

OTHERS

Others' business comprises:

- a. Realty Business
- b. L&T Valves Limited
- c. Construction Equipment and others

REALTY BUSINESS

Overview:

The Realty business is engaged in development of Residential and Commercial projects for sale or lease. The business has its own land bank, as well as operates through partnerships with co-developers, in form of Limited Liability Partnerships (LLPs) with a vertical sharing ratio.

Residential Segment

1. Emerald Isle (Powai, Mumbai)

Emerald Isle is a flagship residential development of L&T Realty. It is a development on ~20 acres of land in Powai, Mumbai. The development comprises of 2 phases. Phase I comprises 8 towers which are completed. Phase II comprises of 8 towers out of which 4 towers have been launched for sale.

Artist's impression



Crescent Bay, Parel

2. Crescent Bay (Parel, Mumbai)

L&T Realty is developing a premium residential housing project at Parel, Mumbai on a revenue share basis with Omkar Realtors. The development comprises of 6 high-rise towers forming a crescent shape, named Crescent Bay. The development of 5 towers out of 6 have been completed.

3. Raintree Boulevard (Bengaluru)

Raintree Boulevard is a premium integrated development consisting of commercial, residential and retail on ~67 Acres of land in Hebbal, Bengaluru. The residential development is ~39 L. sq. ft. of saleable area spread over 29 acres of Land. Phase I development is in advanced stage of completion.

Commercial Segment

1. Seawoods Grand Central Project

Seawoods Grand Central in Navi Mumbai is a landmark development and is India's first Transit-Oriented Development (TOD). Spread across 40 acres, Seawoods Grand Central is a unique combination of Commercial, Retail and Hospitality. It has completed development of ~2.6 M sq. ft. of grade A commercial and retail space.



Artist's impression

L&T Business Towers - Powai West

2. L&T Business Park

L&T Business Park at Powai is ~15 acres, a campus hosting ~1.5 M sq. ft. of high-quality office space. Further developments are being undertaken in the campus.

3. Technology Park, Bengaluru

L&T Realty's project in Bengaluru has a potential development of Grade A commercial office spaces of ~3.3 M sq. ft. which will be taken up in phases. The first phase development of ~1.1 M sq. ft. is already in progress.

L&T Realty has gained capabilities and competencies to capitalise on opportunities by leveraging its key strengths which are:

- **Brand Commitment:** Enjoys unparalleled trust amongst customers for capabilities to complete and deliver projects enabling premium realisations in the micro markets.
- **Execution:** Possesses capabilities and partnerships for successful completion of projects and deliver promised quality and ensure safety practices.
- **Transparency:** Follows a strong culture of corporate governance and ensures transparency and high levels of business ethics.
- **Highly qualified execution team:** Employs experienced, capable and highly qualified design and

project management teams who oversee and execute all aspects of project development.

Business Environment

Growth of the real estate sector is integral to the growth of the economy. The housing sector alone contributes 5-6 % to the country's Gross Domestic Product (GDP), with a 11 % CAGR over the last decade.

The real estate sector comprises four sub sectors - housing, retail, hospitality and commercial. The growth of this sector is well influenced by growth of urbanisation, corporate environment and the demand for office space as well as accommodation.

The Government of India and the State Governments are taking multiple initiatives to encourage development in the sector. Policies like Pradhan Mantri Awas Yojna (PMAY), credit-linked subsidy scheme, extension of income tax benefits, the implementation of the Real Estate Regulation Act (RERA), changes in the GST Laws to remove the anomalies of tax rates on under-construction properties, etc., are helping the sector towards growth and an organised playing field. RERA is leading to transformative changes in the sector to improve consumer confidence.

The residential segment constitutes 80% of the real estate industry. The residential real estate trends across markets are towards smaller ticket size, compact units to address larger market sizes. Relatively slower sales in the year have resulted in inventory build-up, causing stagnancy or pressure on price realisation.



Artist's impression

India's Largest Transit Oriented Development - Seawoods Residences. Navi Mumbai

The commercial segment consisting of sectors like IT/ ITeS, retail, consulting and e-commerce have registered high demand for office space in recent times. The commercial segment is doing well with stable rental appreciations and lower vacancies. Office space demand in the country increased to ~ 36 million sq. ft. (m sq. ft.) during FY 2018-19, duly supported by strong growth of absorption. Office property demand is expected to remain high with annuity seeking investors, both domestic and international, increasingly expanding real estate exposures to hold office and retail assets in India. The successful REIT by Embassy Developers has opened a new chapter in the Commercial real estate segment.

Major Achievements

- Emerald Isle Residential Development (Ph. I) at Powai comprising of 8 towers (789 flats) having Saleable Area of ~13.87 L. sq. ft. completed in the current financial year.
- Successfully concluded commercial asset sale transaction in Powai.
- Lease hold Rights obtained from CIDCO for Seawoods Transit Oriented Development Project.

Awards and Recognition

L&T Realty has been honoured with several awards over the years. During FY 2018-19, the following awards have been received:

- Most trusted Brand in Real Estate – L&T Realty (Hindustan Times Real Estate Awards 2018, Mumbai)
- Iconic Real Estate Brand – L&T Realty (Times Realty Icons 2018 Awards, Mumbai)
- Most Iconic Commercial Project of the year – Seawoods Grand Central (Real Estate & Infrastructure Round Table & Awards – DNA)
- Developer of the Year – Commercial (L&T Seawoods Ltd.) – 10th Realty+ Conclave and Excellence Awards 2018
- Integrated Township Project of the year – Raintree Boulevard – 10th Realty+ Conclave and Excellence Awards 2018
- Best Mixed-Use Township Award – Raintree Boulevard – Times Business Awards

Digitalisation

Sales Force CRM will enable capturing customer sentiments at each touch point. The features focused are lead generation and nurturing, retargeting, remarketing, advocacy, social listening, customer journey from lead to booking of apartment to hand-over will be taken care.

L&T Employee Campus App will have features for employees and visitors based on their specific needs and access requirements. Key features include a Welcome and Campus Policy, cafeteria related information,



Artist's impression

Raintree Boulevard - A mixed-use development at Hebbal, Bengaluru

indoor navigations, digital signage, parking, access, emergency buttons and a gate pass. Employees can also avail of features like booking meeting rooms and bus tracking.

Human Resources

L&T Realty believes that employees are key contributors to the success of the organisation and endeavours to acknowledge the contribution made by employees.

The leadership focus is towards the following:

- Attracting and retaining talented, performing employees
- Employee development through training, engagement, awareness and wellness

L&T Realty is the most preferred employer in the sector because of professional management, learning work culture, focus on safety and a long-term career-oriented work environment. During the year, 530 men days were dedicated for competency enhancement and skill development of the employees through various trainings.

Rewarding and recognizing consistent superior performance is essential to build a stronger organisation and create a talent pipeline. The business has a fast-track program for high performing employees to provide them with challenging opportunities to grow faster.

Risks and Concerns

Prevailing market conditions, meeting customer preferences, obtaining various approvals, price fluctuation, increasing cost of housing loans, liquidity crunch, delay in execution of projects / approvals, increase in costs of steel, cement, increase in minimum wages and regulatory changes are the areas where business is susceptible to risks. L&T Realty has appropriate/adequate risk mitigation plans for business processes at all levels.

Outlook

The Indian Real Estate sector aims to reach USD 180 billion by the year 2020, with both commercial and residential segments gaining momentum. Cities like Bengaluru, Chennai, and Hyderabad have become development hubs. The steady demand for residential real estate from the IT sector and the implementation of various infrastructure initiatives will be amongst the key reasons for higher demand in these areas. Brands like L&T Realty are well accepted by customers for transparency and delivery capabilities, apart from providing well designed projects in premium locations and strong liquidity. It is ideally placed to strengthen its development foot print by joining hands with owners of land parcels.

The business is confident about steady growth in the Commercial segment. It will continue to launch new residential projects in Mumbai, Chennai and a few other large cities.



ValvTrac - a revolutionary traceability solution for L&T valves

■ L&T VALVES LIMITED

Overview:

L&T Valves (LTVL) is a leading manufacturer of industrial valves. The business leverages fifty years of manufacturing excellence to serve key sectors of the economy such as oil and gas, power, petrochemicals, chemicals, water as well as defence and aerospace. L&T Valves manufactures a wide range of products such as Gate, Globe, Check, Ball, Butterfly and Plug valves as well as automation solutions.

LTVL is a market leader in India. Over the years, it also has made forays into international markets in select geographies. It operates two manufacturing facilities in southern India (Kancheepuram and Coimbatore) which are equipped with state-of-the-art design and manufacturing infrastructure, while maintaining high standards in the area of health, safety and environment.

Business Environment

A large volume of the business revenues accrues from the oil and gas sector and through supplies to projects. Oil prices are a key driver. With oil prices recovering during FY 2018 -19, the consumption was driven by project activity in the domestic and international arenas. Investments in the downstream market gathered traction

as refinery projects got underway in Middle East. Overall, an increased procurement activity was witnessed in oil and gas sector.

Besides oil and gas, power is another sector of interest. Owing to the structural and regulatory stress in this sector, the market growth remained muted during FY 2018-19 with no significant capacity additions in the thermal sector. Demand in process industries took a positive turn on the backdrop of favorable IIP and PMI indices.

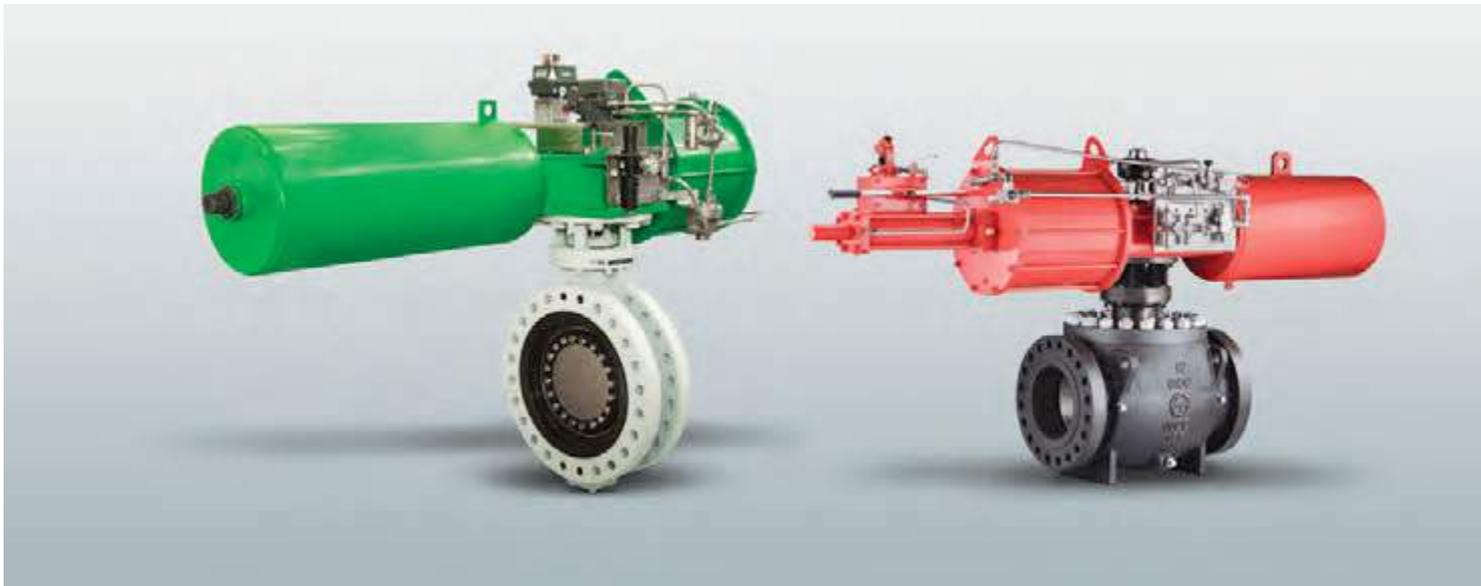
FY 2019 also witnessed an increasing trend of localization and protectionist policies across the globe. The business has taken note of such trends in specific markets like the Middle East and the US and has planned accordingly.

Industrial valves is a highly fragmented market which operates in a highly competitive environment. While the business faced intense competition during FY 2018-19, it has successfully mitigated these challenges and recorded a robust growth during the year.

Major Orders Received

The entity recorded a growth over 100%. Some of the order highlights include:

- Orders received from US distributor (QRC)
- Haradh Hawiyah Gas Compression project (Saudi Arabia) from Tecnicas Reunidas



L&T Valves' products and services enhance safety, reliability and performance worldwide

- Kuwait Oil Company's Gathering Centre GC 32 (Kuwait) from Petrofac International Ltd.
- Unique bi-directional check valve provided for defence applications
- KOCHI PDPP from BPCL

Significant Initiatives

The business implemented multiple strategic initiatives in the form of geographic, channel and product expansion during FY 2018-19.

- Expansion into US Markets:
 - Commencement of distribution business in the USA (largest market for valves) by entering into distribution agreements with a few major distribution companies
 - Strong entry in this market resulting in orders worth USD 12 Mn.
 - Successful pilot run for assembly and testing of valves in USA on contract basis – demonstrating local presence and strengthening the brand image there
- Expanding spread to Europe by establishing distribution network
- Expansion of product range to increase its share of revenue from the existing customer base

- Initiated brand labelling products from other manufacturers based in USA, Europe and India
- Introduced a new line of business, 'After Market' to cater to service and spares needs of customers across the globe
- Embarked upon a major cost reduction journey through design optimization and other initiatives in the areas of sourcing and logistics, helping to remain competitive and benchmark costs with competitors
- Initiated a number of operational excellence initiatives during the year to improve cost competitiveness, on-time delivery performance, quality and lead time reduction

Digitalisation

A few of the major digital initiatives taken include:

- Smart Glass – Real time tour for customers from off-sites and inspections from customer locations
- Digitalisation of stores and material handling through Bar coding, RFID, etc.
- Design automation and Test Stand automation
- Integration of Product Life Cycle Management tool with ERP (SAP)
- Search Engine - single door access to customers for product documentation



The first HIPPS (High Integrity Pressure Protection System) designed and manufactured in India.

Environment, Health and Safety

Environment, Health and Safety consciousness is a core value and the business is committed to achieving EHS excellence at all workplaces. Various initiatives in the area of health, safety and environment helped the Company achieve a 'zero man days lost' record during the year as also receive recognition and awards in these areas.

- Awarded the state level Health & Safety award by National Safety Council, Tamil Nadu chapter
- 10KW solar lighting systems installed in KPM for office lighting
- Water Consumption is down to 46.5 litres/employee/day compared to 63.43 litres in FY 17-18
- Single use, throw-away plastic items restricted at both the plants

Human Resources

The business has built a committed and experienced team of professionals across its manufacturing plants and corporate and marketing offices. Special emphasis is given to training and development of the workforce through various training programs. In addition to the competency building programs, focus is also on soft skills and leadership development. Various engagement initiatives

are undertaken to motivate employees and maintain a harmonious work place.

Risks and Concerns

The entity has a robust risk management framework in place and has implemented a risk management policy to identify, monitor and mitigate major risks faced by the business. Taking note of the large quantum of 'projects' business, it has implemented a pre-bid risk review process during FY 2018-19.

Increased competition, low entry barriers, aggressive pricing strategies, increasing trend in protectionist policies, supply chain capacity constraints and execution delays affecting delivery performance are seen as some of the main risks faced.

During FY 2018-19, the business undertook various risk mitigation initiatives including:

- Geographic, product and channel expansion
- Improving cost competitiveness through cost reduction measures
- Special efforts to expand its sourcing base, both locally and overseas
- Addressed supply chain constraints in terms of cost, capacity and lead times by altering processes



Komatsu HD785 Dump Truck



Komatsu PC350LC-8M0 Hydraulic Excavator

- Introduced a variety of operational excellence initiatives to enhance execution efficiency and improve the on-time delivery performance. These include:
 - Shop-floor lean improvements
 - Digitised planning and procurement
 - Online integration of shop floor activities

Outlook

A comprehensive analysis of the market provides pointers to immense opportunities in terms of head room available in the oil and gas sector as also the high potential for growth in geographies like America, Europe, Middle East, Africa and Asia Pacific. A focused effort to pursue prospects in Europe and America will not only help expand its customer base but also help in de-risking its dependence on existing markets. Similarly, opportunities in the distribution space, which is the preferred channel in some of the major markets, will also help in mitigating high exposure to projects.

On the domestic front and in the oil and gas sector, investments are expected in debottlenecking and capacity expansion projects in the year FY 2019-20. It also shall track investments in pipeline and marketing terminals which are likely to come up. Opportunities are opening up in defence and nuclear space which augur well for the business's established track record in this area.

Globally, in an environment of stable oil prices, the business outlook shall remain positive. Investments in oil and gas projects are expected to continue in the Middle East and some parts of Africa. Similarly, project implementations in downstream and gas development are expected to continue in Europe. Overall, prospects from EPC players are expected to continue at the same levels.

Setting up of an 'after-market' business has opened up new opportunities across the world and the Company expects a positive impact of this initiative on its order inflows during FY 2019-20.

CONSTRUCTION EQUIPMENT & OTHERS

Overview:

The Construction Equipment & Others (CE&O) business manufactures, distributes and provides after-sales support for construction and mining equipment for diverse industries and applications. The business also manufactures and markets Tyre Curing Presses, Tyre Building Machines and provides solutions for the tyre manufacturing industry globally.

The CE&O business consists of two broad segments, namely, Construction & Mining Machinery



L&T 1190D Soil Compactor



L&T 2490HD Pneumatic Tyred Roller

(CMM) and Rubber Processing Machinery (RPM). CMM further comprises the Construction & Mining Machinery business unit (CMB) and L&T Construction Equipment Limited (LTCEL), a wholly-owned subsidiary of L&T. The RPM business comprises L&T Rubber Processing Machinery business unit (LTRPM) and L&T Kobelco Machinery Private Limited (LTKMPL), a Joint Venture with Kobe Steel, Ltd., Japan (with L&T holding a 51% stake and 49% by Kobe). In April 2019, L&T fully exited its investment in LTKMPL with Kobe buying over the 51% stake held by L&T in LTKMPL, while LTRPM continues to represent LTKMPL for marketing its products.

The CMB division focuses on distribution and after sales service for hydraulic excavators and dump trucks manufactured by Komatsu India Private Limited (KIPL) and other mining and construction equipment manufactured by Komatsu worldwide. It also handles the distribution of a range of construction equipment including hydraulic excavators, wheel loaders and compactors manufactured by LTCEL and Mining Tipper Trucks manufactured by Scania India.

LTCEL, located in Doddaballapur near Bangalore, manufactures vibratory compactors, wheel loaders, hydraulic excavators, asphalt paver finishers, pneumatic tyred rollers, skid steer loaders, hydraulic power packs, cylinders, pumps and other components.

LTRPM, located in Kancheepuram near Chennai, manufactures and markets rubber processing machinery i.e. mechanical and hydraulic tyre curing presses, tyre building machines, conveyor systems and tyre automation systems for the tyre industry both domestically and globally. LTKMPL is in the business of designing, engineering, manufacturing, installation and servicing of rubber processing machinery (mixers and twin-screw roller head extruders) and spares.

The Product Development Centre (PDC) based at Coimbatore, renders engineering and product development support for all the businesses.

Business Environment

Construction and Mining Machinery Business

Construction and mining sectors are the key demand drivers of CMM business.

During the year, highway construction increased from 27 Km/day to 29 Km/day, rail-track construction increased from 5.1 Km/day to 5.8 Km/day and cargo handling capacity at major ports increased from 1451 MMT to 1540 MMT.

In the mining sector, coal production registered a growth of ~ 5.7% over the previous year. In the cement sector, the installed capacity increased from 455 MT to 478 MT with an increase in overall production from 296 MT to 328 MT in FY 19. The auction of around 24 limestone mines was completed during FY 2018-19.



L&T 9020sx Wheel Loader



Scania P440 Tipper Truck

However, with NBFC crisis impacting liquidity in the economy, stiff competition from domestic equipment manufacturers and a number of Chinese mining equipment manufacturers – especially in dump truck, tipper and wheel loader segments – impacted growth.

Rubber Processing Machinery Business

The performance of the automobile and tyre industries are the major influencing factors for the business. The global auto industry registered a moderate growth and did well in markets like India, Russia and Brazil in the current year. However, China saw a steep fall in passenger car sales and the US market remained flat.

India produces about 3.5 million passenger cars per year, although the last quarter of FY 2018-19 did see a bit of de-growth. In the commercial vehicles (CV) segment, the current year has witnessed growth as high as 25%, because of the low base effect.

In the OTR (Off The Road) market in India, the demand for tyres has been good and many of the customers have gone ahead with expansion plans, providing good business opportunities. The segment saw a growth of 20 % over the previous year.

Major Orders Received in CMB

The following major orders were received during the year:

- Singareni Collieries Company Limited – Komatsu mining equipment and spares

- VPR Mining Infra – Scania mining trucks
- National Mineral Development Corp. – Komatsu mining equipment and spares
- PC Patel Infra – Komatsu mining equipment

Significant Initiatives

Construction and Mining Machinery Business

CMB introduced a number of business expansion activities during FY 2018-19. It introduced new equipment models for the construction and mining equipment such as an 80T excavator with a large bucket, rock body Scania tippers, etc., which helped in delivering additional sales. With the availability of spares being brought closer to customer sites, the availability guarantee of the machines has increased from 84% to 92% and thereby increasing sales of spares for the business.

With the continued focus on capturing the hiring segment, CMB promoted lease financing programmes with low investment and low EMI. In order to retain customers and overcome the competition, CMB has been educating customers to evaluate the equipment on the basis of lower life-cycle costs, quick serviceability, etc.

CMB's 6th Service centre was opened in Singrauli covering over 800 machines in the region.

Rubber Processing Machinery Business

An array of newer models was developed and newer variants were introduced into the market viz. a new low



PCR Floor Mounted Hydraulic Press



PCR Hydraulic press

deck height series of passenger car tyre hydraulic press and a new variant of tyre building machine (TBM) called Zeus being exported to a tyre manufacturer in US and targeting new customers in the US and European markets.

LTRPM also strengthened its portfolio on Tyre Handling Automation Solutions and increased its focus on product support and services. Apart from these, LTRPM also focused on a number of process-related initiatives such as design process modernisation, long-term vendor contracts with 360-degree support, product reliability enhancements, digitalisation, etc.

As part of the plan of expanding global reach, LTRPM also set up its office in the United States and has identified a similar plan for Europe. During the year 2018-19, a new technology called Hyper Cooled Rotor KCS 3.0, with a higher cooling capacity was introduced by LTKMPL, which is suitable for mixing rubber at lower temperatures.

Digitalisation

On the digital front, the LTRPM business has established a system for updating the material status on a continuous basis, both for in-house and purchased parts. QR code based traceability for the components has been introduced.

Digitalisation in CMB was implemented in stages throughout the year, which offered superior ICT tools, customer savings through machine performance monitoring and enhanced financier comfort.

Environment, Health and Safety

Safety Officers have been appointed at all the units and report to management personnel responsible for ensuring the safety practices are strictly adhered to. Safety audits are conducted regularly to ensure that the safety practices are in place and being followed.

The manufacturing unit of LTCEL has been certified for its Integrated Management System (Environmental management systems as per ISO 14001:2004 and OHSAS 18001:2007 for Occupational Health and Safety Management systems).

Human Resources

The Company has progressively built a team of committed professionals across its manufacturing plants and corporate offices. Emphasis on training and development of the workforce has been the focus area. Additionally, competency building programs for leadership development and various engagement initiatives have been undertaken to sustain the employees' motivation and maintain a harmonious work place. Consequently, the Industrial Relations scenario has remained cordial in the manufacturing units of the group. There were no cases of violations during the year under the whistle blower policy and policy on 'Protection of Women's Rights at Workplace'.

Risks and Concerns

Foreign currency fluctuation poses one of the major risks, as the LTRPM business has significant portion of imports



OTR Mechanical press



TBR Hydraulic Press

and also exports goods. However, the business has mitigation plans in place to counter the impacts of currency volatility. Increased market competition and macro-economic volatility is a continuing concern for the business.

Outlook

Construction and Mining Machinery Business

CMB plans to strengthen position in the premium segment and also increase its focus on large contractors, large irrigation projects and coal OB (overburden) removal contractors.

Government initiatives in infrastructure development, affordable housing etc. are expected to drive demand in the cement sector, which in-turn will boost demand for dump trucks, dozers and other mining equipment.

The dozer segment is expected to grow by ~25%. Demand for Komatsu excavators is expected to increase by ~11% for FY 2019-20. The motor graders segment is expected to increase by ~14%.

CMB also expects the spares and auxiliaries business to grow by ~13% and plans to introduce newer attachments to boost sales.

With ~60% of demand for mining equipment coming from Coal PSUs, CMB is planning to target selective tenders along with Komatsu.

In the parts and services segment, CMB plans to introduce newer and more innovative, user-friendly spares. It also plans to develop dealers for construction equipment component repairs.

Rubber Processing Machinery Business

The global tyre market totalled USD 73.9 Bn in 2017 and is expected to grow up to USD 98.56 Bn in 2024 at a CAGR of 4.2% as per the market research, with light-vehicle tyres accounting for around 60% of sales and truck tyres 30%.

Few brownfield projects have been announced in the Truck Bus Radial and Off The Road segments. In the international market, tyre industries have announced few projects for investment. LTRPM's discussions with some of the leading players in Europe and US should give the unit good opportunities for better order inflow in FY 2019-20.

In the domestic market, with the Indian auto slow down and the general elections held in Q1 of FY 2019-20, the order inflow for FY 2019-20 may face some difficulties.