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Chartered Accountants
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Elphinstone Road (West)
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LARSEN & TOUBRO LIMITED

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of LARSEN & TOUBRO LIMITED (the "Company"), which also includes 29 Joint Operations accounted on a proportionate basis, which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS Financial Statements

The Board of Directors of the Company and those charged with governance of the joint operation referred to above, which is a company incorporated in India, are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity in accordance with the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Act read with the companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the respective companies 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 standalone Ind AS financial statements that give a true and fair view, and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

In conducting 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 and the Order issued under section 143(11) of the Act.

We conducted our audit of the standalone Ind AS financial statements 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 standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS 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 standalone Ind AS 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 standalone Ind AS financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of the other auditors on financial information of joint operations referred to in the Other Matters paragraph below, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Other Matters

- a) We did not audit the financial information of 25 joint operations included in the standalone Ind AS financial statements of the Company whose financial information reflect total assets of ₹ 4,583.15 crore as at March 31, 2018 and total revenues of ₹ 5,285.06 crore and net cash inflows of ₹ 203.19 crore for the year ended on that date, as considered in the standalone Ind AS financial statements. The financial information of these joint operations has been audited by the other auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these joint operations and our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid joint operations, is based solely on the report of such other auditors.

Our opinion on the standalone financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

- b) The Statement includes the unaudited financial information of 3 joint operations included in the standalone Ind AS financial statements of the Company whose financial information reflect total assets of ₹ 34.28 crore as at March 31, 2018 and total revenues of ₹ 5.32 crore and net cash outflows of less than ₹ 0.01 crore for the year ended on that date, as considered in the standalone Ind AS financial statement.

The financial information of these joint operations is unaudited and have been furnished to us by the Management and our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these joint operations, is based solely on such unaudited financial information. In our opinion and according to information and explanation given to us by the Management, such financial information is not material to the Company.

- c) The audit of standalone financial statements for the year ended March 31, 2017 were carried out by us jointly with another firm of chartered accountants, and the report had expressed an unmodified opinion in relation thereto.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the financial information of joint operation, referred to in the Other Matters paragraph above we report, to the extent applicable that:
- 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.
 - In our opinion, proper books of account as required by law have been kept by the Company and its joint operation companies so far as it appears from our examination of those books and the reports of the other auditors;
 - The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of accounts;
 - In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act;
 - On the basis of the written representations received from the Directors of the Company as on March 31, 2018 taken on record by the Board of Directors and the report of statutory auditor of its joint operation company incorporated in India, none of the directors is disqualified as on March 31, 2018 from being appointed as a director in terms of Section 164(2) of the Act;
 - With respect to the adequacy of the internal financial controls over financial reporting of the Company and joint operation which are companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's and its joint operation internal financial controls over financial reporting; and
 - 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS 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 and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants
(Firm Registration No. 117366W/W-100018)

P. R. RAMESH

(Partner)
(Membership No. 70928)

MUMBAI, May 28, 2018

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting 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 Larsen & Toubro Limited (the "Company") as at March 31, 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company as for the year ended on that date which includes internal financial controls over financial reporting of 1 of the 29 joint operations, which is a Company incorporated in India.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company and those charged with governance of the joint operation referred to above, which is a Company incorporated in India, are 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 issued by the Institute of Chartered Accountants of India. 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 respective 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company and its joint operation Company incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 involves 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 judgement, 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 and the audit evidence obtained by the other auditor of the joint operation which is a Company incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, 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, to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on internal financial controls system over financial reporting of the joint operation referred to in the Other Matters paragraph below, 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 March 31, 2018, based on the internal control over financial reporting established by the respective Company considering the essential components of internal control stated in the Guidance Note.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 1 joint operation, which is a Company incorporated in India, is solely based on the report furnished to us by the other auditor of such Company.

Our opinion is not modified in respect of this matter.

For DELOITTE HASKINS & SELLS LLP

Chartered Accountants
(Firm Registration No. 117366W/W-100018)

P. R. RAMESH

(Partner)
(Membership No. 70928)

MUMBAI, May 28, 2018

ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Larsen & Toubro Limited of even date)

- (i) In respect of the Company's property, plant and equipment:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
 - (b) The Company has a program of physical verification of its property, plant and equipment to cover all the items of property, plant and equipment in a phased manner over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its property, plant and equipment. Pursuant to the program, certain property, plant

and equipment were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

- (c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed / transfer deed / conveyance deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings (including land whose title deed have been pledged as security against debentures issued by the Company), are held in the name of the Company as at the balance sheet date, except the following:

₹ crore

Type of asset	Total no. of cases	Leasehold / freehold	Gross block as at March 31, 2018	Net block as at March 31, 2018	Remarks
Land	3	Freehold	1.27	1.27	Conveyance deed pending to be executed as the matter is sub judice.
Buildings	2	Freehold	3.52	0.73	

In respect of immovable properties of land and buildings that have been taken on lease and disclosed as property, plant and equipment in the financial statements, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.

- (ii) As explained to us, the inventories were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification between the physical stock and the books of accounts.
- (iii) According to the information and explanations given to us, the Company has not entered into any contracts or arrangements covered under section 189 of the Act and hence reporting under paragraph 3 (iii) of the Order is not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposits during the year and does not have any unclaimed deposits as at March 31, 2018 and hence, the provisions of the clause 3 (v) of the Order is not applicable to the Company.
- (vi) The maintenance of cost records has been specified by the Central Government under section 148(1) of the Act. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under sub-section (1) of Section 148 of the Act, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained by the company. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Goods and Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other statutory dues applicable to it to the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Goods and Service Tax, Customs Duty, Excise Duty, Value Added Tax, cess and other statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.
- (c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Excise Duty, Goods and Service Tax and Value Added Tax which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which Amount Relates	Amount Involved (₹ crore)	Amount Unpaid (₹ crore)
Central Sales Tax Act, Local Sales Tax Acts, Entry Tax and Works Contract Tax Act	Taxability of sub-contractor turnover, rate of tax for declared goods, inter-state sales and non-submission of forms	Supreme Court	2000-01 to 2006-07	12.12	3.13

Name of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which Amount Relates	Amount Involved (₹ crore)	Amount Unpaid (₹ crore)
Central Sales Tax Act, Local Sales Tax Acts, Entry Tax and Works Contract Tax Act	Dispute regarding question of law, classification dispute, local VAT and Works contract disputes.	High Court	1986-87 to 1987-88, 1993-94, 1994-95, 1998-99 to 2002-03, 2005-06, 2006-07 to 2012-13	61.96	54.43
	Non-submission of forms, classification disputes, inter-state sales turnover, rates of tax of declared goods, classification dispute, disallowance of Entry Tax and other matters	Sales Tax/ VAT Tribunal	1989-90 to 2013-2014	505.84	442.41
	Dispute regarding question of law, non-submission of forms, classification dispute, disallowance of setoff, valuation of goods, sales in transit and high sea sales, and other matters.	Commissioner (Appeal)	1995-1996 to 2013-2016	35.27	34.36
		Commissioner	1994-1995 to 2016-2017	8.67	8.67
		Additional Commissioner	2011-12 to 2012-13	2.62	1.99
		Joint Commissioner	2012-2013 to 2015-2016	10.87	6.27
		Joint Commissioner (Appeal)	1995-96 to 2012-13	1,414.85	1,325.03
	Non submission of forms and other matters	Assistant / Deputy Commissioner	1996-97 to 2013-14	499.29	497.10
Assessing/ Commercial Tax Officer		1999-00 to 2001-02, 2013-2014	0.94	0.93	
The Central Excise Act, 1944, Service Tax under Finance Act, 1994 and Customs Act, 1962	Dispute regarding question of law, classification dispute and other matters.	High Court	2005-06 , 2007-2008, 2009 to 2011	113.87	85.13
	Disallowance of CENVAT credit, short payment of service tax, MRP Valuation disputes, dispute regarding classification of services and other matters.	CESTAT	1991-92, 2001-02 to 2011-12	413.35	408.54
	Disallowance of CENVAT credit, short payment of service tax, service tax rate dispute, valuation dispute and other matters	Commissioner (Appeal)	2006-07 to 2014-15	25.92	24.85
		Commissioner	2012-2013	2.05	2.05
Mine and Minerals (Regulation and Development) Act, 1957	Demand notice for royalty on alleged use of excavated minor minerals.	High Court	2013-2014 to 2015-2016	20.79	10.39
Income-tax Act, 1961	Demand arising out of Regular Assessment/Reassessment	ITAT	2004-2005, 2007-2008 to 2012-2013	1,564.30	482.31

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions and banks and dues to debenture holders. The Company has not borrowed any funds from the government.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not raised any money by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under paragraph 3 (ix) of the Order is not applicable to the Company.
- (x) To the best of our knowledge and according to the information and explanations given to us, no material fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company and hence reporting under paragraph 3 (xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Section 177 and 188 of the Act, where applicable, for all transactions with related parties and the details of such related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, during the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under paragraph 3 (xiv) of the Order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with him and hence provisions of section 192 of the Act is not applicable to the Company.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm Registration No. 117366W/W-100018)

P. R. RAMESH
(Partner)
(Membership No. 70928)

MUMBAI, May 28, 2018