

Business Outlook – March 2010

Segment A - Electro-mechanical Projects & Services

The Company is confident of reasonable growth in this segment in both Domestic and International markets on the back of a comfortable and well-diversified order book that almost fully covers the ensuing year 2010-11.

Domestic Market Conditions: The Order Booking trend has initially been mildly positive in the current quarter in both MEP and Water Management Businesses. However, new inquiries, finalization of orders and execution are still lagging at the position prevailing at the beginning of 2008-9. The Central Government's budget has put emphasis on infrastructure development, cold chain and agro processing. These are very positive for the Company's business and should lead to substantial pick-up in the forthcoming year. This business is usually impacted by positive or negative environment with a resultant lag; we therefore expect that starting in the second quarter of 2010-11, the business environment should be much better. We also believe that while 2010-11 will show reasonable growth over 2009-10, the following year (that is, 2011-12) should be a year of high growth in this business. Apart from the external environment, a further positive factor has been the Company's widening of focus from MEP for Built environment to also include the Industrial segment; this was a timely move, and supportive of its growth aspirations. The Order Book of Rohini stands at almost double the level of a year ago.

International Business: The Order Book of the business as at 31st December 2009 stood at Rs. 2743 crores. The Order book in International business includes Rs. 708 crores of the Yas Retail order, which is under suspension. If this order is excluded, the order book for International business stands at Rs. 2035 crores. However, this figure is calculated at historical exchange rates, and if these are recalculated at the current exchange rates, the net order book increases to Rs. 2450 crores. Normally, as a project progresses, there are a number of variations which are taken into revenue, but not adjusted in the Order Book. Assuming linear turnover growth for the fourth quarter, the Company would be left with an order book of Rs. 2000 crores at the end of the year at the current exchange rate, without considering variations. If variation orders are received in the interim, the order book will increase accordingly. We have very good prospects for further Order booking, which will help provide visibility for the year 2011-12. We are now operating in five countries: UAE (Abu Dhabi), Qatar, Saudi Arabia, Singapore and Hong Kong. All these territories have large infrastructural and residential projects coming up and therefore there will be a large number of opportunities available. The Company will be cautious in booking orders where the commercial terms are onerous. The Company is confident of growing at a reasonable rate in the near future. With the increase in Oil prices there should be further investments in the Mid East regions and that gives us further confidence.

Segment B - Engineering Products & Services

The **Textiles Machinery Business** is on a definite path of recovery and growth led by internal and export demand, and the new order inflow has been increasing month over month. We are looking forward with confidence to the coming quarters. Competition is increasing, with Reiter starting local manufacturing of spinning machinery; however, LMW is in an unassailable position with technically enhanced products, and thus in a position to meet the challenges.

Material Handling Business volumes are also improving over the last couple of months and with the increased port and manufacturing activities, the business is looking forward to an improved environment.

Mining and Construction Business continues to do well and there are opportunities for improved growth in the future. Coal and Iron Ore as also other mining activities are on the ascendancy, and this should help. Road Construction activities are also picking up and this should help the Construction Business. Some part of the mining business of Terex Group has been sold to Bucyrus, a large player in Mining equipment. Many of the lines of Terex are complementary to the product lines of Bucyrus, and this could raise the possibility of future business with Bucyrus.

Segment C - Unitary Cooling Products for Comfort and Commercial

The primary and secondary sales of air conditioners and refrigeration products have been doing very well. Factors such as improved business confidence, strong IIP and GDP numbers, indications of higher disposable incomes and stability in the economy have helped change consumer sentiment positively. January and February sales have been very good, to some extent on the expectation of increase in Excise duties and consequently of selling prices, but also on the back of pent-up demand. With the bottled water segment doing very well, and also due to launch of new soft drinks, refrigeration products have also shown a robust growth. This augurs well for the future, and sales and marketing teams are very charged-up for increasing volume of sales.

Overall

Overall, the Company is well poised for a significant growth in the coming years both in India and in overseas focus markets. Government policies are also favourable for all the business lines. The issues relating to high inventories has also been addressed and working capital has been brought well under control. The Company looks forward to the future with renewed confidence.

The Company's Indian and overseas Subsidiary and Joint Venture companies have also been doing well, although some slowdown is visible in project-oriented associate companies. However, this does not, at the moment, seem to be a major cause of concern.

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