending
Income-tax Act, 1961	Dispute regarding tax not deducted on bank guarantee charges and internet charges	0.01	2010-11	Income Tax Appellate Tribunal (ITAT Mumbai)
	Dispute regarding tax not deducted on bank guarantee charges and internet charges	1.11	2011-12	Chief Commissioner of Income Tax (CIT(A)-59)
	Difference in rate of tax deducted at source	2.74	2007-08, 2008-09	Director of Income Tax (International Taxation)
Customs Act, 1962	Dispute on software procurement	0.01	2006-07	Commissioner of Customs
	Dispute on classification	0.93	2013-14	CESTAT
	Customs Notification Dispute	9.25	2015-16	CESTAT

\*Net of pre-deposit paid in getting the stay/appeal admitted

- 8 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowing to any financial institution, bank, government or debenture holders as at the Balance Sheet date.
- 9 The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year. In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were taken.
- 10 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud by the Company nor any fraud on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of such case by management.
- 11 According to the records of the Company examined by us and the information and explanations given to us, the Company has paid/provided managerial remuneration in excess of the limits mandated by the provisions of section 197 read with schedule V to the Act, by ₹4.48 crores for the year. The Company has applied to the Central Government for payment of excess remuneration and the approval is awaited [refer note below note Q(7)(iv)].
- 12 In our opinion and according to the information and explanations given to us, the Company is not a Nidhi

company and accordingly, paragraph 3(xii) of the Order is not applicable.

- 13 According to the records of the Company examined by us and the information and explanations given to us, all transactions with related parties are in compliance with sections 177 and 188 of the Act and the details have been disclosed in the financial statements as required by the applicable accounting standards.
- 14 According to the records of the Company examined by us and the information and explanations given to us, the Company has not made private allotment of preference shares during the year under review and accordingly, paragraph 3(xiv) of the Order is not applicable.
- 15 According to the records of the Company examined by us and the information and explanations given to us, the Company has not entered into any non-cash transactions with directors or persons connected with them.
- 16 According to the information and explanations given to us, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **SHARP & TANNAN**  
Chartered Accountants  
Firm's registration No. 109982W

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : April 27, 2016

## Annexure 'B' to the Independent Auditors' Report

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*(Referred to in paragraph 2(f) under 'Report on other legal and regulatory requirements' of our report of even date)*

### **Report on the internal financial controls under clause (i) of sub-section (3) of section 143 of the Companies Act, 2013 ('the Act')**

We have audited the internal financial controls over financial reporting of L&T Hydrocarbon Engineering Limited ('the Company') as of 31 March 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### **Management's responsibility for internal financial controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable, to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involved performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### **Meaning of internal financial controls over financial reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent limitations of internal financial controls over financial reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial



reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over

financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **SHARP & TANNAN**  
Chartered Accountants  
Firm's registration No. 109982W

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

Place : Mumbai  
Date : April 27, 2016

## Balance sheet as at March 31, 2016

	Note	As at 31.03.2016		As at 31.03.2015	
		(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)
<b>EQUITY AND LIABILITIES:</b>					
<b>Shareholders' funds</b>					
Share capital	A	1,760.05		1,500.05	
Reserves and surplus	B	(484.17)		(612.23)	
			<b>1,275.88</b>		<b>887.82</b>
<b>Non-current liabilities</b>					
Long-term borrowings	C(I)	–		148.60	
Other long term liabilities	C(II)	10.17		49.03	
Long-term provisions	C(III)	11.34		12.01	
			<b>21.51</b>		<b>209.64</b>
<b>Current liabilities</b>					
Short-term borrowings	D(I)	622.57		858.85	
Current maturities of long term borrowings	D(II)	–		–	
Trade payables	D(III)	2,047.42		2,179.74	
Other current liabilities	D(IV)	1,559.16		1,195.57	
Short-term provisions	D(V)	99.80		78.46	
			<b>4,328.95</b>		<b>4,312.62</b>
<b>TOTAL</b>			<b>5,626.34</b>		<b>5,410.09</b>
<b>ASSETS:</b>					
<b>Non-current assets</b>					
Fixed assets					
Tangible assets	E(I)	792.46		873.87	
Intangible assets	E(II)	2.22		3.15	
Capital-work-in-progress	E(I)	8.90		12.44	
			<b>803.58</b>		<b>889.46</b>
Non-current investments	F		<b>228.74</b>		<b>–</b>
Deferred tax assets (net)	Q(10)		<b>286.38</b>		<b>348.94</b>
Long-term loans and advances	G		<b>132.47</b>		<b>109.20</b>
<b>Current assets</b>					
Inventories	H(I)	109.29		41.49	
Trade receivables	H(II)	1,787.35		1,732.35	
Cash and bank balances	H(III)	119.67		197.06	
Short-term loans and advances	H(IV)	1,062.62		848.29	
Other current assets	H(V)	1,096.24		1,243.29	
			<b>4,175.17</b>		<b>4,062.48</b>
<b>TOTAL</b>			<b>5,626.34</b>		<b>5,410.08</b>
<b>CONTINGENT LIABILITIES</b>					
<b>COMMITMENTS (Capital and others)</b>					
<b>OTHER NOTES FORMING PART OF THE ACCOUNTS</b>					
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					

As per our report attached

For and on behalf of the Board

### SHARP & TANNAN

Chartered Accountants  
Firm's Registration No.109982W  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No.38332

**R. VENKATESH**  
Chief Financial Officer

**ALPANA KHALE**  
Company Secretary  
M. No. A40675

**SUBRAMANIAN SARMA**  
CEO & Managing Director  
DIN: 00554221

**K. RAVINDRANATH**  
Whole-time Director  
DIN: 00262462

Place : Mumbai  
Date : April 27, 2016

Place : Mumbai  
Date : April 27, 2016

## Statement of Profit & Loss for the year ended March 31, 2016

	Note	2015-16		2014-15	
		(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)
<b>REVENUE:</b>					
Revenue from operations (gross)	K	7,130.59		5,748.47	
Less: Excise duty		19.35		25.12	
<b>Revenue from operations (net)</b>			<b>7,111.24</b>		<b>5,723.35</b>
Other income	L		11.09		17.35
<b>TOTAL REVENUE</b>			<b>7,122.33</b>		<b>5,740.70</b>
<b>EXPENSES:</b>					
<b>Manufacturing, construction and operating expenses:</b>					
Cost of raw material, components consumed		2,311.17		1,671.01	
Construction materials consumed		192.56		546.66	
Stores, spares and tools consumed		45.59		63.72	
Sub-contracting charges		2,478.56		2,457.53	
Changes in inventories of work-in-progress and stock-in-trade		(67.15)		(2.81)	
Other manufacturing, construction and operating expenses		917.53		995.30	
			<b>5,878.26</b>		<b>5,731.41</b>
Employee benefits expense	N		640.94		605.36
Sales, administration and other expenses	O		296.18		183.27
Finance costs	P		78.52		117.57
Depreciation, amortisation and obsolescence			101.41		105.44
<b>TOTAL EXPENSES</b>			<b>6,995.31</b>		<b>6,743.05</b>
<b>Profit / (loss) before tax</b>			<b>127.02</b>		<b>(1,002.35)</b>
Tax expenses:					
Current tax		21.85		–	
Less: MAT credit entitlement		(21.85)		–	
Net current tax		–		–	
Deferred tax	Q(10)	40.55		(348.23)	
			<b>40.55</b>		<b>(348.23)</b>
<b>Profit / (loss) after tax carried to Balance Sheet</b>			<b>86.47</b>		<b>(654.12)</b>
Basic earnings per equity share (₹)	Q(9)		<b>0.86</b>		(6.54)
Diluted earnings per equity share (₹)			<b>0.55</b>		(6.54)
Face value per equity share (₹)			<b>10</b>		10
<b>OTHER NOTES FORMING PART OF ACCOUNTS</b>					
<b>SIGNIFICANT ACCOUNTING POLICIES</b>					

As per our report attached

For and on behalf of the Board

**SHARP & TANNAN**

Chartered Accountants  
Firm's Registration No. 109982W  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332

**R. VENKATESH**  
Chief Financial Officer

**ALPANA KHALE**  
Company Secretary  
M. No. A40675

**SUBRAMANIAN SARMA**  
CEO & Managing Director  
DIN: 00554221

**K. RAVINDRANATH**  
Whole-time Director  
DIN: 00262462

Place : Mumbai  
Date : April 27, 2016

Place : Mumbai  
Date : April 27, 2016

# Cash Flow Statement for the year ended March 31, 2016

	2015-16 (₹ crore)	2014-15 (₹ crore)
<b>A. Cash flow from operating activities:</b>		
<b>Profit / (loss) before tax</b>	<b>127.02</b>	<b>(1,002.35)</b>
Adjustments for:		
Depreciation, amortisation and obsolescence	<b>101.41</b>	<b>105.44</b>
Interest expense	<b>78.52</b>	<b>117.57</b>
Interest income	<b>(6.35)</b>	<b>(0.17)</b>
Profit on sale of fixed assets (net)	<b>(0.73)</b>	<b>(2.33)</b>
<b>Operating profit before working capital changes</b>	<b>299.87</b>	<b>(781.84)</b>
Adjustments for:		
(Increase)/decrease in trade and other receivables	<b>(30.53)</b>	<b>1,318.39</b>
(Increase)/decrease in inventories	<b>(67.80)</b>	<b>(20.45)</b>
Increase/(decrease) in trade payables and customer advances	<b>213.57</b>	<b>(236.48)</b>
<b>Cash (used in)/generated from operations</b>	<b>415.11</b>	<b>279.62</b>
Direct taxes refund/(paid) - net	<b>(51.42)</b>	<b>(50.68)</b>
<b>Net cash (used in)/from operating activities</b>	<b>363.69</b>	<b>228.94</b>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	<b>(17.88)</b>	<b>(59.28)</b>
Sale of fixed assets (including advance received)	<b>3.09</b>	<b>6.73</b>
Purchase of investments	<b>(228.74)</b>	<b>-</b>
Interest received	<b>6.35</b>	<b>0.17</b>
<b>Net cash (used in)/ from investing activities</b>	<b>(237.18)</b>	<b>(52.38)</b>
<b>C. Cash flow from financing activities:</b>		
Proceeds from fresh issue of share capital	<b>260.00</b>	<b>-</b>
Proceeds from long term borrowings from Holding Company	<b>-</b>	<b>240.00</b>
Repayment of long term borrowings	<b>(148.60)</b>	<b>(351.40)</b>
(Repayments)/proceeds from other borrowings (net)	<b>(742.46)</b>	<b>411.74</b>
Inter-corporate borrowing from Holding Company (net of repayments)	<b>506.18</b>	<b>(339.70)</b>
Dividends paid	<b>-</b>	<b>(7.26)</b>
Additional tax on dividend	<b>-</b>	<b>(1.23)</b>
Interest paid	<b>(79.02)</b>	<b>(118.76)</b>
<b>Net cash (used in)/ from financing activities</b>	<b>(203.90)</b>	<b>(166.61)</b>
<b>Net (decrease) / increase in cash and cash equivalents (A + B + C)</b>	<b>(77.39)</b>	<b>9.95</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>197.06</b>	<b>187.11</b>
<b>Cash and cash equivalents at end of the period</b>	<b>119.67</b>	<b>197.06</b>

## Notes:

- Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3: "Cash Flow Statements" as specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014.
- Purchase of fixed assets includes movement of capital work-in-progress during the year
- Cash and cash equivalents at the end of the year represent cash and bank balances and include unrealised loss of ₹ 1.30 crore (previous year gain: ₹ 0.40 crore) on account of translation of foreign currency bank balances.
- Cash and cash equivalents are reflected in the Balance Sheet as follows:
  - Cash and cash equivalents disclosed under current assets [Note H (III)]
- Amount of corporate social responsibility related expenses spent during the year in cash ₹ 3.15 crore [Note Q(21)(b)].
- Previous year's figures have been regrouped/reclassified wherever applicable.

**119.67**      197.06

As per our report attached

For and on behalf of the Board

## SHARP & TANNAN

Chartered Accountants  
Firm's Registration No. 109982W  
by the hand of

**FIRDOSH D. BUCHIA**  
Partner  
Membership No. 38332  
Place : Mumbai  
Date : April 27, 2016

**R. VENKATESH**  
Chief Financial Officer

**ALPANA KHALE**  
Company Secretary  
M. No. A40675

**SUBRAMANIAN SARMA**  
CEO & Managing Director  
DIN: 00554221

**K. RAVINDRANATH**  
Whole-time Director  
DIN: 00262462

Place : Mumbai  
Date : April 27, 2016

## Notes forming part of Accounts

### NOTE A : SHARE CAPITAL

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number of shares	(₹ crore)	Number of shares	(₹ crore)
<b>A(I) Authorised, issued, subscribed and paid up:</b>				
<b>Authorised:</b>				
Equity shares of ₹ 10 each	2,00,00,00,000	2,000.00	2,00,00,00,000	2,000.00
Preference shares of ₹ 10 each	1,00,00,00,000	1,000.00	1,00,00,00,000	1,000.00
<b>Issued:</b>				
Equity shares of ₹ 10 each	1,00,00,50,000	1,000.05	1,00,00,50,000	1,000.05
10% Preference shares of ₹ 10 each	50,00,00,000	500.00	50,00,00,000	500.00
12% Preference shares of ₹ 10 each	26,00,00,000	260.00	–	–
<b>TOTAL</b>		<b>1,760.05</b>		<b>1,500.05</b>
<b>A(II) Reconciliation of the number of equity shares and share capital:</b>				
<b>Issued, subscribed and fully paid up equity shares outstanding at the beginning of the year:</b>				
Equity shares of ₹ 10 each	1,00,00,50,000	1,000.05	1,00,00,50,000	1,000.05
10% Preference shares of ₹ 10 each	50,00,00,000	500.00	50,00,00,000	500.00
12% Preference shares of ₹ 10 each	–	–	–	–
<b>Add: Shares issued during the year:</b>				
12% Preference shares of ₹ 10 each	26,00,00,000	260.00	–	–
<b>Issued, subscribed and fully paid up equity shares outstanding at the end of the year:</b>				
Equity shares of ₹ 10 each	1,00,00,50,000	1,000.05	1,00,00,50,000	1,000.05
10% Preference shares of ₹ 10 each	50,00,00,000	500.00	50,00,00,000	500.00
12% Preference shares of ₹ 10 each	26,00,00,000	260.00	–	–

### A(III) Terms/rights attached to equity and preference shares

#### (a) Equity shares:

Equity shares of the Company are issued at a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

#### (b) Preference shares:

Existing 10% convertible preference shares and 12% convertible preference shares issued during the year are with rights and privileges as provided below:

- Dividend payable is non-cumulative (Nil for C.Y. and P.Y.)
- Preference shares are convertible at the option of issuer in the following ratio: 1 preference share of ₹ 10 will be convertible into 1 equity share of ₹ 10 at par.
- Tenure of preference shares will be 15 years.
- Company has the option to redeem preference shares at any time.

## Notes forming part of Accounts (contd.)

### A(IV) Shareholders holding more than 5% of equity share as at the end of the year:

	As at 31.03.2016		As at 31.03.2015	
	Number of shares	Shareholding %	Number of shares	Shareholding %
<b>Larsen &amp; Toubro Limited:</b>				
Equity shares of ₹ 10 each	1,00,00,50,000	100%	1,00,00,50,000	100%
10% Preference shares of ₹ 10 each	50,00,00,000	100%	50,00,00,000	100%
12% Preference shares of ₹ 10 each	26,00,00,000	100%		

### NOTE B : RESERVES AND SURPLUS

	As at 31.03.2016		As at 31.03.2015	
	(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)
<b>Capital reserve</b>				
As per last Balance Sheet	0.02		0.02	
Addition/(deduction) during the year (net)	-		-	
		0.02		0.02
<b>Hedging reserve (net of tax): [Note Q(10)]</b>				
As per last Balance Sheet	(52.29)		(116.66)	
Addition/(deduction) during the year (net)	41.59		64.37	
		(10.70)		(52.29)
<b>Surplus Statement of Profit and Loss</b>				
As per last Balance Sheet	(559.96)		97.23	
Depreciation charge against retained earnings	-		(4.69)	
Deferred tax charge against retained earnings	-		1.62	
Profit/(Loss) for the year	86.47		(654.12)	
		(473.49)		(559.96)
<b>TOTAL</b>		<b>(484.17)</b>		<b>(612.23)</b>

### NOTE : C

#### C(I) LONG-TERM BORROWINGS

	As at 31.03.2016 (₹ crore)	As at 31.03.2015 (₹ crore)
Loans and advances from related parties (unsecured) (Inter corporate borrowing from Holding Company)	-	148.60
	-	148.60

## Notes forming part of Accounts (contd.)

	As at 31.03.2016 (₹ crore)	As at 31.03.2015 (₹ crore)
<b>C(II) OTHER LONG-TERM LIABILITIES</b>		
Forward contract payable	5.32	14.28
Embedded derivatives payable	4.85	34.75
	<b>10.17</b>	<b>49.03</b>
<b>C(III) LONG-TERM PROVISIONS</b>		
Provision for employee benefits		
Post-retirement medical benefits plan [Note Q(5)(iii)(a)]	11.34	9.97
Interest rate guarantee-provident fund [Note Q(5)(iii)(a)]	-	2.04
	<b>11.34</b>	<b>12.01</b>

### NOTE D :

#### D(I) SHORT TERM BORROWINGS

	As at 31.03.2016			As at 31.03.2015		
	Secured (₹ crore)	Unsecured (₹ crore)	Total (₹ crore)	Secured (₹ crore)	Unsecured (₹ crore)	Total (₹ crore)
Loans repayable on demand from banks	0.20	-	0.20	112.19	-	112.19
Short term loans and advances from banks	74.22	41.97	116.19	48.44	301.18	349.62
Commercial paper	-	-	-	-	397.04	397.04
Loans from related parties (Inter corporate borrowing from Holding Company)	-	506.18	506.18	-	-	-
	<b>74.42</b>	<b>548.15</b>	<b>622.57</b>	<b>160.63</b>	<b>698.22</b>	<b>858.85</b>

#### Note:

Loans repayable on demand from banks include fund based working capital facilities viz. cash credits and demand loans. Working capital facilities and other non-fund based facilities viz. bank guarantees and letters of credit, are secured by hypothecation of inventories, book debts and receivables.

#### D(II) CURRENT MATURITIES OF LONG TERM BORROWINGS

	Unsecured (₹ crore)	Total (₹ crore)	Unsecured (₹ crore)	Total (₹ crore)
Loans and advances from related parties	-	-	-	-
	-	-	-	-

## Notes forming part of Accounts (contd.)

	<b>As at 31.03.2016 (₹ crore)</b>	<i>As at 31.03.2015 (₹ crore)</i>
<b>D(III) TRADE PAYABLES</b>		
Total outstanding dues of Micro and Small Enterprises [Note Q(19)]	<b>9.57</b>	15.62
Total outstanding dues of creditors other than Micro and Small Enterprises:		
Acceptances	<b>53.61</b>	212.93
Due to related parties:		
Holding Company	<b>106.50</b>	128.73
Subsidiary and fellow subsidiary companies	<b>93.90</b>	186.42
Associate companies	<b>5.07</b>	–
Due to others	<b>1,778.77</b>	1,636.04
	<b>2,047.42</b>	2,179.74

### D(IV) OTHER CURRENT LIABILITIES

Interest accrued but not due on borrowings	<b>1.85</b>	1.95
Interest accrued and due on borrowings	–	0.39
Due to customers (construction related activity)	<b>626.78</b>	404.43
Advances from customers	<b>730.45</b>	575.78
Embedded derivative payable	<b>31.52</b>	57.65
Forward contracts payable	<b>35.62</b>	84.81
Other payable (including sales tax, service tax and others)	<b>132.94</b>	70.56
	<b>1,559.16</b>	1,195.57

	<b>As at 31.03.2016</b>		<i>As at 31.03.2015</i>	
	<b>(₹ crore)</b>	<b>(₹ crore)</b>	<i>(₹ crore)</i>	<i>(₹ crore)</i>
<b>D(V) SHORT TERM PROVISIONS</b>				
Provision for employee benefits :				
Gratuity [Note Q(5)(iii)(a)]	<b>6.77</b>		3.76	
Compensated absences	<b>42.21</b>		38.04	
Post-retirement medical benefits plan [Note Q(5)(iii)(a)]	<b>0.04</b>		0.03	
Bonus provision	<b>0.90</b>		0.09	
		<b>49.92</b>		41.92
Others:				
Other provisions (AS 29 Related) [Note Q(12)(a)]	<b>49.88</b>		36.54	
		<b>49.88</b>		36.54
		<b>99.80</b>		78.46



## Notes forming part of Accounts (contd.)

### NOTE E : FIXED ASSETS

#### E(I) FIXED ASSETS - TANGIBLE

(₹ crore)

Particulars	COST				DEPRECIATION/AMORTISATION				NET BOOK VALUE		
	As at 01-04-2015	Additions	Deductions	As at 31-03-2016	As at 01-04-2015	Additions	Transferred to retained earning	Deductions	As at 31-03-2016	As at 31-03-2016	As at 01-04-2015
Land											
Free Hold	1.03	–	–	<b>1.03</b>	–	–	–	–	–	<b>1.03</b>	1.03
Lease Hold	97.63	–	–	<b>97.63</b>	3.40	1.03	–	–	<b>4.43</b>	<b>93.20</b>	94.23
<b>Sub total - land</b>	<b>98.66</b>	–	–	<b>98.66</b>	<b>3.40</b>	<b>1.03</b>	–	–	<b>4.43</b>	<b>94.23</b>	<b>95.26</b>
Buildings	182.55	7.05	–	<b>189.60</b>	23.48	9.54	–	–	<b>33.02</b>	<b>156.58</b>	159.07
Plant and equipment	1,008.29	4.21	2.34	<b>1,010.16</b>	432.11	75.32	–	1.96	<b>505.47</b>	<b>504.69</b>	576.18
Computers	58.85	5.13	2.81	<b>61.17</b>	46.41	5.71	–	2.62	<b>49.50</b>	<b>11.67</b>	12.44
Office equipments	21.39	1.74	0.82	<b>22.31</b>	14.83	2.95	–	0.76	<b>17.02</b>	<b>5.29</b>	6.56
Furniture and fixtures	16.22	0.41	0.75	<b>15.88</b>	9.72	1.30	–	0.44	<b>10.58</b>	<b>5.30</b>	6.50
Vehicles	33.59	2.87	3.80	<b>32.66</b>	15.73	4.21	–	1.98	<b>17.96</b>	<b>14.70</b>	17.86
<b>Total</b>	<b>1,419.55</b>	<b>21.41</b>	<b>10.52</b>	<b>1,430.44</b>	<b>545.68</b>	<b>100.06</b>	–	<b>7.76</b>	<b>637.98</b>	<b>792.46</b>	<b>873.87</b>
<i>Previous year</i>	<i>1,379.76</i>	<i>70.02</i>	<i>30.23</i>	<i>1,419.55</i>	<i>462.16</i>	<i>104.36</i>	<i>4.69</i>	<i>25.53</i>	<i>545.68</i>		
Add: Capital work in progress										<b>8.90</b>	12.44
<b>Total - Tangible assets</b>										<b>801.36</b>	886.31

#### E(II) FIXED ASSETS - INTANGIBLE

(₹ crore)

Particulars	COST				DEPRECIATION/AMORTISATION				NET BOOK VALUE		
	As at 01-04-2015	Additions	Deductions	As at 31-03-2016	As at 01-04-2015	Additions	Transferred to retained earning	Deductions	As at 31-03-2016	As at 31-03-2016	As at 01-04-2015
Specialised softwares	6.94	–	–	<b>6.94</b>	3.79	0.93	–	–	<b>4.72</b>	<b>2.22</b>	3.15
<b>Total- Specialised softwares</b>	<b>6.94</b>	–	–	<b>6.94</b>	<b>3.79</b>	<b>0.93</b>	–	–	<b>4.72</b>	<b>2.22</b>	<b>3.15</b>
<i>Previous year</i>	<i>4.99</i>	<i>1.95</i>	–	<i>6.94</i>	<i>3.01</i>	<i>0.78</i>	–	–	<i>3.79</i>		
<b>Total - Intangible assets</b>										<b>2.22</b>	3.15

Note: (i) Obsolescence during the year - ₹ 0.42 crore (*previous year ₹ 0.30 crore*).

- (ii) a. Cost / valuation of freehold land includes ₹ 1.03 crore for which conveyance is yet to be completed.  
b. Cost / valuation of leasehold land includes ₹ 73.92 crore for which agreement is yet to be executed.  
(iii) Cost / valuation of buildings includes ₹ 16.72 crore for jetty for which the lease agreement is yet to be executed.

<b>As at</b>	<i>As at</i>
<b>31.03.2016</b>	<i>31.03.2015</i>
<b>(₹ crore)</b>	<i>(₹ crore)</i>

### NOTE F : NON-CURRENT INVESTMENTS

Trade Investments

Investments in equity instruments

Investment in subsidiary companies

Investment in associates

**Total Non-current Investments**

**175.81**

**52.93**

**228.74**

–

–

–

## Notes forming part of Accounts (contd.)

### Note:

- (i) Aggregate value of unquoted investments - Book value - ₹ 228.74 crore  
(ii) The Company is under process of giving, inter alia, the following undertakings in respect of its investment:  
To the lenders of L&T Sapura Shipping Private Limited, not to sell or transfer equity stake without prior approval.

### NOTE G : LONG TERM LOANS AND ADVANCES

	As at 31.03.2016 (₹ crore)	As at 31.03.2015 (₹ crore)
Unsecured considered good		
Capital advances	-	-
Other loans and advances		
Security deposits	68.67	15.22
Advances recoverable in cash or in kind	52.58	48.48
Forward contract receivable	8.80	39.34
Embedded derivative receivable	2.42	6.16
	<u>132.47</u>	<u>109.20</u>

### NOTE H :

#### H(I) INVENTORIES (at cost or net realisable value whichever is lower)

Components	0.49	0.60
Construction material	4.61	14.81
Manufacturing work-in-progress [Note Q(22)(c)]	97.17	20.60
Stores and spares	7.02	5.48
	<u>109.29</u>	<u>41.49</u>

#### H(II) TRADE RECEIVABLES

	As at 31.03.2016		As at 31.03.2015	
	(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)
Unsecured:				
Debts outstanding for more than 6 months				
Considered good	774.29		640.68	
Considered doubtful	98.89		18.84	
	<u>873.18</u>		<u>659.52</u>	
Other debts: [Note H(II)(a)]				
Considered good	769.68		803.66	
Considered doubtful	0.28		-	
	<u>1,643.14</u>		<u>1,463.18</u>	
Less: Allowance for doubtful debts	99.17		18.84	
		<u>1,543.97</u>		<u>1,444.34</u>
Retention money				
Unsecured:				
Other retention money:				
Considered good		243.38		288.01
		<u>1,787.35</u>		<u>1,732.35</u>

**H(II) (a)** Unsecured-other debts includes ₹ 790.62 crore (previous year ₹ 559.54 crore) contractually not due.

## Notes forming part of Accounts (contd.)

### H(III) CASH AND BANK BALANCES

	As at 31.03.2016 (₹ crore)	As at 31.03.2015 (₹ crore)
<b>Cash and cash equivalents</b>		
Balance with banks	82.16	196.51
Remittance in transit (previous year ₹ 23,481)	37.36	0.00
Cash on hand	0.15	0.55
<b>Other bank balances</b>		
Fixed deposits with banks including interest accrued thereon (current year and previous year ₹ 25,000)	0.00	0.00
	<b>119.67</b>	<b>197.06</b>

### H(IV) SHORT TERM LOANS AND ADVANCES

	As at 31.03.2016		As at 31.03.2015	
	(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)
Unsecured considered good				
Subsidiary and fellow subsidiary companies				
Advances recoverable		12.92		44.75
Others		303.40		222.33
Associate Companies		1.95		-
Other loans and advances				
Security deposits		6.69		8.64
Advances recoverable in cash or in kind		707.90		521.90
Income tax receivable of current year (net of provision current year MAT ₹ 21.85 crore, previous year Nil)		29.57		50.68
Balances with customs, port trust etc.		0.18		-
Considered doubtful				
Other loan and advances		42.69		42.69
Less: Allowance for doubtful loan and advances		(42.69)		(42.69)
		<b>1,062.62</b>		<b>848.29</b>

### H(V) OTHER CURRENT ASSET

	As at 31.03.2016 (₹ crore)	As at 31.03.2015 (₹ crore)
Other current assets:		
Due from customers (construction and project related activity)	1,096.24	1,243.29
	<b>1,096.24</b>	<b>1,243.29</b>

## Notes forming part of Accounts (contd.)

### NOTE I : CONTINGENT LIABILITIES

	<b>As at 31.03.2016 (₹ crore)</b>	<i>As at 31.03.2015 (₹ crore)</i>
(a) Sales-tax liability that may arise in respect of matters in appeal	<b>21.60</b>	20.00
(b) Excise duty/Service tax liability that may arise in respect of matters in appeal/challenged by the Company	<b>6.61</b>	1.37
(c) Income-tax liability (including penalty) that may arise in respect of which the Company is in appeal	<b>2.74</b>	2.57

#### Notes:

1. The Company does not expect any reimbursements in respect of the above contingent liabilities.
2. It is not practicable to estimate the timing of cash outflows, if any, in respect of matters at (a) to (c) above pending resolution of the appellate proceedings.

### NOTE J : COMMITMENTS

	<b>As at 31.03.2016 (₹ crore)</b>	<i>As at 31.03.2015 (₹ crore)</i>
Estimated amount of contracts remaining to be executed on capital account (net of advances)	<b>52.42</b>	13.41

### NOTE K : REVENUE FROM OPERATIONS

	<b>2015-16</b>		<i>2014-15</i>	
	<b>(₹ crore)</b>	<b>(₹ crore)</b>	<i>(₹ crore)</i>	<i>(₹ crore)</i>
Sales and service:				
Manufacturing and trading activity	<b>241.71</b>		97.68	
Construction and project related activity	<b>6,810.15</b>		5,492.22	
Commission	<b>4.31</b>		-	
Engineering and service fees	<b>3.37</b>		21.91	
		<b>7,059.54</b>		5,611.81
Other operational revenue:				
Income from hire of plant and equipment	<b>31.22</b>		30.15	
Technical fees	<b>3.29</b>		1.10	
Income from services to Group companies	<b>18.97</b>		26.17	
Premium earned (net) on related forward exchange contract	<b>4.51</b>		26.81	
Insurance claim recoveries	<b>2.16</b>		40.57	
Miscellaneous income	<b>10.90</b>		11.86	
		<b>71.05</b>		136.66
		<b>7,130.59</b>		5,748.47

**K(I)** Revenue from sales and service include ₹ (74.01) crore [previous year ₹ (6.61) crore] for price variations net of liquidated damages in terms of contracts with the customers.

## Notes forming part of Accounts (contd.)

### NOTE L : OTHER INCOME

	2015-16 (₹ crore)	2014-15 (₹ crore)
Interest income - Parent Company	6.31	–
Interest income - Others	0.04	0.17
Net gain/(loss) on sale of fixed assets (net)	0.72	2.33
Provision no longer required written back	4.02	14.85
	<b>11.09</b>	<b>17.35</b>

### NOTE M : MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES

	2015-16		2014-15	
	(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)
Materials consumed				
Raw materials and components [Note Q(22)(b)]	2,333.56		1,699.01	
Less: Scrap sales	22.39		28.00	
		<b>2,311.17</b>		1,671.01
Construction materials		192.56		546.66
Stores, spares and tools consumed		45.59		63.72
Sub-contracting charges		2,478.56		2,457.53
Changes in inventories of work-in-progress and stock- in-trade:				
Closing stock:				
Work-in-progress	122.93		55.78	
Less: Opening stock:				
Work-in-progress	55.78		52.97	
		<b>(67.15)</b>		(2.81)
Other manufacturing, construction and operating expenses:				
Power and fuel [Note O(I)]	63.44		55.38	
Royalty and technical know-how fees	0.01		0.69	
Packing and forwarding [Note O(I)]	5.97		7.99	
Hire charges – plant and equipment and others	195.69		349.90	
Engineering, technical and consultancy fees	379.29		280.41	
Insurance [Note O(I)]	14.53		18.97	
Rent [Note O(I)]	42.23		29.16	
Rates and taxes [Note O(I)]	10.50		7.99	
Travelling and conveyance [Note O(I)]	93.79		125.41	
Repairs to plant and equipment	5.14		2.65	
Repairs to buildings [Note O(I)]	–		0.00	
General repairs and maintenance [Note O(I)]	36.17		24.17	
Bank guarantee charges	10.38		26.08	
Miscellaneous expenses [Note O(I)]	60.39		66.50	
		<b>917.53</b>		995.30
		<b>5,878.26</b>		5,731.41

## Notes forming part of Accounts (contd.)

### NOTE N : EMPLOYEE BENEFITS EXPENSE

	2015-16		2014-15	
	(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)
Salaries, wages and bonus		572.80		522.00
Contribution to and provision for:				
Provident funds and pension fund	15.06		12.93	
Superannuation/ employee pension schemes (including provisions current year ₹ 0.27 crore, previous year ₹ 0.34 crore)	0.84		0.34	
Gratuity provision	7.98		3.51	
		23.88		16.78
Expenses on Employee Stock Option Schemes [Note Q(15)]		3.62		5.28
Insurance expenses-medical and others [Note (O)(I)]		8.23		12.83
Staff welfare expenses		32.41		48.47
		640.94		605.36

### NOTE O : SALES, ADMINISTRATION AND OTHER EXPENSES

	2015-16		2014-15	
	(₹ crore)	(₹ crore)	(₹ crore)	(₹ crore)
Power and fuel [Note O(I)]		3.20		3.35
Packing and forwarding [Note O(I)]		0.47		2.44
Professional fees		28.89		31.63
Audit fees [Note Q(14)]		0.44		0.51
Insurance [Note O(I)]		1.86		0.83
Rent [Note O(I)]		6.63		7.66
Rates and taxes [Note O(I)]		1.93		2.28
Travelling and conveyance [Note O(I)]		14.18		14.31
Repairs to buildings [Note O(I)]		2.09		0.96
General repairs and maintenance [Note O(I)]		16.15		19.41
Directors' fees		0.20		0.07
Telephone, postage and telegrams		8.26		10.52
Advertising and publicity		2.39		4.16
Stationery and printing		7.27		7.04
Bank charges		4.05		5.76
Overheads charged by Holding Company and fellow subsidiaries		93.59		99.79
Miscellaneous expenses [Note O(I)]		18.71		16.32
Bad debts and advances written off		-	0.79	
Less: Allowance for doubtful debts and advances written back	0.00		0.75	
		(0.00)		0.04
Allowance for doubtful debts and advances (net)		80.33		1.06
Provision / (reversal) for foreseeable losses on construction contracts		39.14		(34.17)
Exchange (gain) /loss (net)		(46.94)		(9.97)
Other provisions [Note Q(12)]		13.34		(0.72)
		296.18		183.27

## Notes forming part of Accounts (contd.)

### O(I) Aggregation of expenses disclosed vide notes M, N and O in respect of specific items are as follows:

(₹ crore)

SN	Nature of expenses	2015-16				2014-15			
		Note M	Note N	Note O	Total	Note M	Note N	Note O	Total
1	Power and fuel	63.44	–	3.20	66.64	55.38	–	3.35	58.73
2	Packing and forwarding	5.97	–	0.47	6.44	7.99	–	2.44	10.43
3	Insurance	14.53	8.23	1.86	24.62	18.97	12.83	0.83	32.63
4	Rent	42.23	–	6.63	48.86	29.16	–	7.66	36.82
5	Rates and taxes	10.50	–	1.93	12.43	7.99	–	2.28	10.27
6	Travelling and conveyance	93.79	–	14.18	107.97	125.41	–	14.31	139.72
7	Repairs to buildings	–	–	2.09	2.09	–	–	0.96	0.96
8	General repairs and maintenance	36.17	–	16.15	52.32	24.17	–	19.41	43.58
9	Miscellaneous expenses	60.39	–	18.71	79.10	66.50	–	16.32	82.82

### NOTE P : FINANCE COSTS

	2015-16 (₹ crore)	2014-15 (₹ crore)
Interest expenses	59.81	102.20
Interest cost - AS 15	2.75	(4.88)
Exchange loss (attributable to finance costs)	15.96	20.25
	<b>78.52</b>	<b>117.57</b>

### NOTE Q : OTHER NOTES FORMING PART OF THE ACCOUNTS

Q(1) The Balance Sheet as on March 31, 2016 and the Statement of Profit and Loss for the year ended March 31, 2016 are drawn and presented as per the format prescribed under schedule III of the Companies Act, 2013.

Q(2) The expenditure on research and development activities recognised as expense in the Statement of Profit and Loss is ₹ 12.37 crore (previous year: ₹ 11.48 crore). Further, the Company has incurred capital expenditure on research and development activities of ₹ 0.19 crore (previous year: ₹ 0.54 crore).

Q(3) a) Disclosures pursuant to Accounting Standard (AS) 7 (Revised) "Construction Contracts":

(₹ crore)

Particulars		2015-16	2014-15
i)	Contract revenue recognised for the financial year [Note (K)]	6,810.15	5,492.22
ii)	Aggregate amount of contract costs incurred and recognised profits (less recognised losses) as at end of the financial year for all contracts in progress as at that date	22,877.18	20,440.04
iii)	Amount of customer advances outstanding for contracts in progress as at end of the financial year	590.02	553.60
iv)	Retention amounts by customers for contracts in progress as at end of the financial year	241.23	288.01

b) The Company has made provision, as required under the applicable law or accounting standard for material foreseeable losses on long term contracts

Q(4) Disclosures pursuant to Accounting Standard (AS) 6 "Depreciation Accounting":

During the previous year consequent to revision in useful life of certain assets on adoption of Schedule II to the Companies Act, 2013, the depreciation for the year ended March 31, 2015 is higher and the loss before tax is higher by ₹ 10.20 crore.

## Notes forming part of Accounts (contd.)

Further during the previous year, an amount of ₹ 3.07 crore (net of deferred tax of ₹ 1.62 crore) representing the carrying amount of assets with revised useful life as nil as on April 1, 2014, has been charged to the opening reserves as on April 1, 2014 pursuant to the Companies Act, 2013.

### Q(5) Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits"

- i. Defined contribution plans: [Note R(6)(b)(i)] ₹ 7.31 crore (previous year: ₹ 8.03 crore) is recognised as an expense and included in "employee benefits expense" (Note N) in the Statement of Profit and Loss.
- ii. The assets of the gratuity fund of Larsen & Toubro Limited ("L&T") that pertain to the employees of the Company will be transferred to the gratuity fund of the Company when it is formed. The fair value of plan assets that pertain to the Company are as valued by the actuarial valuer as at March 31, 2016 and are disclosed below under present value of defined benefit obligations.
- iii. Defined benefit plans: [Note R(6)(b)(ii)]

a) The amounts recognised in Balance Sheet are as follows: (₹ crore)

Particulars	Gratuity plan		Post-retirement medical benefit plan		Company pension plan		Trust-managed provident fund plan	
	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015
<b>A) Present value of defined benefit obligation</b>								
– Wholly funded							220.55	209.06
– Wholly unfunded	32.11	29.18	11.38	10.00	4.31	5.83		
Less: Fair value of plan assets	25.34	25.42	–	–			221.12	209.29
Less: Unrecognised past service costs		–	–	–				
Amount to be recognised as liability or (asset)	6.77	3.76	11.38	10.00	4.31	5.83	(0.58)	(0.23)
<b>B) Amounts reflected in the Balance Sheet</b>								
Liabilities	6.77	3.76	11.38	10.00	4.31	5.83	–	2.87
Assets	–	–	–	–			3.34	–
Net liability/(asset)	6.77	3.76	11.38	10.00			(3.34)	2.87
Net liability/(asset) - current	–	–	0.04	0.03	0.23	0.21	(3.34)	0.83
Net liability/(asset) - non-current	6.77	3.76	11.34	9.97	4.08	5.62	–	2.04

b) The amounts recognised in Statement of Profit and Loss are as follows: (₹ crore)

Particulars	Gratuity plan		Post-retirement medical benefit plan		Company pension plan		Trust-managed provident fund plan	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
1 Current service cost	2.52	2.26	0.97	0.68	0.16	0.13	10.46	11.56
2 Interest cost	2.28	2.31	0.86	0.71	0.46	0.43	17.27	14.83
3 Expected (return) on plan assets	(1.79)	(1.77)					(17.27)	(14.83)
4 Actuarial losses/(gains)	0.00	0.69	(0.45)	1.50			(3.34)	0.83
5 Past service cost								
6 Actuarial gain/(loss) not recognised in books					(2.14)	0.58	3.34	(0.83)
<b>Total (1 to 6)</b>	<b>3.01</b>	<b>3.51</b>	<b>1.38</b>	<b>2.89</b>	<b>(1.52)</b>	<b>1.14</b>	<b>3.78</b>	<b>11.56</b>
I Amount included in "employee benefit expenses"	3.01	3.51	1.38	2.89	(1.52)	1.14	10.46	11.56
<b>Actual return on plan assets</b>	<b>1.87</b>	<b>3.85</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20.60</b>	<b>14.00</b>



## Notes forming part of Accounts (contd.)

- c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances thereof are as follows:

(₹ crore)

Particulars	Gratuity plan		Post-retirement medical benefit plan		Company Pension Plan		Trust-managed provident fund plan	
	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015
Opening balance of the present value of defined benefit obligation	29.18	25.23	10.00	7.11	5.83	4.68	209.06	184.55
Add: Current service cost	2.52	2.26	0.97	0.68	0.16	0.13	10.46	11.56
Add: Interest cost	2.28	2.31	0.86	0.71	0.46	0.43	17.27	14.83
Add: Contribution by plan participants								
i) Employer								
ii) Employee							20.95	20.59
iii) Transfer-in/(out)							(11.99)	–
Add/(less): Actuarial losses/(gains)	0.08	2.78	(0.45)	1.50	(2.14)	0.58		
Less: Benefits paid	(1.94)	(3.40)					(25.20)	(22.47)
Closing balance of the present value of defined benefit obligation	32.11	29.18	11.38	10.00	4.31	5.82	220.55	209.06

- d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:

(₹ crore)

Particulars	Gratuity plan		Trust-managed provident fund plan	
	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015
Opening balance of the fair value of the plan assets	25.42	24.96	209.29	186.32
Add: Expected return on plan assets*	1.79	1.77	17.27	14.83
Add/(Less): Actuarial gains/(losses)	0.08	2.09	3.34	(0.83)
Add: Contribution by the employer			9.13	10.85
Add/(less) : Transfer in/(out)			(11.99)	–
Add: Contribution by plan participants			19.28	20.59
Less: Benefits paid	(1.94)	(3.40)	(25.20)	(22.47)
Closing balance of the plan assets	25.34	25.42	221.12	209.29

Notes: The fair value of the plan assets under the trust managed provident fund plan has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

\* Basis used to determine the overall expected return:

Expected return on plan assets is determined based on the assessment made at the beginning of the year on the return expected on its existing portfolio, along with the estimated increment to the plan assets and expected yield on the respective assets in the portfolio during the year.

## Notes forming part of Accounts (contd.)

e) The major categories of plan assets as a percentage of total plan assets are as follows:

Particulars	Gratuity plan		Trust-managed provident fund plan	
	As at 31.3.2016	As at 31.3.2015	As at 31.3.2016	As at 31.3.2015
Government of India securities	–	–	<b>25.32%</b>	24.67%
State government securities	–	–	<b>15.84%</b>	15.12%
Corporate bonds	–	–	<b>8.94%</b>	7.56%
Equity shares of listed companies	–	–	–	–
Insurer managed funds	–	–	–	–
Public sector unit bonds	–	–	<b>39.25%</b>	42.27%
Special Desposit Scheme	–	–	<b>9.32%</b>	10.31%
Mutual Funds	–	–	<b>1.33%</b>	0.07%
Others	<b>100%</b>	100%	–	–

f) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

Particulars	As at 31.03.2016	As at 31.03.2015
1 Discount rate:		
a) Gratuity plan	<b>7.79%</b>	7.83%
b) Post-retirement medical benefit plan	<b>7.79%</b>	7.83%
2 Expected return on plan assets:	<b>7.50%</b>	7.50%
3 Annual increase in healthcare costs (see note below)	<b>5.00%</b>	5.00%
4 Salary growth rate:		
a) Gratuity plan	<b>5.00%</b>	5.00%

5. Attrition rate:

- a) For post-retirement medical benefit plan, the attrition rate varies from 2% to 8% (previous year: 2% to 8%) for various age groups.
- b) For gratuity plan, the attrition rate varies from 1% to 6% (previous year: 1% to 6%) for various age groups.

6. The estimates of future salary increases, considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

7. The interest payment obligation of trust-managed provident fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognised immediately in the Statement of Profit and Loss as actuarial losses.

8. The obligation of the Company under the post-retirement medical benefit plan is limited to the overall ceiling limits. At present, healthcare cost, as indicated in the principal actuarial assumption given above, has been assumed to increase at 5% p.a.

## Notes forming part of Accounts (contd.)

9. A one percentage point change in assumed healthcare cost trend rates would have the following effects on the aggregate of the service cost and interest cost and defined benefit obligation:

(₹ crore)

Particulars	Effect of 1% increase		Effect of 1% decrease	
	2015-2016	2014-2015	2015-2016	2014-2015
Effect on the aggregate of the service cost and interest cost	0.40	0.38	(0.31)	(0.30)
Effect on defined benefit obligation	2.06	1.82	(1.62)	(1.43)

- g) The amounts pertaining to defined benefit plans are as follows

(₹ crore)

Particulars		As at 31.03.2016	As at 31.03.2015
1	Post-retirement medical benefit plan (unfunded)		
	Defined benefit obligation	11.38	10.00
	Experience adjustment plan liabilities	(0.55)	(0.99)
2	Gratuity plan (unfunded)		
	Defined benefit obligation	32.11	29.18
	Plan assets	25.34	25.42
	Surplus/(deficit)	(6.77)	(3.76)
	Experience adjustment plan liabilities	(0.03)	0.01
	Experience adjustment plan assets	0.08	2.09
3	Trust managed provident fund plan (funded)		
	Defined benefit obligation	220.55	209.06
	Plan assets	221.12	209.29
	Surplus/(deficit)	0.58	0.23

General descriptions of defined benefit plans:

1. Post-retirement medical benefit plan:

The Post-retirement medical benefit plan provides for reimbursement of health care costs to certain categories of employees post their retirement. The reimbursement is subject to an overall ceiling sanctioned based on cadre of the employee at the time of retirement.

2. Trust managed provident fund plan:

The Company's provident fund plan is managed by its holding company through a Trust recognised under the Provident Fund and Miscellaneous Provisions Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the provident fund authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement, whichever is earlier. The benefit under this plan vests immediately on rendering of service.

The interest payment obligation of trust-managed provident fund is assumed to be adequately covered by the interest income on long-term investments of the fund. Any shortfall in the interest income over the interest obligation is recognized immediately in the Statement of Profit and Loss as actuarial loss. Any loss / gain arising out of the investment risk and actuarial risk associated with the plan is also recognized as expense or income in the period in which such loss / gain occurs.

### Q(6) Disclosures pursuant to Accounting Standard (AS 17) "Segment Reporting"

- a) Information about business segments (information provided in respect of revenue items for the year ended March 31, 2016 and in respect of assets/liabilities as at March 31, 2016 denoted as "CY" below, previous year denoted as "PY")

## Notes forming part of Accounts (contd.)

- i) Primary segments (business segments): The Company operates in only one segment, i.e. integrated EPC projects on turnkey basis in the Hydrocarbon sector.
- (ii) Secondary segments (geographical segments):

(₹ crore)

Particulars	Domestic		Overseas		Total	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
External revenue by location of customers	4,652.96	3,670.99	2,477.63	2,077.48	7,130.59	5,748.47
Carrying amount of segment assets by location of assets	3,068.78	3,727.97	2,015.63	1,333.17	5,084.41	5,061.14
Cost incurred on acquisition of tangible and intangible fixed assets (PY includes assets acquired on transfer of HC Undertaking)	17.12	51.55	1.94	7.72	19.06	59.27

- b) Segment reporting: segment identification, reportable segments and definition of each reportable segment:

- i) Primary/secondary segment reporting format:

- [a] The risk-return profile of the Company's business is determined predominantly by the nature of its products and services. Accordingly, the business segments constitute the primary segments for disclosure of segment information.
- [b] In respect of secondary segment information, the Company has identified its geographical segments as (i) domestic and (ii) overseas. The secondary segment information has been disclosed accordingly.

- ii) Segment identification:

Business segments have been identified on the basis of the nature of products/services, the risk-return profile of individual businesses, the organisational structure and the internal reporting system of the Company.

- iii) Reportable segments:

Reportable segments have been identified as per the criteria specified in Accounting Standard (AS) 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India.

### Q(7) Disclosure of related parties/related party transactions pursuant to Accounting Standard (AS 18) "Related Party Disclosures"

- i. Related parties who exercise control

SN	Name of the related party	Relationship
1	Larsen & Toubro Limited	Holding Company

- ii. List of related parties with whom there were transactions during the year:

SN	Name of the related party	Relationship
1	Larsen & Toubro Limited	Holding Company
2	L&T Sargent & Lundy Limited	Fellow Subsidiary
3	L&T Valdel Engineering Limited #	Subsidiary
4	L&T Shipbuilding Limited	Fellow Subsidiary
5	L&T Electrical and Automation FZE	Fellow Subsidiary
6	L&T Gulf Private Limited #	Subsidiary

## Notes forming part of Accounts (contd.)

SN	Name of the related party	Relationship
7	L&T Special Steels and Heavy Forgings Private Limited	Fellow Subsidiary
8	L&T Sapura Shipping Private Limited #	Subsidiary
9	L&T Sapura Offshore Private Limited #	Subsidiary
10	EWAC Alloys Limited	Fellow Subsidiary
11	Larsen & Toubro Infotech Limited	Fellow Subsidiary
12	Larsen & Toubro Electromech LLC	Fellow Subsidiary
13	L&T Modular Fabrication Yard LLC	Fellow Subsidiary
14	Larsen & Toubro Kuwait Construction General Contracting Company, WLL	Fellow Subsidiary
15	Larsen & Toubro ATCO Saudi LLC	Fellow Subsidiary
16	Larsen & Toubro Heavy Engineering LLC	Fellow Subsidiary
17	L&T Valves Limited	Fellow Subsidiary
18	PT TAMCO Indonesia	Fellow Subsidiary
19	Larsen Toubro Arabia LLC	Fellow Subsidiary
20	L&T Geostructure LLP	Fellow Subsidiary
21	Larsen & Toubro Readymix and Asphalt Concrete Industries LLC	Fellow Subsidiary
22	Tamco Switchgear (Malaysia) SDN BHD	Fellow Subsidiary
23	L&T Technology Services Limited	Fellow Subsidiary
24	L&T Infrastructure Engineering Limited	Fellow Subsidiary
25	L&T - MHPS Boilers Private Limited	Fellow Subsidiary
26	L&T Howden Private Limited	Fellow Subsidiary
27	L&T Information Technology Services (Shanghai) Co. Ltd.	Fellow Subsidiary
28	L&T-Chiyoda Limited #	Associate Company

# Company has acquired its stake during the year from Holding Company

iii. Key management personnel with whom transactions were carried out during the year:

Key management personnel:		
1	<b>Mr. Subramanian S. Sarma</b>	Chief Executive Officer & Managing Director
2	<b>Mr. U. Dasgupta</b>	Whole-time Director
3	<b>Mr. K. Ravindranath</b>	Whole-time Director

iv. Disclosure of related party transactions:

(₹ crore)

SN	Nature of transaction/relationship/major parties	2015-2016		2014-2015	
		Amount	Amounts for major parties	Amount	Amounts for major parties
1	Purchase of goods & services (including commission paid)				
	Holding Company (Larsen & Toubro Limited)	<b>15.94</b>		107.62	
	Subsidiaries / Fellow subsidiaries, including:	<b>486.67</b>		820.56	
	Larsen & Toubro Electromech LLC		<b>285.91</b>		487.53
	L&T Modular Fabrication Yard LLC		<b>63.34</b>		62.96
	L&T Valves Limited		<b>50.60</b>		37.09
	L&T Gulf Private Limited		<b>7.29</b>		21.16
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL				14.96

## Notes forming part of Accounts (contd.)

(₹ crore)

SN	Nature of transaction/relationship/major parties	2015-2016		2014-2015	
		Amount	Amounts for major parties	Amount	Amounts for major parties
	Larsen & Toubro Heavy Engineering LLC		17.43		39.20
	L&T Sapura Shipping Private Limited				
	L&T Sapura Offshore Private Limited		6.33		35.99
	L&T Valdel Engineering Limited		27.29		34.82
	EWAC Alloys Limited		7.27		0.22
	L&T Sargent & Lundy Limited		0.27		0.30
	Larsen & Toubro Infotech Limited		0.20		
	L&T Shipbuilding Limited		0.05		
	L&T Technology Services Limited		2.40		
	Larsen Toubro Arabia LLC		(0.39)		(0.11)
	L&T Electrical and Automation FZE		1.04		4.76
	L&T Special Steels and Heavy Forgings Private Limited				0.01
	L&T Geostructure LLP		10.99		69.09
	Larsen & Toubro Readymix and Asphalt Concrete Industries LLC		6.08		5.53
	Tamco Switchgear (Malaysia) SDN BHD				4.88
	L&T Information Technology Services (Shanghai) Co. Ltd.				2.13
	L&T Infrastructure Engineering Limited		0.57		0.04
	Associates & Joint Ventures (L&T-Chiyoda Limited)	10.40			
	<b>Total</b>	<b>513.01</b>		928.18	
2	Sale of goods/contract revenue & services				
	Holding Company (Larsen & Toubro Limited)	14.67		0.26	
	Subsidiaries / Fellow subsidiaries, including:	23.21		28.20	
	Larsen Toubro Arabia LLC		22.39		26.59
	Larsen & Toubro Electromech LLC		0.02		
	L&T Modular Fabrication Yard LLC		0.05		0.09
	L&T Special Steels and Heavy Forgings Private Limited				1.03
	L&T Sapura Shipping Private Limited		0.48		
	L&T Gulf Private Limited		0.23		
	Larsen & Toubro Heavy Engineering LLC		0.04		
	L&T Technology Services Limited				0.37
	L&T Valdel Engineering Limited				0.08
	L&T – MHPS Boilers Private Limited				0.04
	Associates & Joint Ventures (L&T-Chiyoda Limited)				
	<b>Total</b>	<b>37.88</b>		28.46	
3	Purchase/lease of fixed assets				
	Holding Company (Larsen & Toubro Limited)	0.11		0.48	

## Notes forming part of Accounts (contd.)

(₹ crore)

SN	Nature of transaction/relationship/major parties	2015-2016		2014-2015	
		Amount	Amounts for major parties	Amount	Amounts for major parties
	Subsidiaries / Fellow subsidiaries, including:	<b>0.45</b>		1.87	
	EWAC Alloys Limited		<b>0.39</b>		
	Larsen and Toubro Kuwait Construction General Contracting Company, WLL		<b>0.01</b>		
	Larsen and Toubro Infotech Limited				1.86
	Larsen Toubro Arabia LLC		<b>0.05</b>		
	L&T Valdel Engineering Limited				0.01
	<b>Total</b>	<b>0.56</b>		2.35	
4	Sale of fixed assets				
	Holding Company (Larsen & Toubro Limited)	<b>0.49</b>		0.04	
	Fellow subsidiaries:	<b>0.41</b>		0.10	
	L&T Shipbuilding Limited		<b>0.01</b>		
	L&T Modular Fabrication Yard LLC		<b>0.08</b>		
	Larsen and Toubro ATCO Saudi LLC		<b>0.03</b>		
	Larsen Toubro Arabia LLC		<b>0.29</b>		0.01
	Larsen and Toubro Electromech LLC				0.01
	L&T Technology Services Limited				0.08
	<b>Total</b>	<b>0.90</b>		0.14	
5	Receiving of services from:				
	Holding Company (Larsen & Toubro Limited)	<b>93.97</b>		100.30	
	Subsidiaries / Fellow subsidiaries, including:	<b>10.45</b>		6.85	
	Larsen and Toubro Electromech LLC		<b>0.25</b>		
	Larsen & Toubro Infotech Limited		<b>7.30</b>		6.13
	L&T Gulf Private Limited		<b>2.67</b>		-
	L&T Valdel Engineering Limited				0.05
	Larsen and Toubro ATCO Saudi LLC				0.26
	L&T Electrical and Automation FZE				0.37
	Larsen and Toubro Kuwait Construction General Contracting Company, WLL		<b>0.23</b>		
	PT Tamco Indonesia				0.04
	Associates & Joint Ventures (L&T-Chiyoda Limited)	<b>5.84</b>			
	<b>Total</b>	<b>110.26</b>		107.15	
6	Charges for deputation of employees to related parties				
	Subsidiaries / Fellow subsidiaries, including:	<b>6.81</b>		6.25	
	L&T Sapura Shipping Private Limited		<b>6.70</b>		5.75
	L&T Technology Services Limited		<b>0.10</b>		0.50
	<b>Total</b>	<b>6.81</b>		6.25	

## Notes forming part of Accounts (contd.)

(₹ crore)

SN	Nature of transaction/relationship/major parties	2015-2016		2014-2015	
		Amount	Amounts for major parties	Amount	Amounts for major parties
7	Rent received, overheads recovered and miscellaneous income				
	Holding Company (Larsen & Toubro Limited)	5.32		8.16	
	Subsidiaries / Fellow subsidiaries, including:	41.56		43.38	
	Larsen & Toubro ATCO Saudi LLC		9.56		14.01
	Larsen Toubro Arabia LLC		16.64		13.05
	L&T Modular Fabrication Yard LLC		1.45		1.62
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		0.02		0.97
	L&T Valdel Engineering Limited		0.57		0.18
	L&T Valves Limited		0.01		0.10
	L&T-MHPS Boilers Private Limited		0.08		0.08
	Larsen & Toubro Electromech LLC		9.54		9.26
	L&T Gulf Private Limited		0.95		0.95
	L&T Sapura Offshore Private Limited				0.04
	L&T Sapura Shipping Private Limited		1.24		1.38
	Larsen and Toubro (East Asia) SDN.BHD		0.01		
	L&T Hydrocarbon International LLC		0.09		
	Nabha Power Limited		0.06		
	L&T Thales Technology Services Private Limited		0.01		
	L&T MHPS Turbine Generators Private Limited		0.01		0.01
	L&T Special Steels and Heavy Forgings Private Limited		0.02		0.02
	L&T Howden Private Limited		0.03		0.01
	L&T Shipbuilding Limited		1.17		1.63
	L&T- Sargent and Lundy Limited		0.03		0.02
	L&T Technology Services Limited		0.09		0.05
	Associates & Joint Ventures (L&T-Chiyoda Limited)	2.79			
	<b>Total</b>	<b>49.66</b>		51.54	
8	Interest received				
	Holding Company (Larsen & Toubro Limited)	-6.31			
	<b>Total</b>	<b>-6.31</b>			
9	Interest paid				
	Holding Company (Larsen & Toubro Limited)	11.35		76.00	
	<b>Total</b>	<b>11.35</b>		76.00	
10	Dividend on preference shares paid to				
	Holding Company (Larsen & Toubro Limited)			7.26	
	<b>Total</b>			7.26	
11	Rent paid,including lease rentals under leasing/ hire purchase arrangements including loss sharing on equipment finance				
	Holding Company (Larsen & Toubro Limited)	1.89		3.89	
	<b>Total</b>	<b>1.89</b>		3.89	



## Notes forming part of Accounts (contd.)

(₹ crore)

SN	Nature of transaction/relationship/major parties	2015-2016		2014-2015	
		Amount	Amounts for major parties	Amount	Amounts for major parties
12	Commission received				
	Fellow subsidiaries, including:				
	L&T Modular Fabrication Yard LLC	4.31			
	<b>Total</b>	<b>4.31</b>			
13	Purchase of investment in Subsidiary & Associate Companies				
	Holding Company (Larsen & Toubro Limited)	228.74			
14	Payment of salaries/ perquisites (Key management personnel)*				
	Mr. Subramanian S. Sarma ** #		5.16		
	Mr. U. Dasgupta*** ##		0.50		1.56
	Mr. K. Ravindranath		1.08		1.08
	<b>Total</b>	<b>6.76</b>		2.64	

\* In addition to this, during the previous year the Company had reimbursed ₹ 0.75 crore to Larsen & Toubro Limited towards share of remuneration paid to Mr. K. Venkataramanan, being Key management personnel which have been included in point 5 supra.

\*\* Appointed w.e.f August 19, 2015.

\*\*\* Retired w.e.f. July 01, 2015.

# Owing to inadequacy of profits, remuneration paid to Mr. Subramanian S. Sarma is in excess of the limits laid down by section 197 read with schedule V to the Companies Act, 2013 and the Company has applied to the central government for payment of the excess remuneration.

Of the remuneration paid for the year, ₹ 5.16 crores, the central government has approved ₹ 0.84 crores and the Company has filed a representation with the central government seeking approval of the balance ₹ 4.32 crores. This approval is awaited.

## Owing to inadequacy of profits, remuneration paid to Mr. U. Dasgupta is in excess of the limits laid down by schedule V to the Companies Act, 2013 by ₹ 0.16 crore. The Company has applied to the central government for payment of excess remuneration and the approval is awaited.

v. Amount due to/from related parties

(₹ crore)

SN	Nature of transaction/relationship/major parties	As at 31.3.2016		As at 31.3.2015	
		Amount	Amounts for major parties	Amount	Amounts for major parties
1	Accounts receivable				
	Fellow subsidiaries, including:				
	Larsen Toubro Arabia LLC	4.78			
	<b>Total</b>	<b>4.78</b>			
2	Accounts payable (including acceptance & interest accrued)				
	Holding Company (Larsen & Toubro Limited)	108.23		130.17	
	Subsidiaries / Fellow subsidiaries, including:	93.90		186.42	

## Notes forming part of Accounts (contd.)

(₹ crore)

SN	Nature of transaction/relationship/major parties	As at 31.3.2016		As at 31.3.2015	
		Amount	Amounts for major parties	Amount	Amounts for major parties
	Larsen & Toubro Electromech LLC		26.15		42.69
	L&T Modular Fabrication Yard LLC		22.66		25.15
	Larsen & Toubro ATCO Saudi LLC		0.58		0.52
	L&T Valves Limited		14.76		17.53
	Larsen and Toubro (East Asia) SDN.BHD		0.53		1.33
	EWAC Alloys Limited		1.73		0.25
	L&T Geostructure LLP		0.87		39.69
	L&T Gulf Private Limited		3.19		7.99
	Larsen and Toubro Infotech Limited		2.02		3.31
	Larsen and Toubro International FZE				0.30
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		1.12		1.32
	Larsen & Toubro Heavy Engineering LLC		6.33		9.07
	L&T Shipbuilding Limited		1.07		1.67
	L&T Sapura Offshore Private Limited				5.88
	L&T Sargent & Lundy Limited				0.12
	PT TAMCO Indonesia				0.16
	TAMCO Switchgear (Malaysia) SDN BHD		0.34		1.16
	L&T Valdel Engineering Limited		5.90		10.18
	L&T Electrical and Automation FZE		4.40		14.59
	Larsen & Toubro Readymix and Asphalt Concrete Industries LLC		1.29		2.69
	L&T Technology Services Limited		0.16		0.72
	Larsen Toubro Arabia LLC		0.35		
	L&T-MHPS Boilers Private Limited		0.01		
	Larsen and Toubro Saudi Arabia LLC		0.01		
	L&T Infrastructure Engineering Limited		0.43		0.10
	Associates & Joint Ventures (L&T-Chiyoda Limited)	5.07			
	<b>Total</b>	<b>207.20</b>		316.59	
3	Loans & advances recoverable				
	Holding Company (Larsen & Toubro Limited)	64.90		66.55	
	Subsidiaries / Fellow subsidiaries, including:	251.41		200.53	
	Larsen Toubro Arabia LLC		79.95		51.06
	Larsen & Toubro ATCO Saudi LLC		52.76		42.38
	L&T Valves Limited		7.76		6.28
	L&T MHPS Boilers Private Limited				0.06
	Larsen & Toubro Electromech LLC		22.14		19.09
	LT Electrical and Automation FZE				0.59

## Notes forming part of Accounts (contd.)

(₹ crore)

SN	Nature of transaction/relationship/major parties	As at 31.3.2016		As at 31.3.2015	
		Amount	Amounts for major parties	Amount	Amounts for major parties
	L&T Special Steels and Heavy Forgings Private Limited				0.62
	L&T Gulf Private Limited		1.34		2.01
	L&T Howden Private Limited				0.02
	L&T Hydrocarbon International LLC		4.56		4.16
	Larsen & Toubro Heavy Engineering LLC		0.08		10.74
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		16.79		9.12
	L&T Shipbuilding Limited		2.12		2.58
	L&T Modular Fabrication Yard LLC		24.83		20.10
	L&T Sapura Offshore Pvt Ltd.		11.37		12.29
	L&T Sapura Shipping Pvt. Ltd.		26.11		16.74
	L&T Valdel Engineering Limited		0.29		1.36
	L&T Sargent & Lundy Limited		0.03		0.23
	Larsen & Toubro Saudi Arabia LLC		1.00		
	L&T Technology Services Limited		0.18		1.10
	Larsen and Toubro (East Asia) SDN.BHD		0.01		
	L&T Infrastructure Finance Company Limited		0.02		
	Nabha Power Limited		0.06		
	L&T Thales Technology Services Private Limited		0.01		
	Associates & Joint Ventures (L&T-Chiyoda Limited)	1.95			
	<b>Total</b>	<b>318.26</b>		267.08	
4	Unsecured loans (including lease finance)				
	Holding Company (Larsen & Toubro Limited)	506.18		148.60	
	<b>Total</b>	<b>506.18</b>		148.60	
5	Advances received in the capacity of supplier of goods/services classified as "Advances from Customers" in the Balance sheet				
	Fellow subsidiaries, including:				
	Larsen Toubro Arabia LLC	2.28			
	L&T Infrastructure Finance Company Limited	0.02			
	<b>Total</b>	<b>2.30</b>			

## Notes forming part of Accounts (contd.)

### Q(8) Disclosure in respect of leases pursuant to Accounting Standard (AS 19) "Leases"

Where the Company is a lessee:

#### a) Operating leases:

- i. The Company has taken various commercial premises and plant and equipment under cancellable operating leases. These lease agreements are normally renewed on expiry.
- ii. [a] The Company has taken certain assets like cars, technology assets, etc. on non-cancellable operating leases, the future minimum lease payments in respect of which are as follows:

(₹ crore)

Particulars		Minimum lease payments	
		As at 31.3.2016	As at 31.3.2015
1.	Payable not later than 1 year	–	0.54
2.	Payable later than 1 year and not later than 5 years	–	0.13
3.	Payable later than 5 years	–	–
	<b>Total</b>	–	0.67

- [b] The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period. There are no exceptional/restrictive covenants in the lease agreements.

- iii. Lease rental expense in respect of operating leases: ₹ 16.23 crore (previous year: ₹ 8.21 crore).

### Q(9) Basic and diluted earnings per share [EPS] computed in accordance with pursuant to Accounting Standard (AS) 20 "Earnings per Share".

Particulars		2015-2016	2014-2015
<b>Basic</b>			
Profit / (loss) after tax as per accounts (₹ crore)		<b>86.55</b>	(654.12)
Less: Preference dividend and dividend distribution tax		–	–
Profit / (loss) after tax as per accounts (₹ crore)		<b>A</b>	(654.12)
Weighted average number of shares outstanding		<b>B</b>	1,00,00,50,000
Basic EPS (₹)		<b>A/B</b>	(6.54)
<b>Diluted</b>			
Profit / (loss) after tax as per accounts (₹ crore)		<b>86.55</b>	(654.12)
Less: Preference dividend and dividend distribution tax		–	–
Profit / (loss) after tax as per accounts (₹ crore)		<b>A</b>	(654.12)
Weighted average number of shares outstanding		<b>B</b>	1,00,00,50,000
Add: Weighted average number of potential equity shares on account of convertible preference shares		<b>C</b>	–
Weighted average number of shares outstanding for diluted EPS		<b>D=B+C</b>	1,00,00,50,000
Diluted EPS (₹)		<b>A/D</b>	(6.54)
Face value per share (₹)		<b>10</b>	10

## Notes forming part of Accounts (contd.)

Q(10) Major components of deferred tax liabilities and deferred tax assets: pursuant to Accounting Standard (AS 22) "Accounting for Taxes on Income"

(₹ crore)

Particulars	Deferred tax liabilities/ (assets) as at 31.3.2015	Charge/ (credit) to Statement of Profit and Loss	Charge/ (credit) to Hedging Reserve	Deferred tax liabilities/ (assets) as at 31.3.2016
<b>Deferred tax liabilities:</b>				
Difference between book and tax depreciation	63.00	(3.95)	–	59.05
Depreciation charged against retained earnings	(1.62)	0.00	–	(1.62)
Disputed statutory liabilities paid and claimed as deduction for tax purposes but not debited to the Statement of Profit and Loss	1.63	(0.00)	–	1.63
<b>Total</b>	63.01	(3.95)	–	59.06
<b>Deferred tax (assets):</b>				
Provision for doubtful debts and advances	(21.03)	(27.80)	–	(48.83)
Loss on derivative transactions to be claimed for tax purposes in the year of transfer to the Statement of Profit and Loss, charged to reserves	(27.69)	–	22.01	(5.68)
Unpaid statutory liabilities/provision for compensated absences debited to the Statement of Profit and Loss	(13.95)	(1.15)	–	(15.10)
Accumulated losses	(313.06)	108.63	–	(204.43)
Unabsorbed depreciation	(36.22)	0.00	–	(36.22)
ICDS Adjustments	–	(35.18)	–	(35.18)
<b>Total</b>	(411.95)	44.50	22.01	(345.44)
<b>Net deferred tax liability/(assets)</b>	(348.94)	40.55	22.01	(286.38)
<i>Previous year</i>	(16.97)	(348.23)	16.26	(348.94)

Q(11) Disclosures in respect of joint ventures pursuant to Accounting Standard (AS 27) "Financial Reporting of Interests in Joint Ventures"

SN	Joint venture / consortium with	Description of interest / (description of job)	Country of residence
1	Toyo Engineering Company	Jointly controlled operations (Execution of naphtha cracker associated unit for IOCL, Panipat)	India
2	Pipavav Defence & Offshore Engineering Company	Jointly controlled operations [Execution of Sagar Pragati Conversion Project (MOPU) for ONGC]	India

Note: Contingent liabilities, if any, incurred in relation to interests in joint ventures as at March 31, 2016 ₹ Nil (previous year ₹ Nil); share in contingent liabilities incurred jointly with other ventures as at March 31, 2016 ₹ Nil (previous year ₹ Nil); contingent liabilities in respect of liabilities of other venturers of joint ventures as at March 31, 2016 ₹ Nil (previous year ₹ Nil) and capital commitments, if any, incurred in relation to interests in joint ventures as at March 31, 2016 ₹ Nil (previous year ₹ Nil).

## Notes forming part of Accounts (contd.)

**Q(12)** Disclosures required by pursuant to Accounting Standard (AS) 29 "Provisions, Contingent Liabilities and Contingent Assets":

a) Movement in provisions:

(₹ crore)

SN	Particulars	Class of provisions				
		Expected tax liability in respect of indirect taxes	Litigation related obligations	Contractual rectification cost-construction contracts	Others	Total
1	Balance as at 1.4.2015	12.95	0.79	22.80	–	36.54
2	Additional provision during the year	7.13	–	16.01	10.00	33.14
3	Provision used during the year	–	–	–	–	–
4	Provision reversed during 2015 – 2016	0.15	0.35	19.30	–	19.80
5	Balance as at 31.3.2016 (5=1+2-3-4)	19.93	0.44	19.51	10.00	49.88

b) Nature of provisions:

- i. Expected tax liability in respect of indirect taxes represents mainly the differential sales tax liability on account of non-collection of declaration forms for the period prior to 5 years.
- ii. Provision for litigation related obligations represents liabilities that are expected to materialise in respect of matters in appeal.
- iii. Contractual rectification cost represents the estimated cost the Company is likely to incur during defect liability period as per the contract obligations in respect of completed construction contracts accounted under AS 7 (Revised) "Construction Contracts".

c) The impact of pending litigations on the financial position of the Company has been disclosed in Note (I) to the Balance Sheet.

**Q(13)** In line with the Company's risk management policy, the various financial risks are hedged by using a combination of forward contracts, swaps and other derivative contracts, besides the natural hedges.

(a) The particulars of derivative contracts entered into for hedging purposes outstanding as at March 31, 2016 are as under:

(₹ crore)

Category of derivative instruments	Amount of exposures hedged	
	As at 31.3.2016	As at 31.3.2015
For hedging foreign currency risks		
a) Forward contracts for receivables including firm commitments and highly probable forecasted transactions	<b>4,290.46</b>	3,506.53
b) Forward contracts for payables including firm commitments and highly probable forecasted transactions	<b>2,005.23</b>	2,047.78

## Notes forming part of Accounts (contd.)

(b) Un-hedged foreign currency exposures as at March 31, 2016 are as under:

(₹ crore)

Un-hedged foreign currency exposures	As at 31.03.2016	As at 31.03.2015
i Receivables, including firm commitments and highly probable forecasted transactions	<b>7,799.66</b>	6,714.15
ii Payables, including firm commitments and highly probable forecasted transactions	<b>7,247.71</b>	6,452.52

(c) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses on derivative contracts, where necessary.

Q(14) Auditors' remuneration (excluding service tax) and expenses charged to the accounts:

(₹ crore)

Particulars	2015-16	2014-15
As auditor	<b>0.18</b>	0.16
For Taxation matters	<b>0.09</b>	0.16
Certification work	<b>0.11</b>	0.12
Limited review of financial statement on quarterly basis	<b>0.06</b>	0.06
For reimbursement of expenses	<b>0.01</b>	0.01

Q(15) Pursuant to the Employees Stock Options Scheme established by the Holding Company (i.e. Larsen & Toubro Limited), stock options were granted to the employees of the Company. Total cost incurred by the Holding Company, in respect of the same is ₹ 24.32 crore (previous year ₹ 27.52 crore). The same is being recovered over the period of vesting by the Holding Company. Accordingly, cost of ₹ 18.22 crore (previous year ₹ 13.98 crore) has been recovered by the Holding Company up to current year, out of which, ₹ 4.24 crore (previous year ₹ 8.70 crore) was recovered during the year. Balance ₹ 6.10 crore (previous year ₹ 13.54 crore) will be recovered in future periods.

Q(16) Value of imports (on C.I.F. basis):

(₹ crore)

Particulars	2015-16	2014-15
Raw materials	<b>161.59</b>	65.04
Components and spare parts	<b>351.38</b>	432.78
Capital goods	–	2.11
Construction Material	<b>53.74</b>	–

Q(17) Expenditure in foreign currency:

(₹ crore)

Particulars	2015-16	2014-15
On overseas contracts	<b>2,374.99</b>	3,025.21
Royalty and technical know-how fees	–	0.69
Professional/consultation fees	<b>2.32</b>	12.85
Commission brokerage and discount charges	–	–
Bank and finance charges	<b>0.03</b>	0.03
Logistic charges	<b>18.08</b>	30.48
Sales marketing and advertising expenses	<b>0.84</b>	7.66
Membership and subscription charges	<b>0.12</b>	1.17
Insurance charges	<b>11.46</b>	14.39
Telecommunication expenses	<b>0.02</b>	–
Other matters	<b>1,124.35</b>	494.56

## Notes forming part of Accounts (contd.)

**Q(18)** Earnings in foreign exchange:

(₹ crore)

Particulars	2015-16	2014-15
Export of goods	159.91	4.47
Construction and project related activities	4,502.22	3,359.37
Commission	4.47	–
Export of services	33.16	61.01
Other receipts	11.60	40.21
Insurance and Freight on Exports	0.03	–
Profit on sale of Assets	0.20	–

**Q(19)** The Company has amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006,[MSMED Act] as at March 31, 2016. The disclosure pursuant to the said Act is as under:

(₹ crore)

Particulars	2015-16	2014-15
Principal amount due to suppliers under MSMED Act, 2006	9.57	15.62
Interest accrued, due to suppliers under MSMED Act on the above amount, and unpaid	–	0.00
Payment made to suppliers (other than interest) beyond the appointed day during the year	0.03	0.04
Interest paid to suppliers under MSMED Act (other than Section 16)	–	–
Interest paid to suppliers under MSMED Act (Section 16) [C.Y. ₹ 2,434 (P.Y. ₹ 7,003)]	0.00	0.00
Interest due and payable towards suppliers under MSMED Act for payments already made	–	–
Interest accrued and remaining unpaid at the end of the year to suppliers under MSMED Act	–	0.00

**Q(20)** There are no amounts which are required to be transferred to the Investor Education & Protection Fund as at March 31, 2016.

**Q(21) (a)** Amount required to be spent by the Company on Corporate Social Responsibility (CSR) related activities during the year ₹ 7.40 crore (*previous year: ₹ 6.74 crore*).

**(b)** The amount recognised as expense in the Statement of Profit and Loss on CSR related activities is ₹ 3.83 crore (*previous year: ₹ 0.51 crore*), which comprises:

(₹ crore)

SN	Particulars	Disclosed under	In cash	Yet to be paid in cash	Total
(i)	Construction / acquisition of assets charged to the Statement of Profit and Loss	Note O	0.78	0.19	0.97
(ii)	For purposes other than (i) above	Note O	2.37	0.49	3.26
	Total		3.15	0.68	3.83



## Notes forming part of Accounts (contd.)

Q(22) Details of sales, raw materials and components consumed, manufacturing work-in-progress and purchase of stock in trade:

a) Sales:

(₹ crore)

Class of goods	2015-16	2014-15
<b>(i) Manufacturing and trading activity:</b>		
Plant and equipment and modules for Chemical, Oil and Gas industries	241.71	97.68
<b>Total</b>	<b>241.71</b>	<b>97.68</b>
<b>(ii) Construction and project related activity:</b>		
Plant and equipment and modules for Chemical, Oil and Gas industries	4832.50	3,614.49
Chemical plant and machinery	570.34	434.66
Others	1407.31	1,443.07
<b>Total</b>	<b>6810.15</b>	<b>5,492.22</b>
<b>(iii) Engineering and service fees</b>	<b>3.37</b>	<b>21.91</b>
<b>(iv) Commission</b>	<b>4.31</b>	<b>-</b>
<b>Total Sales &amp; service (i) to (iv) -[Note K]</b>	<b>7059.54</b>	<b>5611.81</b>

b) Raw materials and components consumed:

i) Class of goods :

(₹ crore)

Class of goods	2015-16	2014-15
Equipment, components for oil & gas industries, etc	2,102.01	1,549.36
Chemical plant components	231.55	149.65
<b>Total [Note M]</b>	<b>2,333.56</b>	<b>1,699.01</b>

ii) Classification of goods:

Classification of goods	2015-16		2014-15	
	% to total consumption	(₹ crore)	% to total consumption	(₹ crore)
Imported	75.92	1,771.62	78.34	1330.94
Indigenous	24.08	561.94	21.66	368.07
<b>Total</b>	<b>100.00</b>	<b>2,333.56</b>	<b>100.00</b>	<b>1699.01</b>

c) Details of Work-in- progress [Note H (I)]:

(₹ crore)

Class of goods	2015-16	2014-15
Equipment, components for oil & gas industries, etc	97.17	20.60
<b>Total [Note H(I)]</b>	<b>97.17</b>	<b>20.60</b>

Q(23) The figures for previous year have been regrouped/reclassified wherever necessary.

# Notes forming part of Accounts (contd.)

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## NOTE R : SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of accounting

The Company maintains its accounts on accrual basis following the historical cost convention, in accordance with generally accepted accounting principles ["GAAP"] in compliance with the provisions of the Companies Act, 2013 (to the extent notified), the Companies Act, 1956 (to the extent applicable) and the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. Further, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also considered, wherever applicable.

The preparation of financial statements in conformity with GAAP requires that management of the Company makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as on the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, deferred tax assets, allowance for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

### 2. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the schedule III to the Companies Act, 2013 ("the Act"). The Cash Flow Statement has been prepared and presented as per the requirements of Accounting Standard (AS) 3 "Cash Flow Statements". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the schedule III to the Act, are presented by way of notes forming part of accounts along with the other notes required to be disclosed under the notified Accounting Standards.

Amounts in the financial statements are presented in Indian Rupees in crore [1 crore = 10 million] rounded off to two decimal places in line with the requirements of schedule III. Per share data are presented in Indian Rupees to two decimals places.

### 3. Revenue recognition

Revenue is recognised based on nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

#### A. Revenue from operations

##### a. Sales and service

- i. Sales and service include excise duty and adjustments made towards liquidated damages and price variation, wherever applicable. Escalation and other claims, which are not ascertainable / acknowledged by customers, are not taken into account.
- ii. Revenue from sale of manufactured and traded goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.
- iii. Revenue from construction/project related activity and contracts for supply/commissioning of complex plant and equipment is recognised as follows:
  - a. Cost plus contracts: Contract revenue is determined by adding the aggregate cost plus proportionate margin as agreed with the customer.
  - b. Fixed price contracts: Contract revenue is recognized only to the extent of cost incurred till such time the outcome of the job cannot be ascertained reliably. When the outcome of the contract is ascertained reliably, contract revenue is recognized at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs.

Expected loss, if any, on the construction/project related activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. While

## Notes forming part of Accounts (contd.)

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determining the amount of foreseeable loss, all elements of costs and related incidental income not included in contract revenue is taken into consideration.

- iv. Revenue from contracts for the rendering of services which are directly related to the construction of an asset is recognised on similar basis as stated in (iii) above.
- v. Revenue from construction/project related activity and contracts executed in joint ventures under work-sharing arrangement [being jointly controlled operations, in terms of Accounting Standard (AS) 27 "Financial Reporting of Interests in Joint Ventures"], are recognised on the same basis as similar contracts independently executed by the Company.
- vi. Revenue from service related activities is recognised using the proportionate completion method.
- vii. Revenue from engineering and service fees is recognised as per the terms of the contract.

### **b. Other operational revenue**

Other operational revenue represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

### **B. Other income**

- i. Interest income is accrued at applicable interest rate.
- ii. Dividend income is accounted in the period in which the right to receive the same is established.
- iii. Other items of income are accounted as and when the right to receive arises.

### **4. Extraordinary and exceptional Items**

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such.

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to accounts.

### **5. Research and development**

Revenue expenditure on research and development is expensed under respective heads of account in the period in which it is incurred.

### **6. Employee benefits**

#### **a. Short term employee benefits:**

All employee benefits falling due wholly within twelve months of rendering the service are classified as short term employee benefits. The benefits like salaries, wages, short term compensated absences etc. and the expected cost of bonus, ex-gratia are recognised in the period in which the employee renders the related service.

#### **b. Post-employment benefits:**

- i. Defined contribution plans: The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.
- ii. Defined benefit plans: The employees' gratuity fund schemes, post-retirement medical care scheme, pension scheme and provident fund scheme managed by trust are the Company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method.

## Notes forming part of Accounts (contd.)

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The obligation is measured at the present value of the estimated future cash flows. The discount rate used for determining the present value of the obligation under defined benefit plans, is based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the related obligations at the Balance Sheet date.

Actuarial gains and losses are recognised immediately in the Statement of Profit and Loss.

The interest element in the actuarial valuation of defined benefit plans, which comprises the implicit interest cost and the impact of changes in discount rate, is classified under finance costs. The balance charge is recognised as employee benefit expenses in the Statement of Profit and Loss.

In case of funded plans, the fair value of the plan assets is reduced from the gross obligation under the defined benefit plans to recognise the obligation on a net basis.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs. Past service cost is recognised as expense on a straight-line basis over the average period until the benefits become vested.

- c. Long term employee benefits: The obligation for long term employee benefits such as long term compensated absences, long service award etc. is recognised in the similar manner as in the case of defined benefit plans as mentioned in (b)(ii) above.
- d. Termination benefits: Termination benefits such as compensation under voluntary retirement cum pension scheme are recognised as expense in the period in which they are incurred.

### 7. Tangible fixed assets

Tangible fixed assets are stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment. Assets acquired on hire purchase basis are stated at their cash values. Specific know-how fees paid, if any, relating to plant and equipment is treated as part of cost thereof.

Administrative and other general overhead expenses that are specifically attributable to construction or acquisition of fixed assets or bringing the fixed assets to working condition are allocated and capitalised as a part of the cost of the fixed assets.

Own manufactured assets are capitalised at cost including an appropriate share of overheads.

Tangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress". (Also refer to policy on leases, borrowing costs, impairment of assets and foreign currency transactions *infra*.)

### 8. Leases

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception.

- a. Finance leases:
  - i. Assets acquired under lease where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.
  - ii. Assets given under lease where the Company has transferred substantially all the risks and rewards of ownership to lessee, are classified as finance leases. Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.
  - iii. Initial direct costs relating to assets given on finance leases are charged to Statement of Profit and Loss.

## Notes forming part of Accounts (contd.)

### Operating leases:

- i) Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on accrual basis.
- ii) Assets leased out under operating lease are capitalised. Rental income is recognised on accrual basis over the lease term. (Also refer to policy on depreciation *infra*).

## 9. Depreciation

### a. Owned assets

- i. Depreciation on assets has been provided using straight line method based on useful life prescribed under part C of schedule II to the Companies Act, 2013.

However, in respect of the following categories of assets, depreciation is provided based on useful life which is different than as prescribed in schedule II to the Companies Act, 2013.

SN	Category of assets	Sub-category of assets	Useful life as per schedule II (in years)	Useful life adopted (in years)
1.	Non-factory buildings (RCC frame structure)		60	20-60
2.	Non-factory buildings (other than RCC frame structure)		30	10-30
3.	Ownership flats	(a) Building portion - RCC frame structure	60	50
		(b) Building portion - other than RCC frame structure	30	30
4.	Office equipment	Multifunctional devices (fax machine/ scanner/printers), desktop, inkjet/ laserjet printers, switches (audio/ video) and projectors	5	4
5.	Plant and equipment	Boring/Rolling/Drilling/Milling	15	10-15
		EOT Crane	15-20	10-20
6.	Plant and equipment (general)	Minor plant and equipment of construction activity	12	5
		DG sets above 30 kva	15	5-12
		Erection winches above 2 tons	15	5-12
		Specialised machine tools, dies, jigs, fixtures, gauges	15	5
		Tunnel Boring machine	10	2
7.	Air conditioning and refrigeration equipment		15	12
8.	Laboratory and canteen equipment		10	8
9.	Motor cars		10	7

For these classes of assets, based on internal technical assessment, management believes that the useful lives as given above best represent the period over which management expects to use these assets. Hence the useful lives for these assets are different from the useful lives as prescribed under Part C of schedule II of the Companies Act, 2013.

## Notes forming part of Accounts (contd.)

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- ii. Depreciation for additions to/deductions from, owned assets is calculated pro rata from/to the month of additions/ deductions. Extra shift depreciation is provided on a location basis.
- iii. Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

### **b. Leased assets:**

Assets acquired under finance leases are depreciated on a straight line method over the lease term. Where there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term, such assets are depreciated at the rates prescribed under schedule II to the Companies Act, 2013 or at the higher rates adopted by the Company for similar assets.

Leasehold land: Land acquired under long-term lease is classified under tangible assets and is depreciated over the period of lease.

### **10. Intangible assets and amortization**

Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are amortised as follows:

- a. Specialised software: over a period of six years.
- b. Technical know-how: over a period of six years in case of foreign technology and three years in the case of indigenous technology.

Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development".

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

### **11. Impairment of assets**

As at each Balance Sheet date, the carrying amount of assets is tested for impairment so as to determine:

- a. the provision for impairment loss, if any; and
- b. the reversal of impairment loss recognised in previous periods, if any.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

- a. in the case of an individual asset, at the higher of the net selling price and the value in use;
- b. in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at the higher of the cash generating unit's net selling price and the value in use.

(Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life).

### **12. Investment**

Trade investments comprise investments in subsidiary companies, joint ventures, associate companies and in the entities in which the Company has strategic business interest.

Investments, which are readily realisable and are intended to be held for not more than one year from the date of acquisition, are classified as current investments. All other investments are classified as long term investments.

Long-term investments including trade investments are carried at cost, after providing for any diminution in value, if such diminution is other than temporary in nature.

## Notes forming part of Accounts (contd.)

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Current investments are carried at lower of cost and fair value. The determination of carrying amount of such investments is done on the basis of weighted average cost of each individual investment.

Purchase and sale of investments are recognised based on the trade date accounting.

### 13. Inventories

Inventories are valued after providing for obsolescence, as under:

- a. Raw materials, components, construction materials, stores, spares and loose tools at lower of weighted average cost or net realisable value.
- b. Manufacturing work-in-progress at lower of cost including related overheads or net realisable value. In the case of qualifying assets, cost also includes applicable borrowing costs vide policy relating to borrowing costs.
- c. Finished goods and stock-in-trade (in respect of goods acquired for trading) at lower of weighted average cost or net realisable value. Cost includes related overheads and excise duty paid/payable on such goods.

### 14. Cash and bank balances

Cash and bank balances include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short-term and liquid investments, being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

### 15. Borrowing costs

Borrowing costs include interest, commitment charges, amortisation of ancillary costs, amortisation of discounts/premium related to borrowings, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised / inventorised as part of cost of such asset till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 16. Employee stock ownership schemes

The Employees Stock Option Scheme (the Scheme) provides for grant of equity shares of Larsen & Toubro Limited (the Holding Company) to employees of the company. The Scheme provides that employees are granted an option to subscribe to equity share of the Holding Company that vest in a graded manner. The options may be exercised within specified period. The Holding Company follows the intrinsic value method to account for its stock-based employee compensation plans. The expense or credit recognized in the Statement of Profit and Loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

### 17. Foreign currency transactions, foreign operations, forward contracts and derivatives

- a. The reporting currency of the Company is the Indian rupee.
- b. Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate.

Non-monetary items, carried at historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing rate are recognised as income or expense in the period in which they arise.

- c. Financial statements of foreign operations comprising jobs contracted are treated as integral operations and translated as in the same manner as foreign currency transactions, as described above. Exchange differences arising on such translation are recognized as income or expense of the period in which they arise.
- d. Forward contracts, other than those entered into to hedge foreign currency risk on unexecuted firm commitments or highly probable forecast transactions, are treated as foreign currency transactions and

## Notes forming part of Accounts (contd.)

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accounted accordingly as per Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates". Exchange differences arising on such contracts are recognised in the period in which they arise.

Gains and losses arising on account of roll over/cancellation of forward contracts are recognised as income/expense of the period in which such roll over/cancellation takes place.

- e. All the other derivative contracts, including forward contracts entered into to hedge foreign currency risks on unexecuted firm commitments and highly probable forecast transactions, are recognised in the financial statements at fair value as on the Balance Sheet date, in pursuance of the announcement of the ICAI dated March 29, 2008 on accounting of derivatives. In addition, the derivative arrangements embedded in the contracts entered in the course of business are accounted separately if the economic characteristics and risks of the embedded derivatives are not closely related to economic characteristics and risks of the host contract.

The Company has adopted Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement" for accounting of such derivative contracts, not covered under Accounting Standard (AS) 11 "The Effects of Changes in Foreign Exchange Rates", as mandated by the ICAI in the aforesaid announcement.

Accordingly, the resultant gains or losses on fair valuation/settlement of the derivative contracts (including embedded derivatives) covered under Accounting Standard (AS) 30 "Financial Instruments: Recognition and Measurement" are recognised in the Statement of Profit and Loss or Balance Sheet as the case may be after applying the test of hedge effectiveness. Where the hedge in respect of off-Balance Sheet items is effective, the gains or losses are recognised in the "hedging reserve" which forms part of "reserves and surplus" in the Balance Sheet. The amount recognised in the "hedging reserve" is transferred to the Statement of Profit and Loss in the period in which the underlying hedged item affects the Statement of Profit and Loss. Gains or losses in respect of ineffective hedges are recognised in the Statement of Profit and Loss in the period in which such gains or losses are incurred.

- f. The premium paid/received on a foreign currency forward contract is accounted as expense/income over the life of the contract.

### 18. Segment accounting

- a. Segment accounting policies

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting:

- i. Segment revenue includes sales and other income directly identifiable with/allocable to the segment including inter segment revenue.
- ii. Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result. Expenses which relate to the Company as a whole and not allocable to segments are included under "unallocable corporate expenditure".
- iii. Income which relates to the Company as a whole and not allocable to segments is included in "unallocable corporate income".
- iv. Segment result includes margins on inter-segment capital jobs, which are reduced in arriving at the profit before tax of the Company.
- v. Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole and not allocable to any segment.

- b. Inter-segment transfer pricing

Segment revenue resulting from transactions with other business segments is accounted on the basis of transfer price agreed between the segments. Such transfer prices are either determined to yield a desired margin or agreed on a negotiated basis.



## Notes forming part of Accounts (contd.)

### 19. Taxes on income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income-tax Act, 1961 and based on the expected outcome of assessments/appeals.

Deferred tax is recognised on timing differences between the income accounted in financial statements and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation/business losses/losses under the head "capital gains" are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Other deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

### 20. Interests in joint ventures are accounted as follows:

Type of joint venture	Accounting treatment
Jointly controlled operations	Company's share of revenues, common expenses, assets and liabilities are included in revenues, expenses, assets and liabilities respectively.
Jointly controlled entities	<p>(a) Integrated joint ventures:</p> <p>(i) Company's share in profits or losses of integrated joint ventures is accounted on determination of the profits or losses by the joint ventures.</p> <p>(ii) Investments in integrated joint ventures are carried at cost net of Company's share in recognised profits or losses.</p> <p>(b) Incorporated jointly controlled entities:</p> <p>(i) Income on investments in incorporated jointly controlled entities is recognised when the right to receive the same is established.</p> <p>(ii) Investment in such joint ventures is carried at cost after providing for any diminution in value which is other than temporary in nature.</p>

### 21. Provisions, contingent liabilities and contingent assets

Provisions are recognised for liabilities that can be measured only by using a substantial degree of estimation, if

- a. the Company has a present obligation as a result of a past event
- b. a probable outflow of resources is expected to settle the obligation and
- c. the amount of the obligation can be reliably estimated.

Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of

- a. a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation
- b. a present obligation arising from past events, when no reliable estimate is possible
- c. a possible obligation arising from past events where the probability of outflow of resources is not remote.

Contingent assets are neither recognised, nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

## Notes forming part of Accounts (contd.)

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### 22. Commitments

Commitments are future liabilities for contractual expenditure.

Commitments are classified and disclosed as follows:

- Estimated amount of contracts remaining to be executed on capital account and not provided for
- Uncalled liability on shares and other investments partly paid
- Funding related commitment to subsidiary, associate and joint venture companies and
- Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

### 23. Operating cycle for current and non-current classification

Operating cycle for the business activities of the Company covers the duration of the specific project/contract/product line/service including the defect liability period, wherever applicable and extends up to the realisation of receivables (including retention monies) within the agreed credit period normally applicable to the respective lines of business.

### 24. Cash flow statement

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method. Under the indirect method, the net profit is adjusted for the effects of:

- transactions of a non-cash nature
- any deferrals or accruals of past or future operating cash receipts or payments and
- items of income or expense associated with investing or financing cash flows

Cash and cash equivalents (including bank balances) are reflected as such in the cash flow statement. Those cash and cash equivalents which are not available for general use as on the date of Balance Sheet are also included under this category with a specific disclosure.

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As per our report attached

For and on behalf of the Board

#### **SHARP & TANNAN**

Chartered Accountants  
Firm's Registration No. 109982W  
by the hand of

#### **FIRDOSH D. BUCHIA**

Partner  
Membership No. 38332

Place : Mumbai

Date : April 27, 2016

**R. VENKATESH**  
Chief Financial Officer

**ALPANA KHALE**  
Company Secretary  
M. No. A40675

**SUBRAMANIAN SARMA**  
CEO & Managing Director  
DIN: 00554221

**K. RAVINDRANATH**  
Whole-time Director  
DIN: 00262462

Place : Mumbai

Date : April 27, 2016



# Employee Engagement

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“Talent wins games, but teamwork and intelligence wins championships.”

- Michael Jordan

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*Immense contribution Of Noteworthy Significance (ICON) Award appreciates outstanding employees*



*Performance Planning Workshop*



*Inter site Cricket tournament*



*World Environment Day*



## Landmark Projects

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“I can’t change the direction of the wind, but I can adjust my sails to always reach my destination.”

- Jimmy Dean

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*Booster compressor platform with an interconnecting bridge executed for Oil & Natural Gas Corporation (ONGC) in South Bassein Gas Fields off India's west coast. This project won the 'PMI Distinguished Project Award' from Project Management Institute, USA*



*Upgrade project executed on an EPC basis for export gas compression facilities of Dolphin Energy, Qatar. L&T Hydrocarbon has executed multiple complex gas projects, demonstrating the Company's integrated capabilities in this segment*



*Ammonia syngas-generation plant executed on License+EPC basis for GNFC, Bharuch, India*



*FCC Reactor Regenerator for Indian Oil Corporation Limited at Paradip Refinery, India*



*LTS 3000, a heavy lift-cum-pipelay vessel working for Vasai East Development Project of ONGC, India. The vessel gives an edge to the Company for installation of structures and pipelines for its offshore projects*



*Mangalore Aromatic Complex for ONGC-Mangalore Petrochemicals Limited, India*





*Saih Rawl Depletion Compression Phase 2 (SRDC2) for Petroleum Development Oman (PDO). The Company has also built PDO's gas processing facilities at Lekhwair and Yibal, and is executing its SNDC2 and KDC2 gas compression projects*



*Construction of Polyethylene Trains for SADARA Chemical Company (JV of Saudi Aramco and Dow Chemicals) at Al Jubail, Saudi Arabia*



*DDW1 Wellhead Platform & Process-cum-living Quarters Platform for GSPC, installed off India's east coast*



*Laying of the world's longest heated and insulated crude oil pipeline in India from Barmer to Bhogat 24" x 619 km crude oil pipeline and 8" x 527 km natural gas pipeline*





*A wholly owned subsidiary of Larsen & Toubro Limited*

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[www.Lnhydrocarbon.com](http://www.Lnhydrocarbon.com) CIN : U11200MH2009PLC191426