

# A Picture of Diversified Growth





## Our vision

L&T Finance Holdings will be an admired and inspirational financial institution, creating sustainable value for all its stakeholders.



# Many right answers



Diversity is more than numbers. It's more than an approach to business.

Diversity is a value, a state of mind.

Diversity enriches, insulates and encompasses multiple hues of the financial spectrum. The ability to have sustainable and profitable growth is one of the many dividends it offers.

L&T Finance Holdings has a broad canvas in the financial services sector. We offer a range of financial products and services across the corporate, retail and infrastructure finance sectors through our wholly-owned subsidiaries. Our spectrum covers lending products as well as addressing the savings requirements of customers through investment products offered by the mutual fund business.



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# Company information

## Board of Directors\*

**Mr. Y. M. Deosthalee**  
Chairman & Managing Director

**Mr. B. V. Bhargava**  
Independent Director

**Mr. N. Sivaraman**  
President & Whole-time Director

**Mr. Subramaniam N.**  
Independent Director

**Mr. R. Shankar Raman**  
Non-Executive Director

**Mr. M. Venugopalan**  
Independent Director

**Mr. A. K. Jain**  
Independent Director

**Mr. P. V. Bhide**  
Independent Director

**Mr. S. V. Haribhakti**  
Independent Director

**Ms. Kamakshi Rao**  
Independent Director

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**Company Secretary**  
N. Suryanarayanan

**Statutory Auditors**  
M/s. Sharp & Tannan

**Registered Office**  
L&T House, Ballard Estate,  
Mumbai – 400 001

**Investor Service Centre**  
City – 2, 177, C.S.T Road, Kalina,  
Santacruz (East), Mumbai – 400 098  
Phone: +91-22-6621 7300  
Email: [igrc@Ltfinanceholdings.com](mailto:igrc@Ltfinanceholdings.com)  
Website: [www.Ltfinanceholdings.com](http://www.Ltfinanceholdings.com)

**Registrar & Share Transfer Agents**  
Sharepro Services (India) Private Limited

\*(As of March 31, 2012)

# Looking ahead...



Dear Shareholders,

Milestones are occasions for reflection, insight and foresight. On the milestone of our first year as a listed entity, I am happy to present our maiden Annual Report – a compilation of the financial performance of our businesses, an overview of the economic context in which the performance was recorded, and importantly, a brief description of the values, beliefs and practices that shape your company.

At the outset, I wish to thank you for your overwhelming response to the Initial Public Offer (IPO). Your subscription was a powerful affirmation of confidence in Brand L&T and an expression of faith in the future of the financial services business.

While this is our first Annual Report since listing, we are in reality a company with over a decade and a half of experience! Let me recapitulate the journey of growth since the L&T Group's early foray into the financial services business. Although we formed L&T Finance in 1994, the inflection point in our financial services business came about in 2005. The combined asset base has since witnessed a CAGR of 41% over the past five years. I am happy to inform you that the lending entities of your company crossed the milestone of ₹ 25,000 crores of asset base in fiscal 2012.

Our canvas has expanded, as we ventured into new fields while simultaneously widening the portfolio of existing businesses. We also increased the emphasis on fee-based activities through the distribution of financial products, syndication and underwriting of infrastructure products. L&T Mutual Fund, which came into being through the acquisition of the asset management business of DBS Cholamandalam in 2010, has consistently grown its AUM in the last two years.

Many factors contributed to this impressive record of accomplishments. The key drivers include:

## **Business model**

Our NBFC businesses are designed to ride the different business cycles to achieve consistent growth and returns. We ride on three de-linked levers of growth – the rural cycle, industry cycle and infrastructure cycle. The low correlation between their cyclicity insulates us from troughs while ensuring that we grasp growth opportunities as they emerge.

## **Experienced management team**

Just as our business portfolio is diversified, so is our talent mix. Your company's senior management team has over 20 years of experience on an average in the financial services sector. Balancing this experience is the energy of youth. A company-wide average employee age of 30 makes for a potent blend of experience and youth. We have been successful in attracting, retaining and nurturing this talent-mix at all levels.

## **High quality loan portfolio**

Over the past five years, we have maintained a high quality loan portfolio despite substantial growth and entry into new areas. Our strong risk management framework, proven appraisal skills and proactive management of delinquencies have helped us select and maintain a healthy portfolio of assets.

## **Strong parentage of L&T**

From the L&T Group, we inherit much more than our name. We derive strength, synergies, and most importantly, the priceless asset of trust. L&T is among the most respected brands in the country – often called 'the Builder of the India of the 21<sup>st</sup> Century'. The values of Larsen & Toubro are also now the values of L&T Finance Holdings (LTFH), and constitute our brand equity.

In addition to these key drivers, our customer-centric approach and vibrant HR practices have helped us achieve this growth. Let me now turn to the macroeconomic environment impacting our business.

FY 2012 has witnessed challenges of multiple dimensions. The country encountered elevated levels of inflation throughout the year. RBI has had to continuously raise interest rates, to avoid overheating of the economy. Both fiscal and current account deficit reached alarming levels, and it was clear that the estimated growth till March 2012

would be much lower than what was originally envisaged. The growth expectation for FY 2013 has also been tempered down to around 7%.

The policy environment in the country has not been particularly supportive of the overall investment climate; be it in the power sector with its structural issues and losses in distribution companies, coal mining or the telecom sector. The Microfinance sector is passing through a period of uncertainty. A new law passed by the Andhra Pradesh Government has brought microfinance in that state to a standstill. While the business in other states is continuing, the overall mood is cautious. All eyes are on The Microfinance Institutions (Development and Regulation) Bill, awaiting Parliamentary approval. The construction industry is beset with delays in execution of projects, resulting in weak cash flows and stress on working capital.

Amidst these uncertainties, there were exciting opportunities in the renewable energy sector viz. solar, wind and small hydro-electric projects. Owing to encouragement from some progressive states, there were clear regulations and bankable projects in this sector. Your company emerged as a leading player in financing such projects, especially in the solar energy sector. Going ahead, we expect certain states to create exciting opportunities in the urban infrastructure segment creating investment opportunities in metro rail, water, municipal solid waste management and sanitation projects.

The rural segment also continued to be robust, backed by good monsoons and record crops. Rural employment schemes ensured better cash flows in the rural market and our rural segment was a significant growth driver for the company.

### **Company performance**

L&T Finance Holdings witnessed robust growth in the last year. The aggregate assets of our NBFCs grew by 39% and PAT grew by 16%. The lower growth in PAT was mainly due to the one-time provisioning of ₹75 crores for potential losses in the state of Andhra Pradesh in respect of the microfinance business. The Net Interest Margins, especially in L&T Finance were adversely affected by a continuous rise in interest rates. This is a fallout of the company's focus on quality, considering assets even at lower margins, as it expected stress in some of the client segments.. Notwithstanding these challenges, your

company has demonstrated profitable growth by focusing on asset quality and control over expenses.

In the last quarter of FY 2012, the Company took a number of strategic steps towards maintaining the growth momentum and creating sustainable value for shareholders. These include:

- a. L&T Finance Holdings signed definitive agreements, subject to regulatory approvals, for the acquisition of Indo Pacific Housing Finance. Through this vehicle, the Company will enter the housing finance business.
- b. L&T Finance Limited, a subsidiary of LTFH, signed definitive agreements, subject to regulatory approvals, for the acquisition of Fidelity's Indian mutual fund business. With this, the mutual funds business of the group will achieve the necessary scale, strengthened distribution network and access to a large base of high net-worth and retail customers. It would also ensure a balanced portfolio between equity and debt.

### **Outlook**

The current macroeconomic environment continues to be challenging. Global economies, particularly Europe, face severe stress. While inflation in India has reduced to some extent, the overall investment climate continues to be subdued. In this situation, the Company would take a cautious approach and concentrate on managing risks and containing costs.

Given the proven success of our multi-pronged business model, track record of maintaining healthy asset quality and with an experienced and talented management team, I am confident that we will face these challenges effectively and perform well in the current year.

I take this opportunity to thank my colleagues on the Board for their valuable inputs and guidance, as we move towards creating a long-term, sustainable business. I am also grateful to each member of Team LTFH for rising to every challenge, and am confident they will continue to demonstrate a high level of commitment towards achieving our goals.

Regards,

**Y. M. Deosthalee**  
**Chairman & Managing Director**



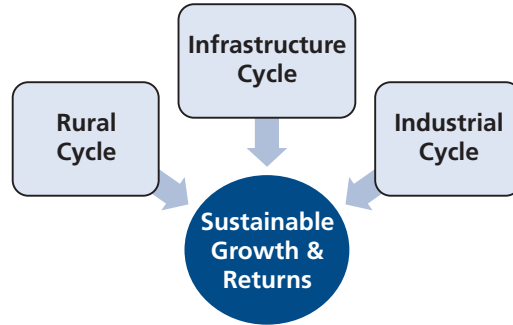
# A wide palette

The dividends of diversity





At L&T Finance Holdings, our business model is built around multiple, complementary, high-growth business segments across four core business groups. These ride on the three de-linked levers of growth in our country – rural, industrial and infrastructure. Since our offerings are drawn from these different cycles, we remain relatively unaffected by any one of them.



**Our key strategy is to continue to focus on two key Indian growth stories - infrastructure and rural development.**

Our services are designed to serve the different needs of the customer. Over the past decade, we have expanded our products and services in line with the changing needs of our customers.

Our product portfolio across four key business groups includes:

Retail Finance	Corporate Finance	Infrastructure Finance	Investment Management
<ul style="list-style-type: none"> <li>•Construction Equipment Finance</li> <li>•Transportation Equipment Finance</li> <li>•Rural Products Finance</li> <li>•Rural Enterprise Finance</li> <li>•Microfinance</li> <li>•Financial Products Distribution</li> </ul>	<ul style="list-style-type: none"> <li>•Corporate Loans and Leases</li> <li>•Supply Chain Finance</li> </ul>	<ul style="list-style-type: none"> <li>•Project Finance &amp; Corporate Loans</li> <li>•Financial Advisory Services</li> <li>•Equity Investments</li> </ul>	<ul style="list-style-type: none"> <li>•Mutual Fund</li> <li>•Portfolio Management Services</li> </ul>

# Mix of high potential businesses.



## Retail Finance

Retail Finance businesses are carried out through our wholly-owned subsidiary, L&T Finance Limited.

### Construction Equipment Finance

Earth-moving equipment, cranes and road pavers are the visible front-runners for growth and progress of an economy like ours. We play a part in building the future with a wide range of financing options for these equipment. We offer secured term loans for new and used construction equipment as well as short-term working capital requirements.

We do not just provide the financing that customers need, but also support them with a strong team of experienced people spread all over the country. Our approach is to build long-term relationships with our customers and enable them achieve success by providing the right advice at the right time.

### Transportation Equipment Finance

We provide financing to truck owners, road transport operators and business fleet owners, across the four sub-segments of the commercial vehicle industry - small, light, medium and heavy commercial vehicles.

### Our advantage

- Presence in more than 70 locations
- Transparent process
- Tenure up to 5 years
- Quick loan sanctioning and disbursement
- Flexible repayment options
- Competitive interest rates
- Finance for new and pre-owned vehicles
- Tie-up with all major commercial vehicle manufacturers

### Rural Products Finance

We strongly believe in financial inclusion and actively participate in the Government's agenda of meeting the financial needs of rural India. We finance assets and products that help keep the rural economy ticking. The farmers' needs are diverse, and we have products to cater to them.





Our success in this segment comes from our approachability, simpler documentation, transparency in processing, better understanding of customers' business and product knowledge.

#### Our products:

- **Kisan Gaurav and Kisan Mitra:** Farm equipment financing
- **TracFin:** Tractor dealer financing
- **Apna Car:** Car and multi-utility vehicle financing
- **Kisan Bandhu:** Small commercial vehicles financing
- **Kisan Vanijya:** Rural entrepreneur financing (purchasing tractors for rental)
- **Tejas:** Diesel genset financing

#### Our advantage:

- Finance available for a wide range of manufacturers and models, as well as agricultural inputs including seeds and fertilizers, etc.
- Loan tenure up to 5 years
- Customized repayment option – based on the harvest pattern
- Short processing time and attractive interest rates
- Credit life insurance cover available
- Strong presence in semi-urban and rural locations in 17 states

**“Progress & Prosperity:** In the beginning, I owned only 1 tractor harvester, now I own 7 acres of land, my own house, one Mahindra & Mahindra Xylo UV, one TATA Indigo, one KUBOTA harvester, two Tractor Harvestors & one tractor-55hp and Kubota rice transplanter funded by L&T Finance (6 out of my 7 vehicles are funded by L&T Finance). I am very proud to be associated with LTF & appreciate the support extended by LTF in the growth of the nation's economy backbone which is agriculture and the farmer.”

---E.Srinivas (Sindnur)

**“LTF provided me with financial assistance when nobody was there to help me and today, whatever I am, is because of LTF.”**

---Mahadev Tukaram Jagtap from Solapur district

#### Rural Enterprise Finance

It is an urban fallacy to imagine that every Indian in a village is a farmer. Rural India also has men, and increasingly, women of enterprise – incipient entrepreneurs, businessmen and a bustling, if somewhat unorganized trading community. Our Rural Enterprise Finance wing is turning the spotlight on this important sector. Late in FY 2012, we initiated Dairy Finance and Warehouse Receipt Finance through two separate initiatives.

- **Gram Udyog:** Financing the capital requirements of small dairy farmers.
- **Kisan Setu:** Collateralized commodity lending against warehouse receipts, where the goods themselves provide security for the loan.

#### Microfinance

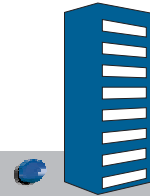
The operations of the microfinance segment are currently spread across seven states, namely, Andhra Pradesh, Tamil Nadu, Maharashtra, Karnataka, Gujarat, West Bengal and Orissa. In the light of the uncertain regulatory environment, we continue to be cautious in our disbursements in this sector. After the legislative changes in Andhra Pradesh in late 2010, fresh disbursements in this state have been stopped, although collection efforts are continuing with lukewarm response from the customers.

Our company follows a Joint Liability Group Formation and Individual Credit Appraisal model to disburse microfinance loans and currently uses the High Mark Credit Bureau to check each individual borrower's credit history. In the last two years, we have focussed on strengthening our system and processes through better credit appraisals, effective usage of credit bureau and enhanced surveillance.

#### Financial Products Distribution

We distribute life and non-life insurance products, as well as investment funds to retail customers (including credit life insurance products to the customers of the microfinance segment). Typically, such third party financial products are distributed through cross-selling efforts amongst our existing customers.

## Corporate Finance



Our Corporate Finance business, in addition to the Retail Finance business, is carried out through our wholly-owned subsidiary, L&T Finance Limited. This covers the following segments:

### Corporate Loans and Leases

We provide asset-backed term loans, unsecured term loans, receivables discounting and lease products as part of our Corporate Loans and Leases business.

- Asset-backed loans: Secured term loans for financing of assets such as plant & machinery, IT equipment, furniture & fixtures and vehicles for the corporate sector.
- Unsecured term loans: Primarily for the general working capital requirements of our corporate customers. These loans are generally of a shorter tenure.
- Receivables discounting: Discounting facilities to lessors who lease a variety of assets, such as office equipment and furniture & fixtures.
- Finance and operating leases: Offered to customers for assets such as (primarily new) vehicles for corporate use, IT equipment and plant & machinery.





The approach is generally sector agnostic. High risk sectors are, however, avoided. In the present environment, we have consciously stayed away from real estate, gems & jewellery and the media sectors. We followed a conscious strategy to focus on bigger ticket size loans to larger, established corporates in most segments, to ensure growth, as well as better asset quality.

### Supply Chain Finance

We provide vendor and dealer financing as part of our Supply Chain Finance segment.

- Vendor Finance: Support the financing of working capital requirements of vendors and suppliers by providing short term unsecured loans and facilities to vendors in order to finance the acquisition of their inventories and receivables.
- Dealer Finance: Credit terms to distributors for the purchase of trading inventory. Typically, automatic revolving credit facilities are provided for distributors in this line of business.

### Our Advantage

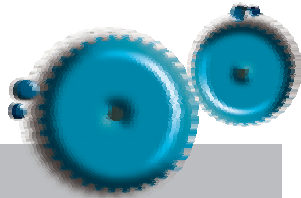
- Stable and improved cash flows
- Faster and timely availability of funds
- Reduction in levels of receivables
- Payment risk transferred
- Largely reduced responsibility of client management
- Attractive financial terms
- Simple documentation

“We are happy about the relationship with L&T Finance. Your entire team’s attitude, timely delivery and hard work is really appreciable and admirable.”

M. Sankaranarayanan, General Manager - Finance & Accounts, SKS Ispat and Power Limited

“Our interaction with L&T has been very professional. The team right from the stage of credit evaluation, legal documentation & discussions around that to the time of execution of documents & disbursement was a pleasure to deal with. They were always well prepared, had right questions to ask & knew exactly what they wanted. The speed of execution was also superb.”

D. Anand Bhaskar, CFO, Air Works India Engineering Pvt. Ltd.



## Infrastructure Finance

The Infrastructure Finance business is carried out through our wholly-owned subsidiary, L&T Infrastructure Finance Company Limited.

Like the proverbial glass that can be described as half full or half empty, depending upon your disposition, there are two ways of looking at Indian infrastructure. You can either dismiss it as being woefully inadequate or you can see limitless potential for growth. We choose the latter, and are doing our bit to help translate potential into delivery. Our operations are divided into the following business segments:

### Project Finance and Corporate Loans

The Project Finance segment provides customized debt financing products to infrastructure projects and their sponsor companies. The sectors include Power (generation, transmission and distribution), Telecom (passive infrastructure and broadband), Roads (construction and development, operations and maintenance), Oil & Gas (exploration, extraction and transportation), Urban Infrastructure (municipal solid waste management and water desalination), Ports (greenfield construction and modernization / expansion of existing ports) and Other Infrastructure (water and sanitation, logistics and SEZs).

Products and services of the project finance segment are distinguished from those of our peers through customisation of offerings to the specific requirements of customers and their projects, efficient transaction processing and management capabilities. Moreover, we also function as a single-point of contact for the financing requirements of the entire project.

*“The team at L&T Infra is among the most knowledgeable about the infrastructure space in India and they have significant expertise in the niche solar energy segment.”*  
P. S. Gopalan, CEO, Sun Edison

### Financial Advisory Services (FAS)

The L&T Group is widely acknowledged as India's leading infrastructure group, addressing the needs of this critical sector comprehensively over decades. We leverage our domain expertise to offer advisory services to infrastructure companies and sponsors. Our services include:

- Debt advisory and debt arranging
- Capital raising advisory services
- Corporate and project advisory
- Strategic advisory services

*“The company's relationship with L&T Infra is not confined to being a partner in funding and development of infrastructure projects, but goes beyond in sharing the knowledge/ expertise and best practices in the industry.”*

Vallurupalli Nageswara Rao, Managing Director, SEW Infra

### Equity Investments

Equity-related project financing is provided through proprietary minority equity investments in infrastructure companies. This could take the form of equity shares, preference shares or hybrid debt and equity instruments.

*“L&T Infra understands our specific business needs in structuring the transaction whether it is a green-field project funding, securitization of operational projects, private equity investment, corporate finance or short term funding requirements.”*

S. Kishore, Director, Bhoruka Power Corporation



## Investment Management

Our Investment Management business, comprising of the Mutual Fund segment and Portfolio Management Services, is conducted through L&T Investment Management Limited (L&T IM), a wholly-owned subsidiary of L&T Finance Limited.

The Mutual Fund segment covers the management, administration and distribution of L&T Mutual Fund products. The Portfolio Management Services segment comprises of portfolio management and sub-advisory services. We forayed into this business in January 2010 through the acquisition of the mutual fund business of DBS Cholamandalam.

### Mutual Fund

L&T Mutual Fund is a SEBI-registered mutual fund with a wide product portfolio comprising 31 schemes across equity, fixed income and hybrid asset classes.

L&T IM utilizes research-based stock selection and active portfolio management to provide long term returns for customers. The infrastructure required for conducting fundamental research backed by effective analysis is powered by our research teams and portfolio managers with rich experience in their respective disciplines.



### Portfolio Management Services

L&T IM commenced operations of this business segment with the Dynamic Alpha fund in late 2010, and subsequently launched various series of structured products. These focus on creating investment portfolios consisting of a variety of stocks, fixed income instruments, structured products and other assets. L&T IM has the capability and flexibility to customize and personalize portfolios as per the customers' requirements

### Our advantage

- Personalized end-to-end financial solutions
- Convenience – backed by best in class service
- Emphasis on systematic and planned investments
- Backed by solid research and a team of expert advisors
- Asset allocation based upon the individuals' risk appetite and stage in life,
- Ideal asset and portfolio diversification principle
- Continuous monitoring and active re-balancing depending on changing needs and market dynamics.



# Fresh perspective

Helping customers enhance focus





Every business or investment opportunity can benefit from another point of view. At L&T Finance Holdings, we go beyond being merely a financier or investment channel for our customers, to become partners in every sense of the word.

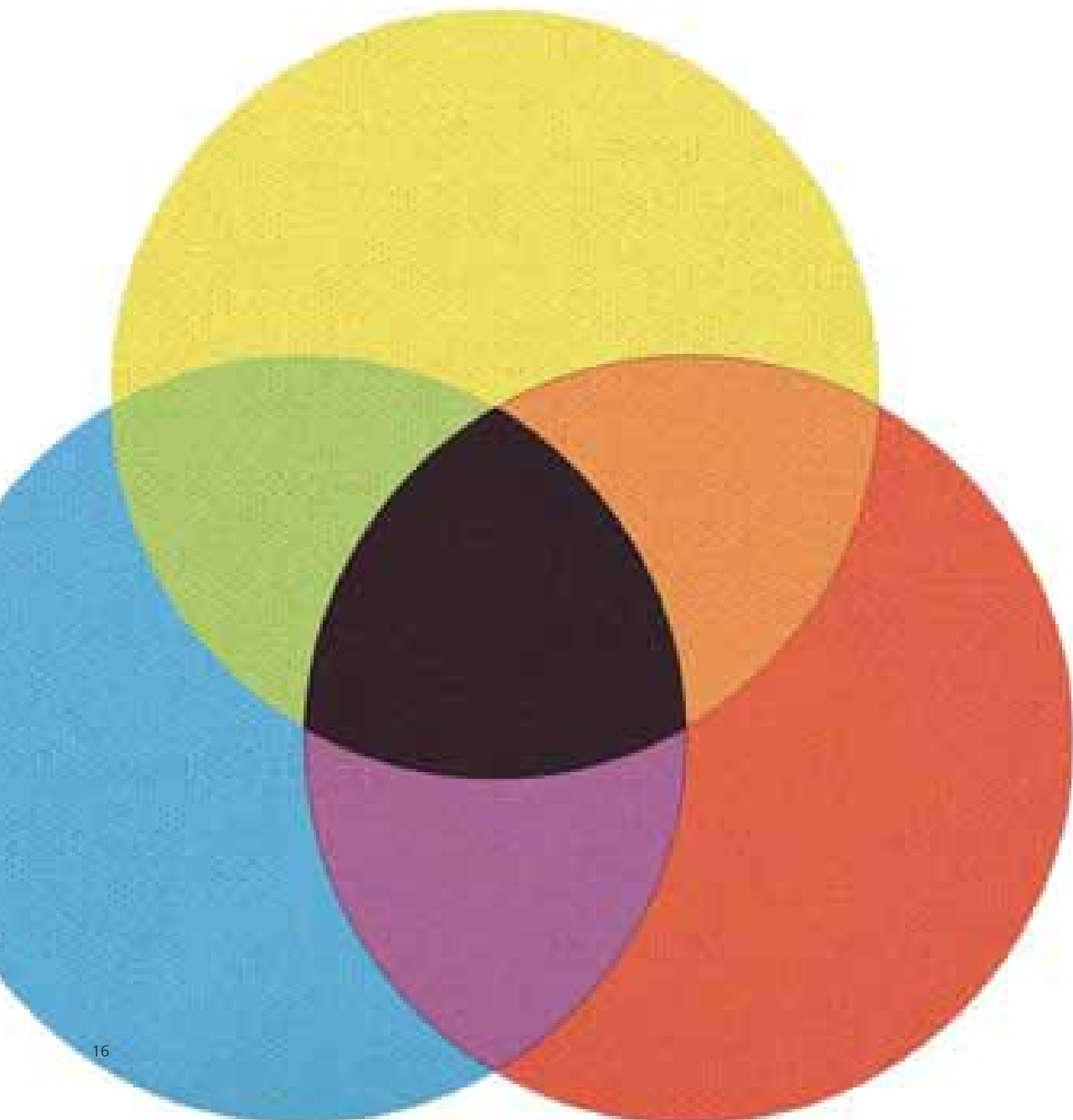
We are their voice of reason, their mirror and their looking glass, all in one. We leverage L&T's domain expertise spanning seven decades in engineering, project management and infrastructure to help us and our customers evaluate proposals better and steer clear of possible pitfalls.

We offer suggestions that enhance both process efficiency as well as investment returns, in the long run. We educate clients and investors about the options open to them and advise them accordingly.

Our healthy growth over the last five years is testimony to the success of our approach of building long-term partnerships with our customers.

# The rigour of discipline

Robust processes practiced daily



It is our strong belief that when you have robust processes in place, enthusiasm will never override sensible planning. Our processes ensure a disciplined approach towards risk management and managing growth.

### **Managing growth**

Consistent growth through strategic diversification allows one channel to help the other. Infrastructure and rural finance are the two biggest drivers of business, isolated by economic cycles.

### **Managing margins**

Our financial products landscape encompasses diverse segments, including direct fee earners to naturally hedge us from periodic downturns in certain segments.

### **Managing costs**

A combination of better processes, automation and improved turnaround times makes every interaction more cost effective, while contributing to contented customers.

### **Minimising credit losses (NPAs)**

Interacting closely with customers helps us pre-empt and reduce credit losses. However, in cases where the loan assets do unfortunately slip into NPAs, our responsiveness coupled with an efficient recovery system helps us minimise losses.

### **Managing risk**

Our robust credit appraisal processes and risk management framework combined with L&T's industry knowledge across sectors help us spot risks and manage them better.

### **Managing liability**

A unique combination of our parentage and consistent financial performance which allows us to raise funds at a lower cost, plus an independent board that ensures impartiality in all dealings is the key to our liability management. We also follow the strictest codes of corporate governance, giving us the resilience to weather financial upheavals and provide stability to revenue and earnings.

# Finely honed talent

Team L&T Finance Holdings



### **Team L&T Finance Holdings**

Take seasoned merchant bankers from Mumbai and put them alongside farm experts and veterans of giant infrastructure projects. Throw in keen young minds from some of the finest campuses in the country. You will then get a plurality of thought and a richness of perspective that is unmatched in the industry. This is the talent mix of Team L&T Finance Holdings. A force of 2000 people operating in a vibrant and professional environment.

### **Our HR philosophy**

The vision of sustainable growth and creating value for shareholders cannot be achieved without a committed and motivated work force. Keeping this in mind, the value system at L&T Finance Holdings focuses on five employee happiness drivers:

**Possibilities:** L&T Finance Holdings has invested in attracting and hiring best-in-class talent, while focusing on a blend of competencies, attitude and a cultural match. A team that can make the most of the myriad opportunities we have created.

**Growth:** We foster a learning culture by encouraging employees to enhance their entrepreneurial, technical and behavioural skills – allowing them to contribute towards our business growth, as well as their own personal growth.

**Care:** From a seamless HR service delivery system across the country to company sponsored health checks and even a 24x7 counselling service, efforts are made to ensure that our employees feel cared for and stay committed to continuous improvement and new ideas.

**Engagement:** Dedicated phone lines, open houses, branch visits by senior HR representatives and more, ensure openness and transparency with employees. Our quarterly newsletter, with employee contributions, management messages, business updates and activity reports keeps engagement levels high.

**Fun:** The HR team organises a mix of fun events, festival celebrations and volunteering opportunities periodically to enhance cohesiveness among employees and foster a culture of 'Fun at Work'.

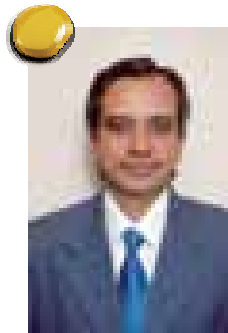
# Board of directors



Y. M. Deosthalee



N. Sivaraman



R. Shankar Raman



A. K. Jain



S. V. Haribhakti



B. V. Bhargava



Subramaniam N.



M. Venugopalan



P. V. Bhide



Kamakshi Rao

### **Y. M. Deosthalee, Chairman & Managing Director**

Mr. Deosthalee is a Chartered Accountant and Law graduate. He was the Chief Financial Officer and a Member of the Board of Larsen & Toubro Limited (L&T). He is also a Member of the Board of several subsidiary and associate companies of the L&T Group. He has been associated with the L&T Group for the past 38 years. During his stint at L&T, in addition to the finance function, he has also been responsible for personnel and human resource functions, risk management, mergers and acquisitions, shared services centre and providing strategic inputs. He has also helped in building the business portfolio of L&T Infotech, amongst other things.

Mr. Deosthalee was instrumental in promoting the Financial Services business of the L&T Group. In 2008, he was appointed as a member of the Advisory Committee for Liquidity Management set up by the Finance Ministry. In 2009, he was appointed as a member of the Takeover Regulations Advisory Committee, which was constituted by SEBI to examine the Takeover Regulations and suggest amendments. He is a member of the Confederation of Indian Industry's (CII) National Council on Corporate Governance and the National Council on Banking. He has also won several awards including the Best CFO of the Year and also the Best CFO in the Capital Goods Sector at the CNBC TV18 Business Leaders Awards in 2009. He also oversees the L&T Group's development projects business.

### **N. Sivaraman, President and Whole-time Director**

Mr. Sivaraman is a Chartered Accountant and is a fellow member of the Institute of Chartered Accountants of India. Over the last 30 years at L&T, he has been involved in all aspects of finance and accounts, mergers and acquisitions and investor relations. He is responsible for and oversees the following entities – L&T Finance Limited, L&T Infrastructure Finance Company Limited, L&T Investment Management Limited and L&T General Insurance Company Limited. During his career at L&T, Mr. Sivaraman has played a key role in structuring the demerger of the cement business of L&T and inducting private equity investors in L&T Infrastructure Development Projects Limited.



### **R. Shankar Raman, Non-Executive Director**

Mr. Shankar Raman is the Chief Financial Officer and a Member of the Board at L&T. He is a non-executive director on the board of our Company and L&T Finance. He is a Chartered and Cost Accountant. He has approximately 27 years of experience in the field of finance including areas like audit, accounts, treasury, capital markets, corporate finance, project finance and general management. He joined the L&T Group in 1994 to set up L&T Finance. After six successful years with L&T Finance, he moved to L&T to oversee the Finance & Accounting functions. He is on the boards of several companies including international subsidiaries within the L&T Group. Mr. Shankar Raman is a member of Western India Regional Council of Confederation of Indian Industry. He has participated in several conventions / seminars including international conferences and has also presented papers in many of them.

### **INDEPENDENT DIRECTORS**

#### **Ajit Kumar Jain**

Mr. Jain is a B.Com (Honours) graduate and holds a Master's Diploma in Public Administration from the Indian Institute of Public Administration. He completed his graduation in Commerce from the University of Delhi. Mr. Jain is a nominee of the specified undertaking of the Unit Trust of India on the Board of Larsen & Toubro Limited. A retired Indian Administrative Service officer, he has held important posts in the Government of India, including those of Director & Additional Controller of Capital Issues in the Investment Division of Ministry of Finance; Assistant to Executive Director, Asian Development Bank, Joint Secretary in the Banking Division of Ministry of Finance; Special Secretary, Ministry of Power and Secretary to the Government of India, Ministry of Finance (Department of Disinvestment).

Mr. Jain has also served as a non-executive director on the boards of several central and state PSUs including Canara Bank, Cochin Shipyard Limited, The Industrial Finance Corporation of India Limited and ITI Ltd. He has served as a member of the ADB Institute Advisory Council of the Asian Development Bank for a tenure of two years, from September 11, 2006 to September 10, 2008 and as a Member of the Advisory Board on Bank, Commercial & Financial Frauds, constituted by the Central Vigilance Commission, Government of India, from July 1, 2007 to June 30, 2009.



### **S. V. Haribhakti**

Mr. Haribhakti is the Managing Partner of Haribhakti & Co., an accounting firm with a national footprint and Chairman of BDO Consulting Private Limited. He is a Chartered Accountant by profession and has expertise in the area of corporate governance. He is also a member of the corporate governance committees of ASSOCHAM and CII. He has been awarded 'The Best Non-Executive Independent Director - 2007' award by The Asian Centre for Corporate Governance. Mr. Haribhakti is also a member of the Futures and Options Committee of the National Stock Exchange of India Ltd. (NSE) and Securities and Exchange Board of India Committee on Disclosures and Accounting Standards.

### **B. V. Bhargava**

Mr. Bhargava has had a distinguished career spanning almost three decades in development banking and project finance. He is currently the Chairman of the Rating Committee of CRISIL Limited.

A Law graduate from the University of Mumbai and a post-graduate in Commerce, Mr. Bhargava's varied professional life began with the Tariff Commission of India, where he was involved with various industries including cement, sugar and paper. His next assignment was with the Indian Investment Centre, where, as Assistant Director at New York, he was closely involved in the promotion of joint ventures. He joined ICICI in 1968 in the Project Appraisal department and rose to head various departments including the Projects department and the Regional Office at Delhi. He retired from ICICI with effect from May 1, 1996 as Vice-Chairman and Managing Director.

At ICICI, he was closely involved with the company's innovative efforts in developing financial instruments and mechanisms tailored to the needs of contemporary Indian industry. He was also actively involved in raising foreign currency and rupee resources for ICICI. During his tenure with ICICI, he has acquired deep knowledge of Indian industry and the problems of industrial development. In the telecommunications sector, Mr. Bhargava was the chairman of the ICICI telecom group, a special group constituted to advise the Government on key issues pertaining to reforms in the telecommunications

sector. These include the creation of an independent regulatory body and the entry conditions for the private sector in telecom services. Mr. Bhargava has participated in a number of seminars on project evaluation and management and has addressed several forums on this topic. He is also on the boards of various large organisations including CRISIL.

#### **Subramaniam N.**

Mr. Subramaniam has a degree in Management and Business Administration from the Indian Institute of Management, Ahmedabad. He is a fellow of the Institute of Chartered Accountants of India, an FCS and ICWA. He has over two decades of experience in the areas of private equity, investment management, banking, finance, accounts, risk management, system implementation and corporate governance, MIS and human resource management. He is the founder and managing partner of MCAP Fund Advisors. He is also a faculty member at top tier business schools and professional institutes.

#### **M. Venugopalan**

Mr. Venugopalan holds a Bachelor of Commerce degree from Kerala University and has worked as a Commercial Banker for nearly four and a half decades. He started his career as a Probationary Officer with Bank of India in 1966. In 2000, he joined Union Bank as an Executive Director. In 2003, he returned to Bank of India as the Chairman and Managing Director. In May 2005, he joined Federal Bank as the Managing Director and Chief Executive Officer. Mr. Venugopalan has also been runner-up for the E & Y Entrepreneur of the Year 2009 award.

#### **P. V. Bhide**

Mr. Bhide is a retired IAS Officer whose qualifications include MBA, L.L.B and B.Sc. During his career spanning about four decades, he has held various Government positions, including the Secretary, Department of Revenue, Ministry of Finance, Secretary and Joint Secretary, Department of Disinvestment, Ministry of Finance, Government of India, Additional Secretary/Spl. Secretary, Ministry of Home Affairs, and Deputy Secretary/Director in the Department of Economic Affairs, Ministry of Finance.

Mr. Bhide has also held positions as Director Fund-Bank Division of the Department



and Advisor to India's Executive Director to the International Board for Reconstruction and Development, Washington D.C, Secretary, Department of Finance, Government of Andhra Pradesh, Secretary, Department of Energy, Government of Andhra Pradesh and Managing Director, Godavari Fertilisers and Chemicals Limited.

**Ms. Kamakshi Rao**

Ms. Rao is a Chartered Financial Analyst and investment professional with over 15 years of experience. She earned her undergraduate degree from Harvard University, and her Master's degree from the University of Pennsylvania.

Ms. Rao's last assignment was at the Capital Group, where, as a Senior Vice-President, she was responsible for managing investments. She has managed investments in companies spanning a wide range of industries across Asia, Europe, the Middle East and Africa. Throughout her career, India has always been a core area of her responsibilities. She has a wealth of international work experience, having been based in the United States, Singapore and Japan during the course of her career. Ms. Rao retired from the Capital Group in 2010.

# Key management personnel



S. K. Maheshwari



D. Dubhashi



V. P. Chaturvedi

## **Suneet K. Maheshwari - Managing Director & Chief Executive, L&T Infrastructure Finance Company Limited**

Mr. Maheshwari has a Bachelor's degree in Science from Mumbai University and a MBA from Symbiosis Institute of Business Management, Pune. He has about 31 years of experience in infrastructure financing, corporate finance, infrastructure and energy sector reform, investment banking and private equity. Mr. Maheshwari has set up infrastructure advisory and financing divisions in several start-up and rapid growth situations and has also been closely involved with various infrastructure sector reform and PPP initiatives at the national and state level since 1991.

Since L&T Infra's inception, Mr. Maheshwari has held a mandate to build a new financing institution specializing in infra financing. He has been responsible for the formation of the company, getting regulatory approvals, formation of a board with eminent professionals and personally involved in creating a team with a



pan-India presence. Currently, he is the Chairman of the Infrastructure Committee of the Indian Merchants Chamber and Chairman – CII Core Group on Infrastructure Financing and a member of the CII National Council on Infrastructure.

**Dinanath Dubhashi - Chief Executive, L&T Finance Limited**

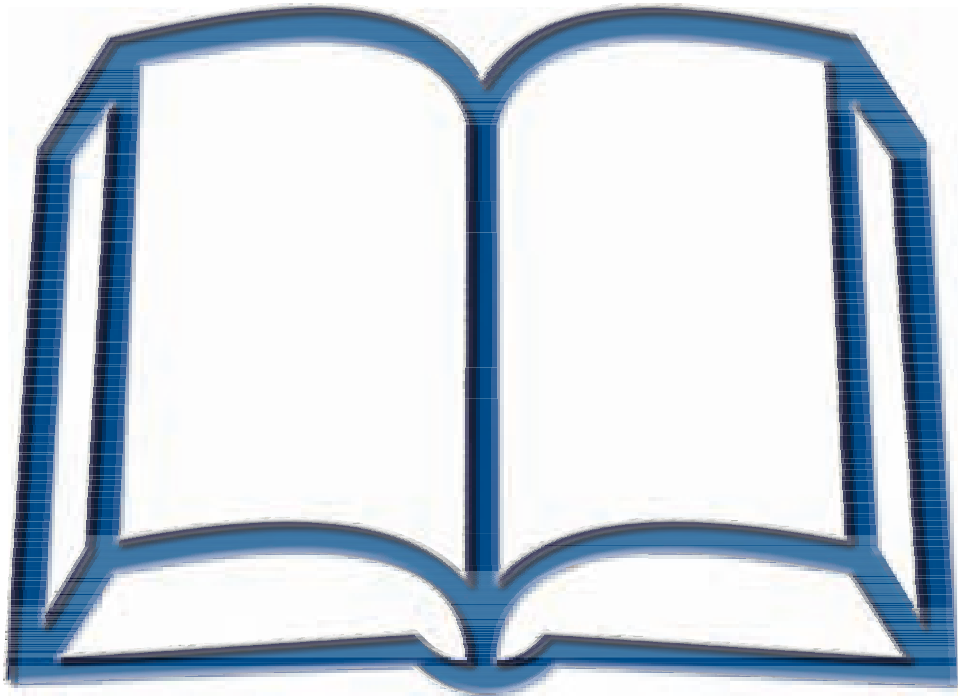
Mr. Dubhashi holds a B.E. (Mechanical) and has completed his PGDM from IIM, Bangalore. He has been with L&T Finance since April 2007. Prior to taking over as Chief Executive, Mr. Dubhashi has occupied various senior level positions in the organization and has been responsible for leading L&T Finance's foray into Retail Finance, including Microfinance. He has over 22 years of experience in various fields of financial services like Retail Financial Services, Corporate Banking, Cash Management and Trade Finance, Credit Rating and Project Finance across various reputed Indian and international organizations. Prior to joining L&T Finance, he worked with BNP Paribas for 10 years in India and abroad, heading various important verticals like Cash Management, Trade Services and Corporate Banking Products. His assignments previous to this were with Birla Sunlife, Care Ratings and SBI Capital Markets.

**Ved Prakash Chaturvedi - Chief Executive, Capital Markets & Investment Management Group**

Mr. Chaturvedi is responsible for overseeing various Capital Market and Investment Management businesses of our Group. He has been associated with CRISIL, BNP Paribas and SBI Funds Management, among others, over the last 22 years. Before joining L&T Finance Holdings, he was the Managing Director & CEO of Tata Asset Management Ltd for a period of eight years.

# Corporate social responsibility

Building the social fabric of our nation



*'The future of our nation shines bright in the eyes of its young.'*

We are a young nation, both literally and figuratively. As a nation, we have achieved significant success in several arenas – both social and economic in the last few decades. However, we still face challenges that can undermine the basic fabric of our society. It is important that we identify these challenges and channelize our energy towards finding innovative solutions to ensure a secure, sustainable and equitable future for our young. We have identified education as the fundamental building block that will help achieve this goal.

The footprint of our social investment has spread to over 505 villages across 9 states. Through our 'Rural School Development Program', we have touched the lives of nearly 76,000 students in the last year. We have taken a holistic approach towards improving the standard of education by focusing on the overall development of schools in rural areas.

**The key focus areas of this program include:**

- **Library books:** We have donated a large number of books in local languages and English including biographies, general science books, dictionaries and teacher's reference books.
- **Teaching aids:** Various biological charts and models, maps and display cabinets have been donated in order to foster a sense of curiosity amongst young students and aid the teachers.
- **Computers:** Desktop computers allow students to get their first taste of technology and encourage them to chase their dreams.
- **Drinking water facilities:** The motto here is 'Healthy bodies breed healthy minds.' We try to ensure that the basic infrastructure is in place to provide potable drinking water at these schools.
- **Sanitation facilities:** This initiative aims at fostering life-long healthy habits in the young, along with ensuring that the basic infrastructure is available to these children. We have undertaken the construction of basic sanitation facilities at several schools.

We will continue to provide grass-root level solutions to social issues with the conviction that happy societies make a happy nation.

# A signature of trust

Values spanning seven decades





Our values are what unite our offerings. They are the bedrock on which all our businesses stand. Indeed, they are and always will be our most precious asset.

So, what really are the values that shape our character?

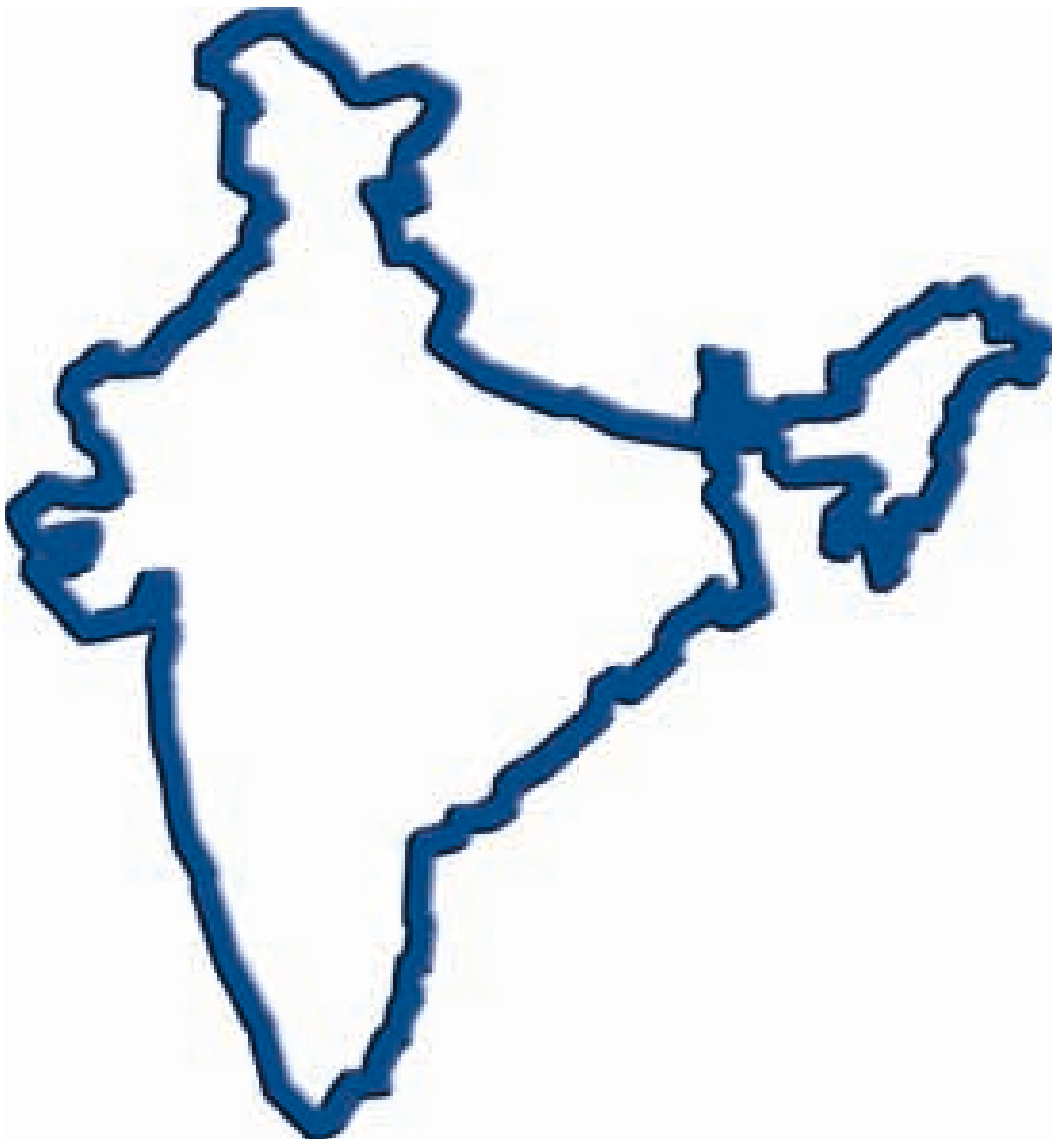
Teamwork, trust, transparency, integrity and a firm commitment to long-term relationships with customers and stakeholders alike.

This is our DNA.



# A large canvas

Our pan-India network



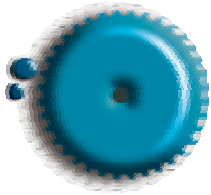
Our country is so vast and varied that there are in fact many hues to it. At LTFH, our canvas is extensive, spreading to over seven hundred points-of-presence in 23 states. However it is the understanding of the needs of our customers, borrowers and investors, from villages to metropolises, that allows us to reach them with solutions through branches, distributors and agents.

Our pan-India presence has allowed us to cater to a large number of customers across various segments from retail customers and small – medium enterprises to large companies. This enables us to grow, while diversifying our risk profile.

As rural finance is also one of our key thrust areas, we have developed over 500 points-of-presence in key rural areas, making our products and services far more accessible to farmers and rural businesses.



# The growth story, over the years



1994



2004



2007



2008

L&T Finance starts tractor and farm equipment financing

## Post liberalisation, Indian economy booms

- L&T Finance incorporated
- Offers lease, hire purchase solution for SMEs

- L&T Infrastructure Finance incorporated
- L&T Finance starts CV financing

## Indian economy hits a bad patch

- Total assets cross ₹ 10,000 crores
- L&T Finance
  - forays into microfinance
  - starts financial products distribution



2009

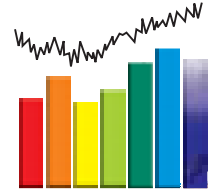
Maiden public issuance of NCDs by L&T Finance



2010



2011



2012

- Initial Public Offer of L&T Finance Holdings Limited
- Total assets cross ₹ 20,000 crores
- L&T Infra is notified as a Public Financial Institution (PFI)

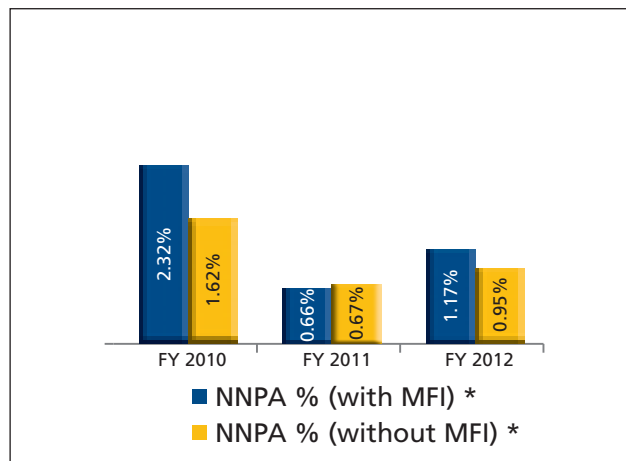
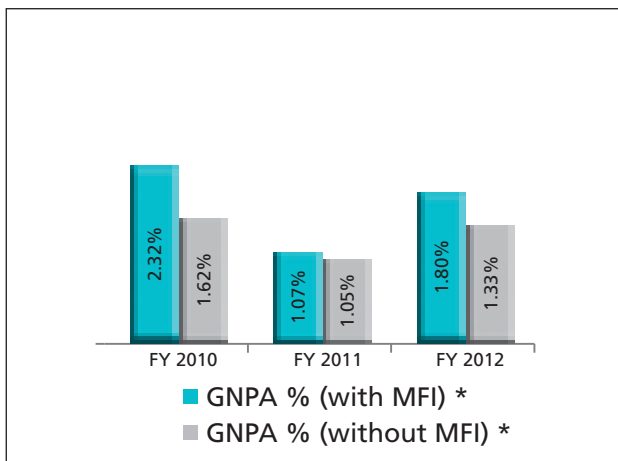
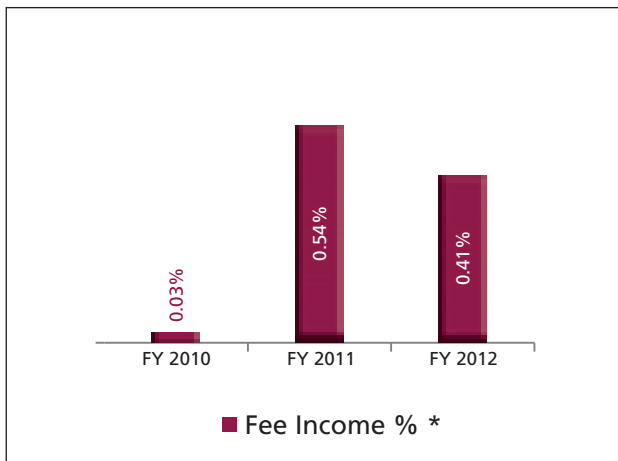
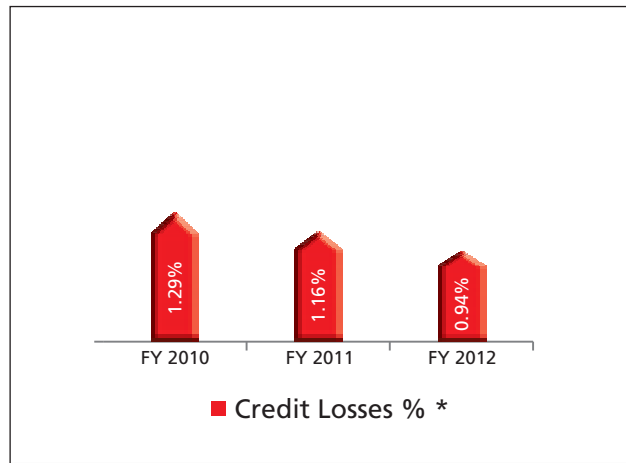
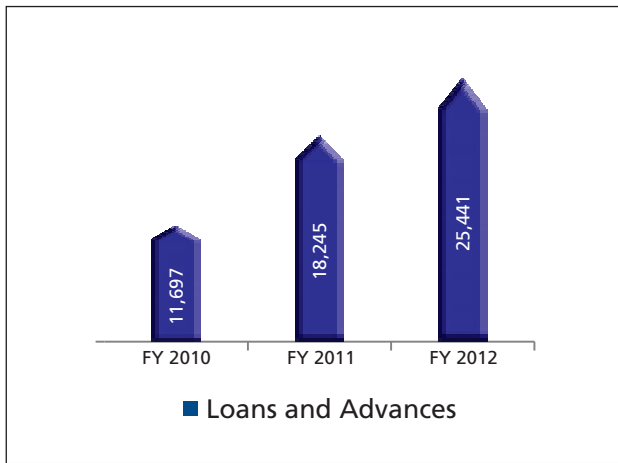
**Global debt crisis affects economic outlook.  
L&T Finance Holdings responds positively to challenge.**

- L&T Finance forays into mutual fund business – acquisition of DBS Cholamandalam Asset Management
- L&T Infra receives Infrastructure Finance Company (IFC) status from RBI
- First issuance of long-term infra bonds by L&T Infra Finance
- Total assets cross the ₹ 25,000 crore landmark
- L&T Finance signs definitive agreements to acquire Fidelity's Indian mutual funds business
- L&T Finance Holdings signs definitive agreements to acquire Indo Pacific Housing Finance Company to enter housing finance business

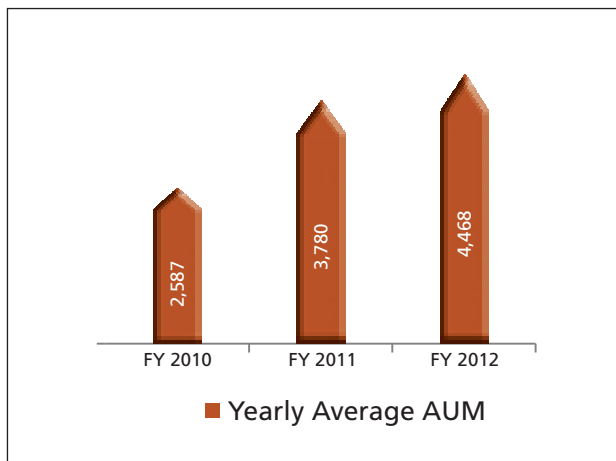
# Financial highlights

₹ Crores

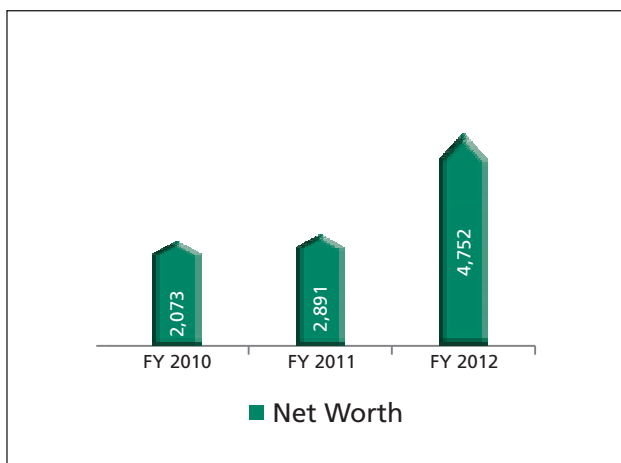
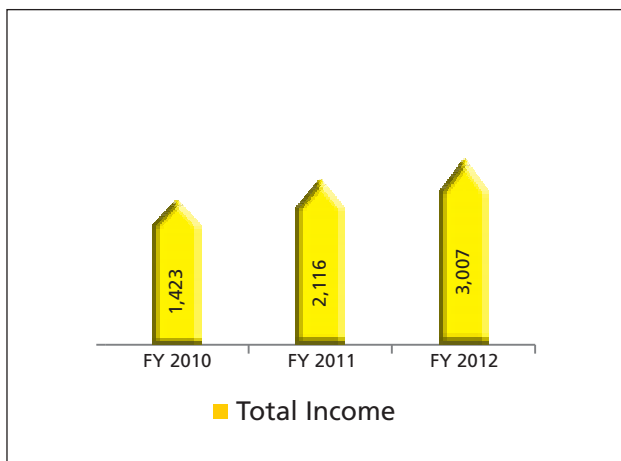
## Lending business



### Investment management business



### Consolidated



# Management discussion and analysis





The rural segment continued to be robust, backed by a good monsoon and record crops.

## Industry overview

FY 2012 was among the most challenging years on the macro economic front. The policy and governance environment impacted the economic scenario. Persistent inflation resulted in the regulator raising the policy rates leading to a high interest-rate environment. The global environment remained weak for most part of the year with many European nations sinking into recession, the US showing muted growth and even China witnessing a slowdown from its consistent growth over the past decade.

All these factors contributed towards an industrial slowdown and eventually led to a moderation in GDP growth. Raising capital became more difficult and working capital cycles in most industries increased, resulting in cash flow issues across various sectors. The microfinance sector came to a standstill, owing to regulatory hurdles.

However, in the midst of these challenges, there were certain pockets and segments that continued to thrive.

The rural segment continued to be robust, backed by a good monsoon and record crops. Rural employment schemes ensured greater cash flows in the rural market and our rural segment was a major growth driver for the company. Tractor sales and rural equipment sales increased substantially contributing significantly to the overall growth.

The 11<sup>th</sup> Five Year Plan had proposed an investment of US\$ 500 billion in infrastructure sectors through a mix of public and private sector participation to reduce infrastructure deficits, with a major step up in private sector investment. The Plan envisaged an increase in investment in infrastructure as a percentage of the GDP as well as a significant and unprecedented increase in private sector contribution to total investment. While there have been significant achievements in roads and certain segments of telecom sectors, slippages in the power, rail, urban and ports sectors are notable.

The renewable energy segment was, however, a significant growth driver. The year witnessed a revolution of sorts in the solar energy segment as certain progressive states came up with robust contractual arrangements to kick-start the sector. Our infrastructure finance business has played a significant role in pushing this sector ahead in FY 2012. Even other renewable energy sectors have seen a positive thrust. In addition, a large number of concessions were awarded in the road sector which acted as another growth driver.

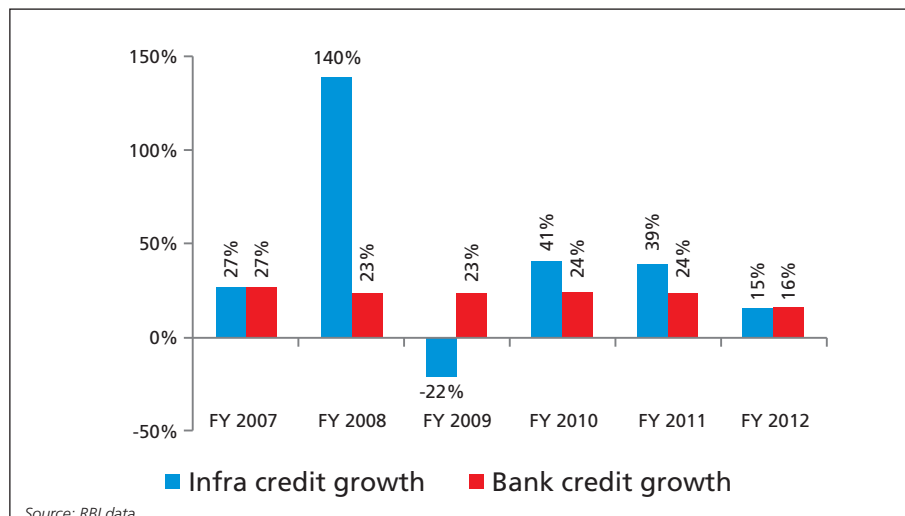
NBFC segment is only 11% of the banking segment in terms of assets, which signifies that there is tremendous scope for further growth in this segment.

## Non-Banking Financial Services Sector

The NBFC sector has gained more importance over the past 5 years than at any time in the past. The total assets of NBFCs grew by as much as ~130% over the past five years. As of March 31, 2010, there were 12,662 NBFCs of which 295 were categorised into systemically important NBFCs. As on March 2010, the total assets under management by NBFCs equalled ₹ 661,186 crores. This corresponds to 11% of total bank assets. As on March 2011, the total asset base was ₹ 843,451 crores - an increase of 27.5%. This is higher than the CAGR of ~23% for NBFCs for the past 5 years.

Over the last 4 years, the contribution of Infrastructure Finance to the total bank credit has increased significantly, principally owing to a large number of projects in the power, telecom and road sectors. From less than 5% in FY 2005, the share of infrastructure loans in the incremental credit growth of Indian banks now ranges from 20-25%, indicating a structural shift in the direction of bank credit.

India envisages a five-fold increase in infrastructure investment compared to the last 10 years - with a US\$1 trillion flow during the 2012-17 period as per the 12<sup>th</sup> Five Year Plan. At this level, it would account for nearly 10% of the GDP. With the Public Private Partnership (PPP) mode gaining momentum, the share of the private sector is likely to double to 50%, creating huge opportunities for infrastructure sector developers and financing players.





Currently, infrastructure bottlenecks continue to impede economic progress. Major inhibitors range from policy-related issues in allocation of licenses/ permits to fuel linkages, water and rail rakes availability, forest and environmental clearances, ban on mining in some areas, poor finances of state power distributors and lack of port infrastructure. Also, land acquisition issues, rising financing costs and subdued equity market conditions beset infrastructure investments.

In view of the large investment needs of the infrastructure sector, combined with concern over the high proportion of bank exposure to the sector, NBFCs have significant growth opportunities.

## **Business Overview**

### **Retail and Corporate lending businesses**

These businesses are carried out through our wholly-owned subsidiary, L&T Finance Limited.

### **Construction Equipment segment**

Construction activity is an important aspect of a growing economy like India with the construction sector comprising around 9% of the GDP as of Oct 2011. A segment-wise analysis of this sub-sector shows that earth-moving equipment is the primary driver of not just growth (33% y-o-y) but also overall sales (70% market share) in the sector.

FY 2012 saw setbacks in the industry with a ban on mining being imposed in Orissa and Goa. This limited the scope for growth. As a measure of diversification within this segment, we, apart from financing standard assets like loader backhoes and excavators, have also started financing niche and non-standard assets.

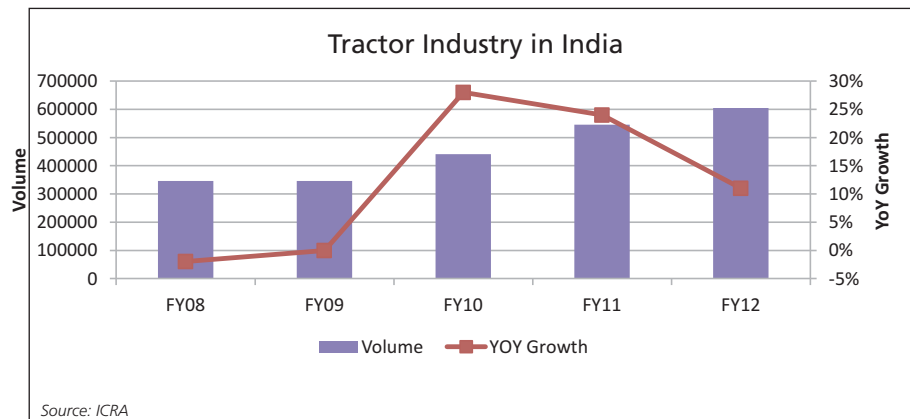
Improved agricultural growth, combined with factors like increasing land holdings, better minimum support prices (MSP) as well as labour shortage has helped propel the demand for farm equipment.

## Rural Finance segment

As per the 2011 Census, a large proportion of the 833 million people in rural India are dependent on farm activity for their livelihoods. As such, expansion of farm income is the most potent weapon for increasing prosperity and propelling growth.

Agricultural growth is likely to average 3.3 per cent per year in the Eleventh Plan as compared to 2.2 per cent per year in the Tenth Plan.

Improved agricultural growth, combined with factors like increasing land holdings, better minimum support prices (MSP) as well as labour shortage has helped propel the demand for farm equipment. As a result, the Indian tractor industry is now amongst the largest in the world with annual sales exceeding 0.60 million units. Despite these impressive numbers, the opportunities are still large, considering the low farm mechanization levels in the country.



The demand outlook for FY12-14 is expected to remain positive, if backed by a normal monsoon this year. As a result, farm income growth is expected to remain strong and this will act as a strong catalyst for demand.

The Small Commercial Vehicle (SCV) category is characterized by vehicles with a sub-1000 cc engine and less than 3.5 tonnes in weight. It comprises of mini trucks and 3 wheelers. With the Supreme Court of India banning the overloading of cargo vehicles and placing restrictions on the entry of heavy commercial vehicles into cities, this segment has grown rapidly.

The increasing demand in this segment has prompted many manufacturers from the three-wheeler and light commercial vehicle segments to foray into the SCV market. The segment is expected to demonstrate rising demand and concentration due to bulk sale in heavily urbanized locations.

We have the vision to provide holistic solutions to rural India. This includes



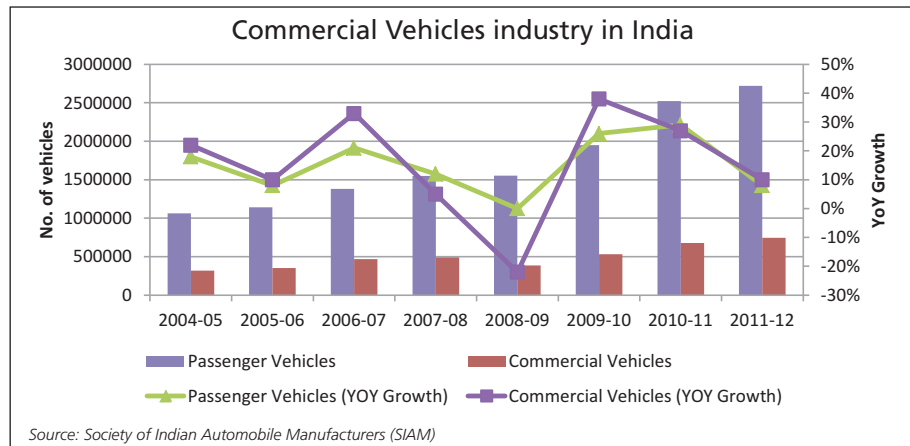
financing tractors and other farm implements, like harvesters, as well as last mile connectivity vehicles forming the SCV segment. Car finance and financing diesel generator sets in this segment has also commenced. The theme will be to build upon the knowledge of the geography and customer behaviour in various parts of rural India, to develop several business models to finance various segments of the rural economy.

### Commercial Vehicles (CV) segment

The Indian Commercial Vehicle (CV) industry is the lifeline of the economy. Approximately 66% of the goods and 87% of the passenger traffic in the country currently moves via road.

Thanks to the increasing use of the hub and spoke model, the CV industry is witnessing a clear segmentation in demand, with vehicles >16.2 tonnes (M&HCVs and multi-axle vehicles) being used for transportation on the highways and <= 3.5 tonnes being used for intra-city or last mile transport.

Passenger vehicle demand is currently being supported by an increasing demand for luxury buses from private players. However, as the CV industry draws its demand from the economy, it is prone to cyclicality.



An increase in vehicle ownership costs, fuel costs and interest rates combined with a less than commensurate increase in freight rates (on account of capacity build-up), is expected to dampen CV sales. Within the industry, it is expected that the LCV segment will grow faster than the M&HCV segment even as the three-wheeler segment is expected to be slowly phased out.

With increased expertise in the segment, We were able to do large ticket strategic deals in order to cope with the volatility in the commercial vehicles segment. This strategy helped us achieve healthy growth in asset book while also improving the asset quality at a portfolio level.

The Microfinance business is expected to be a robust, predictable, profitable and scalable business in the long term, once the regulatory flux is resolved.

## Microfinance segment

After a turbulent period in FY 2011 and FY 2012, especially due to regulatory flux in the sector, there have been a number of positive developments in the Microfinance Industry in the past 1 year.

- Most of the mid and large micro-finance institutions (MFIs) have registered moderate portfolio growth in the current financial year.
- The much awaited Microfinance Institutions (Development & Regulation) Bill is awaiting passage in Parliament.
- Banks have started selectively lending to MFIs once again.
- RBI has deferred the asset classification and provisioning norms for another year i.e. to April 1, 2013.
- Internal commitments by MFIs to self-regulate and imbibe discipline within the system gradually seems to be visible.
- MFIs have started providing client information to credit bureaus like High Mark and Equifax.

The Microfinance business is expected to be a robust, predictable, profitable and scalable business in the long term once the regulatory flux is resolved. It will offer multiple small denomination products and services to the financially excluded population of India for the purpose of enhancing their income generation capacity.

In the year gone by, considerable efforts were made to institutionalize robust quality control and risk management systems to ensure that the business risks remain within predefined acceptable metrics and the overall business is compliant with all regulations.



## New Business Initiatives

### Rural Enterprise Finance

In India, rural enterprises have been accepted as engines of economic growth necessary for promoting equitable development. Despite having strong potential to transform the livelihoods and in turn the fate of the rural economy as a whole, these rural enterprises suffer due to limited resources such as labour, skills, and capital. This makes it difficult for them to meet the standards required for local, regional, or global markets. It also prevents them from expanding and excludes them from higher-value markets. Keeping this in mind, we have started financing rural entrepreneurs through the following products:

#### Dairy Finance

India is the largest milk producer in the world accounting for 20% of all production. 65% of Indian farmers obtain income from dairy and other livestock accounting for 28% of GDP from agriculture. With the rapid increase in the demand for milk and milk-based products in the domestic market, the size of the Indian dairy industry is expected to reach a value of Rs. 500,000 crore by 2015.

Despite the huge opportunities, the dairy sector is largely unorganized and suffers due to limited capital investments required for sustaining trade. Considering the need for finance to dairy farmers, we have initiated dairy-based microfinance loan products in the year 2011.

#### Warehouse Receipt Finance

Warehouse receipt financing (WRF) is a collateralized commodity lending against warehouse receipts, where the goods themselves provide security for the loan. Farmers, traders and processors can avail of loans either to overcome immediate liquidity requirements or to finance future crop or investments in alternative businesses.

Warehousing has been getting the necessary Government push in the PPP model. The Indian Government plans to support rural entrepreneurs with bank loans to create small and mid-size warehousing facilities under the Private Entrepreneurs' Guarantee Scheme (PEGS). This would enable the creation of small and mid-sized warehousing capacity of 153 lakh tons by 2014 across the country.

It is expected that this will improve the prospects of WRF considerably. Keeping in mind the enormous growth potential, we have entered this space in FY 2012 through our WRF product, Kisan Setu.

## Corporate Loans and Leases

Our offerings in corporate lending primarily consist of loans and leases and supply chain finance. We could achieve around 20% growth in disbursements over FY11 and a growth of almost 60% in the loan assets.

Given the generally weak economic scenario in the country, the credit uptake also remained slow and a cautious approach was followed in this segment.

## Supply Chain Finance

In the difficult environment of last year, it was imperative for large corporates to ensure a well-functioning dealer and supplier network. We worked along with corporates to ensure a smooth functioning network of vendors and dealers.

One of the focus areas for us last year was to capitalize on cross-selling opportunities generated out of this business. It opens up opportunities for us to approach small-to-medium enterprises with whom we have fostered a long term relationship, and offer them other types of loans. Opportunity to cross-sell investment and insurance products through our other financial services companies was actively explored.

### **Credit policy and approval process**

We have credit appraisal policies in place in order to manage the credit risks associated with the loans made by our Retail Finance Group and Corporate Finance Group. Various aspects of credit risk management are addressed by different processes and teams within our business. These are designed to manage risks at different stages of the financing process, i.e. both pre and post disbursement.

### **Credit assessment process**

We have a centralized credit team which is responsible for the development of a framework used for the evaluation and sanctioning of loan proposals across Retail and Corporate Finance Groups. All new products developed are vetted by the credit team, and are presented to the Board for approval.

Further, an authorization matrix is prepared by the credit team in consultation with the relevant business group, and is presented to the Board for approval. This matrix sets out the relevant exposure and authorization limits. Depending on the value of the proposal, the approval tiers are defined and duly authorized persons to whom authority has been delegated (in accordance with the authorization matrix) have the power to approve the proposal.

In Retail Finance, scorecards play a vital role in the lending decision. A





In Retail Finance, scorecards play a vital role in the lending decision. A comprehensive score card is developed by the credit team, and takes into account all relevant parameters that assist in the evaluation of the credit-worthiness of the borrower.

comprehensive score card is developed by the credit team, and takes into account all relevant parameters that assist in the evaluation of the credit-worthiness of the borrower. The focus of the credit decision is the asset being financed, related cash flows and the risks associated with the asset and the borrower.

In the case of large asset financing or corporate finance, credit approval is on the basis of a Credit Approval Memorandum (CAM), which is designed to capture all the relevant aspects of the loan proposal that are required for the evaluation and authorization of a loan. The CAM serves as the basis for the loan approval. The scorecards have minimum cut-off scores, which have to be met in order for the proposal to be processed at that approval tier; else it moves to the next higher approval tier for processing.

We have a well-structured credit appraisal process with approving authority delegated, using a standard approach. Proposals above a certain threshold are approved by credit committees consisting of senior executives.

In the case of asset finance loans, the asset being financed typically forms the basis of security for loans and advances extended by both our Retail Finance Group and Corporate Finance Group. Further, the asset's value and income-generating capability forms an integral component of the credit assessment process.

#### **Collection and recovery**

There is a dedicated team whose responsibility it is to manage delinquent assets in a structured and organized manner. We believe that this helps the business groups to focus on business generation and collections while an expert team deals with NPA management, repossession and resale of assets in as timely and efficient a manner as possible.

#### **Provisioning policy**

The provisioning and write-off policies of our Retail and Corporate Finance Groups are more stringent and conservative than those prescribed by the RBI for NBFCs. This ensures that the losses in any given year do not have a sudden adverse impact on the profitability of the Company. In accordance with the amendment to the NBFC Prudential Norms by RBI, with effect from January 17, 2011, we make a general provision of 0.25% on all our outstanding standard assets.

#### **Back Office operations**

Back Office operations is the backbone of the company's internal and external service delivery - especially for the retail and corporate finance business. The company's operations delivery is managed out of 4 locations, viz. Mumbai, Chennai, Hyderabad and Pune. The centralised operations unit is located at Mumbai and supports service delivery for loan disbursements, loan servicing, quality and control. The other locations provide loan disbursement support and also act as back-up operating centers for business continuity.

The Operations team strives to drive efficiencies and best-in-class service delivery. It supports the launch of new products and services with a 'project management' approach. It continuously explores opportunities to improve service delivery and cost efficiency through process improvements and technology enablement.

Quality control is a key focus area within Operations to imbibe a culture of service delivery with quality, without compromising on controls. Regular knowledge assessment and training is carried out within the Operations unit for ensuring a consistently high level of service delivery and adherence to internal controls and guidelines.

Internal controls are reviewed continuously so that risks are well managed. End-to-end processes are regularly reviewed to reduce errors, automate manual processes, improve processing cycle times and manage costs efficiently.

The Business Continuity Plan for Operations is firmly in place and is tested on an ongoing basis between its various delivery centres for a disruption-free service delivery.

## **Infrastructure Finance**

Infrastructure finance is provided through our wholly-owned subsidiary, L&T Infrastructure Finance Company Limited (L&T Infra), which was incorporated in FY 2007 as a financial services provider in the infrastructure domain.

### **Institutional context**

In just over five years of commencing business, we have emerged as a notable player for providing financing solutions especially for small and medium sized infrastructure projects in India. In terms of regulations also, L&T Infra is now a Public Financial Institution (PFI) and one of the select few Infrastructure Finance Institutions (IFCs) recognized by the Government of India and RBI respectively. This augurs well for the institution to play a more effective role in India's economic growth process.

We have developed a comprehensive range of services so as to be able to offer appropriate financing solutions to our customers. In pursuit of our strategic focus on providing specialised solutions in the infrastructure financing and advisory services domain, we have expanded our offerings to cover project term loans, equity and debt syndication, investment banking and private equity.



We also provide policy inputs on the infrastructure sector to the Government, Regulators and Industry Associations. Such a wide spectrum of services has enabled us to deliver value to our customers in terms of creative financing solutions. These efforts have thus dovetailed into the channelizing of capital into infrastructure development in the country.

### **Growth trajectory**

Varied complexities are an innate part of diverse markets. While they provide opportunities, they also pose inherent risks and challenges. Given the Indian economic setting and our perspective thereon, we have focussed on evolving as an infrastructure financing institution of choice.

### ***First Stage of Growth (FYs 2007-09) – Poised for Growth***

In its first stage of growth during the initial years till FY 2009, L&T Infra focussed on building a qualified and experienced management team, acquiring talent, skill-building, enhancing its existing internal knowledge base and refining it to meet the needs of its discerning clientele. In this context, L&T Infra strategically leveraged the knowledge-base of parent L&T, extensive expertise and comprehensive appreciation of complex technical aspects of infrastructure projects available within the vast L&T eco-system, which provided the emerging institution a unique edge in the competitive infrastructure finance marketplace.

A knowledge-based work culture, ability to empathize with clients' needs and carefully nurtured relationships have enabled L&T Infra differentiate itself in the marketplace. As it gradually established itself, L&T Infra has evolved into a comprehensive solution-provider for infrastructure projects and companies in the country. Now, it offers a wide range of products and value added services that encompass project finance, financial advisory services and investment banking to its diverse clientele.

Fee based services have helped enhance return on equity for shareholders, while at the same time providing enhanced value propositions to the clients. This diversification of product and service portfolio has enabled it to create a robust organization that balances the synergies amongst inter-linked businesses and thus catering to the needs of the infrastructure finance value-chain. Consequently, it is able to earn the requisite respect, trust and confidence of clients - that in turn yields greater scope for repeat business from satisfied client groups.

A knowledge-based work culture, ability to empathize with client's needs and carefully nurtured relationships have enabled L&T Infra differentiate itself in the marketplace.

A robust understanding, analysis and assessment of risk-rewards linkages across different stages of the project life-cycle gives L&T Infra an insight enabling it in careful selection of assets and their subsequent portfolio monitoring. It not only enables scouting of emerging opportunities but also in identifying and managing potential stress cases early, facilitating timely remedial measures. This ability has helped L&T Infra during testing times of the liquidity crisis during FY 2009 to help successfully weather the adverse impact of the global financial slow-down as well as the liquidity crisis impacting NBFCs. Through prudent management of assets, close working with clients and innovative operational strategies, in line with the needs of a changing business environment, the institution could emerge stronger to be able to progress on its mandate for infrastructure financing with even greater vigour.

### ***Second Stage of Growth (FYs 2010-12): Consolidation of Gains***

The challenge for every upcoming organization is to convert a good beginning into a path towards sustainable growth. The period from FY 2010 was one of 'Consolidation of Gains'. The Infrastructure Finance Company (IFC) registration during the last year has opened up the scope for several new benefits such as RBI allowing enhanced per company/group exposure limits to IFCs, banks being able to take enhanced exposure limits to IFCs, credit-rating linked risk weights for Assets of IFCs and RBI providing access to ECB window for IFCs.

In the FY 2011 Budget, the Government of India made a good beginning by allowing IFCs to issue Tax Saving Long Term Infrastructure Bonds for tapping 10-year cost competitive resources from retail investors. This was however discontinued in the FY 2013 Budget.

In June 2011, the Government of India recognised L&T Infra as a Public Financial Institution (PFI).

Given the adverse market scenario, FY 2012 has seen us consolidate the gains made in the early years. With a young but highly qualified team and strong leadership, we have witnessed our approvals, disbursements and assets increase at a good pace during the year relative to the market for debt financing to infrastructure sector. Despite FY 2012 being a very difficult year, our market share improved to validate our calibrated growth strategy.

This period also witnessed L&T Infra improving its long term credit rating to 'AA+' in FY 2010 from the initial 'AA' for debt instruments from both its rating agencies.



### ***Third Stage of Growth (FYs 2013 onwards) - Strategic Paradigms***

As we step into our next phase of growth from FY 2013 onwards, we would be reviewing a wide range of strategic options for sustaining our growth momentum. These will be done in keeping with our commitment to ensure enhanced value propositions to our expanding clients base on one hand and portfolio quality preservation on the other. In pursuit of these twin objectives, we would consider a broad spectrum of strategic initiatives, including potential engagement with multilaterals to expand beyond our current horizon.

L&T Infra has been notified as a Preferred Financial Institution by the Asian Development Bank (ADB) in FY 2012 for implementation of its pioneering initiative for supporting Solar Power Projects in India, through a Partial Credit Guarantee Scheme. This augurs well for such collaborative partnerships in the coming years.

### **Focal Themes - FY 2012**

The Policy for Sustainable Energy promotes provision of energy such that it meets the needs of the present without compromising the ability of future generations. Renewable energy technologies are the foremost contributors to a sustainable energy crusade. They contribute to world energy security, reducing dependence on fossil fuel resources and providing opportunities for mitigating greenhouse gases. We entered two renewable energy sectors - solar and wind power in FY 2012.

We have emerged as one of the leading financiers of debt for solar power projects in India. Although this is a sector that has had limited operational, commercial and financing experience in India till recently, the worldwide experience indicates that careful resource assessment, prudent selection of projects and contractors, with adequate contractual safeguards, falling equipment costs and PPAs with satisfactory feed-in tariffs, could result in impressive gains in terms of sustainable power output and returns to investors and lenders.

Owing to their short construction period, solar power projects have demonstrated positive contributions to financiers' asset quality, as they move from relatively moderate risk construction period to low risk operations period within 5-6 months.

We continued our focus on providing structured financing solutions for captive power plants for promoter groups engaged in manufacturing diverse products albeit with substantial control over their inputs/ raw materials for production. We have also continued with our policy of designing and providing innovative financing solutions focussed on client requirements including construction financing products with innovative features, bid-bond support to clients and syndicated bridge financing in the power transmission sector.

We have emerged as one of the leading financiers of debt for solar power projects in India.

### **Risk and Asset Management**

The current challenging market scenario has brought a renewed focus on asset quality and portfolio management. Sound risk management and balancing risk-reward trade-offs are critical to any lending business. Our Risk Management Framework (RMF) is designed to deliver requisite shareholder returns by achieving an appropriate trade-off between risk and return. It comprises a combination of 5 critical features – a systematic culture of understanding risk, disciplined risk assessment, scientific risk measurement, optimal risk mitigation and close risk monitoring.

Over the last 5 years, there has been a continuous benchmarking of policies and procedures with international best practices as well as changing market and regulatory environments. Our RMF is overseen by the Board of Directors. Our organization structure is based on appropriate checks and balances configured so as to facilitate integrated risk management and structured periodic reporting to the Board, following best corporate governance practices.

The RMF is comprehensive and covers all aspects of credit risk, market risk and operational risk through its robust credit policies, ALM policy and Operational Risk Management Policy.

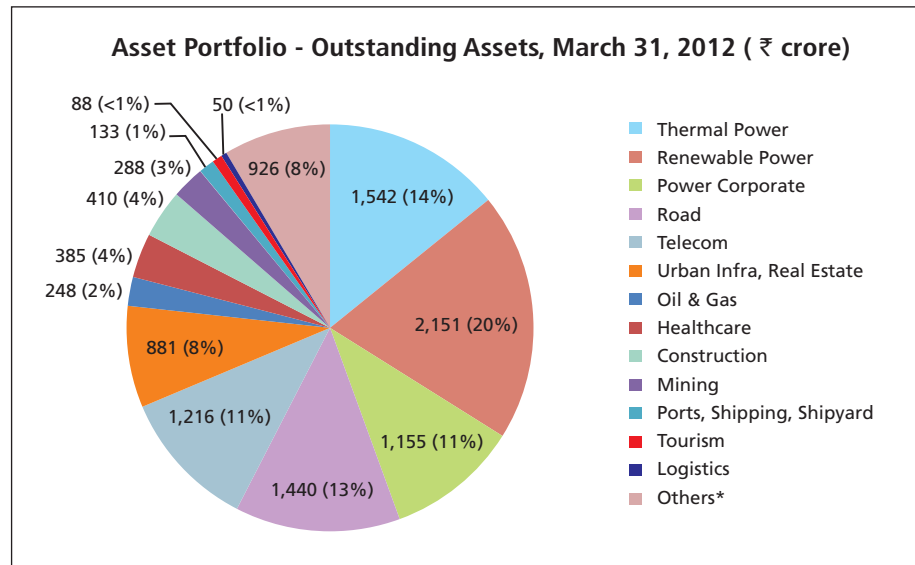
The Credit Risk Policy defines types of products, approvals and limits and outlines the operation of a structured and standardized credit approval process, due diligence, credit appraisal and internal credit rating methodologies. A separate Asset Management Group ensures a close monitoring of the portfolio.

Our prudent credit risk management framework encapsulates specific measures to limit concentration of risk including inter alia to borrowers, promoter groups, sector/ sub-sector/ geographical and State Electricity Boards. The Investment and Credit Committee headed by an independent director is the only authority for



approving loans. The Asset and Liability Management Committee (ALCO) regularly monitors ALM and other market related issues, while an Audit Committee and Risk Management Committee take care of the operational risk parameters.

### Current Portfolio





We have continued our commitment and focus on the infrastructure sector comprising, among other segments, power, roads, telecom and ports. Given the continuing deficit in the power sector, it remains a priority sector for us in terms of exposure. However, owing to lesser roadblocks, we have visibly concentrated on renewable power more than thermal power.

A judicious mixture of toll and annuity road projects forms the next highest exposure for the company. A combination of caution, careful selection of projects and quick response to market events has ensured that we have no outstanding loans to telecom network operating companies named as a part of the current investigation in the 2G scam, as well as those whose licenses have been cancelled by the Supreme Court decision.

Concentration risk with respect to single borrower / promoter groups are low, with the top 10 borrowers/promoters constituting only 19% and 29% of our infrastructure finance exposure in FY 2012.

Concentration risk with respect to single borrower/ promoter groups are low, with the top 10 borrowers/ promoters constituting only 19% and 29% of our infrastructure finance exposure in FY 2012.

#### **Equity Investments**

Infra companies have traditionally faced a funding gap in periods of equity market volatility and weak investor sentiment coupled with a nascent debt market that lacks sufficient avenues for long term debt funding. Private Equity fills this void by being a source of long term, patient capital along with value creation by guidance and practical support in operational areas, corporate governance and business networking. To address this requirement, we are in the process of creating a private equity asset management platform that will provide asset management services to channelize a pool of funds from domestic and international investors



into the development of Indian infrastructure. As a norm, such a business platform would provide a periodic stream of fees and an opportunity to share the upside in the investments.

#### **Diversification of Resources**

Our Treasury has played a vital role in this demanding economic environment scenario, by not only ensuring availability of adequate and timely liquidity for building up of asset book but also at a competitive cost of funds. In FY 2012, the liability book has grown from ₹6,194 crores to ₹8,942 crores at a growth rate of 44% over last year. Treasury has been able to raise funds through well diversified sources of borrowing, with different structures and created a debt composition which has aided in having relatively low weighted cost of borrowing.

A good understanding of the market scenario enabled us to capitalise on the opportunities it provided to successfully raise funds through the well-timed Public issuances of Tax Savings Infrastructure Bonds, Debenture placements with Foreign Financial Institutions (FIs) and Domestic Financial Institutions (FI), as well as the banking system. We have also for the first time in the institution's short history, explored the overseas market and successfully raised funds through External Commercial Borrowings (ECB) at competitive rates.

Through strategic planning, the Treasury has ensured that we have adequate back-up lines in the form of working capital limits to fund our asset build up plans as well as take care of any risk that could arise from a short term liquidity crunch.

## Investment Management Business

The Investment Management Business is conducted through L&T Investment Management Limited, a wholly-owned subsidiary of L&T Finance Limited.

### L&T Mutual Fund (L&T MF)

L&T Mutual Fund endeavours to provide investors with a suite of products across asset classes, risk profiles and maturity buckets. This is to ensure that we can offer our investors a complete bouquet of offerings under a single roof, depending upon the individual's needs.

The Industry's Average Assets Under Management (AAUM) for the year ended March 31, 2012 was almost static at ₹7,00,740 crore as against ₹7,03,700 crore for the year ended March 31, 2011, whereas the AAUM of L&T MF grew by 18.16 per cent during the same period. The number of folios increased by ~3% from 1,41,867 on March 31, 2011 to 1,45,712 on March 31, 2012.

L&T MF launched two Open Ended Schemes during the financial year 2011-12, namely L&T Wealth Builder Fund and L&T Short Term Debt Fund. The total amounts mobilized in these schemes were ₹73.42 crore and ₹61.71 crore respectively.

### Portfolio Management Services (PMS)

We launched our Portfolio Management Services late last year but have already started clocking revenues. PMS offers the company the opportunity to straddle the entire spectrum of investment products. We have ramped up to more than 1,000 clients and the outlook remains encouraging.

## Human Capital

Driven by the group's visionary leadership, LTFH cherishes the values of excellence, customer centricity, integrity, teamwork and respect for individuals. LTFH believes that its people are the core to its business. This emphasis gets translated into action through concerted efforts towards talent acquisition, retention strategies, training, rewards & recognition and career development.

Emphasis is given to knowledge and skill enhancement programs for all employees. Regular, focussed training programs are conducted to facilitate competency development — both functional and behavioural, to nurture talent to meet diverse business needs. Job rotation as an exercise is undertaken for increased all-round development of individuals. At senior levels, this is complemented by an effort towards succession planning, which involves systematic identification of high performing individuals and grooming them to become future leaders of the company.

LTFH follows a policy of rewards and recognition based on merit, powered by focussed action planning and activities structured towards building an employee-friendly organization.

### Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives and predictions may be 'forward-looking statements'

LTFH follows a policy of rewards and recognition based on merit, powered by focussed action planning and activities structured towards building an employee-friendly organization.

within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.

## **Consolidated Performance during FY 2012**

### **Income**

On a consolidated basis, L&T Finance Holding's income increased by 42% from ₹2116.94 crores in FY11 to ₹3007.30 crores in FY12, primarily as a result of increase in interest income on a growing loans and advances book. Operating income increased by 42% from ₹2098.73 crores in FY11 to ₹2980.89 crores in FY12. This increase was primarily the result of a 39% increase in the loans and advances made by L&T Finance Holdings from ₹18245.70 crores as on March 31, 2011 to ₹25441.50 crores as on March 31, 2012, which resulted in an increase in interest income on loans and advances by 42% from ₹1972.67 crores in FY11 to ₹2811.68 crores in FY12. In addition, lease income increased by 29% from ₹70.57 crores in FY11 to ₹91.45 crores in FY12. Fee income also increased by 33% from ₹31.60 crores in FY11 to ₹42.09 crores in FY12.

### **Expenditure**

Total expenditure increased by 54% from ₹1505.34 crores in FY11 to ₹2323.05 crores in FY12, primarily due an increase in finance cost. As a percentage of average assets, L&T Finance Holding's expenditure increased to 9.98% in FY12 compared to 9.39% in FY11 mainly as a result of an increase in the cost of borrowing.

Finance cost increased by 67% from ₹1020.65 crores in FY11 to ₹1707.24 crores in FY12 primarily as a result of increase in borrowings and rising interest rates. Employee benefits expenses increased from ₹94.35 crores in FY11 to ₹151.18 crores in FY12. Operating expenses increased by 34% from ₹164.46 crores in FY11 to ₹221.14 crores in FY12. Credit losses increased by 10% from ₹166.76 crores in FY11 to ₹183.43 crores in FY12. Depreciation and amortization increased by 2% from ₹59.10 crores in FY11 to ₹60.03 crores in FY12.

### **Profit**

For the reasons stated above, L&T Finance Holding's profit before tax increased by 13% from ₹604.46 crores in FY11 to ₹684.24 crores in FY12. L&T Finance Holding's current tax increased from ₹213.29 crores in FY11 to ₹229.45 in FY12 as a result of the increase in taxable income. L&T Finance Holding's effective rate of tax was 35.28% in FY11 and 33.53% in FY12. Profit after tax increased by 16% from ₹391.16 crores in FY11 to ₹454.79 crores in FY12.

## **Standalone Performance of L&T Finance Holdings during FY12**

On a standalone basis, L&T Finance Holding's income increased from ₹5.69 crores in FY11 to ₹129.42 crores in FY12, primarily as a result of dividend income from subsidiaries. Operating income increased from ₹5.69 crores in FY11 to



₹ 111.83 crores in FY12. Total expenditure increased from ₹ 5.47 crores in FY11 to ₹ 40.52 crores in FY12. PAT increased from ₹ 0.13 crores in FY 2011 to ₹ 71.25 crores in FY 2012.

## Performance of material subsidiaries

### L&T Finance Limited

#### Income

Total income increased by 28% from ₹ 1399.63 crores in FY11 to ₹ 1789.45 crores in FY12. Operating income increased by 28% from ₹ 1378.44 crores in FY11 to ₹ 1761.70 crores in FY12. This increase was primarily the result of a 25% increase in the net loans and advances made by L&T Finance from ₹ 9989.98 crores as on March 31, 2011 to ₹ 12510.22 crores as on March 31, 2012, which resulted in an increase in interest income on loans and advances by 27% from ₹ 1304.92 crores in FY11 to ₹ 1663.00 crores in FY12. In addition, lease income increased by 29% from ₹ 70.13 crores in FY11 to ₹ 91.01 crores in FY12. The general growth in L&T Finance's business was primarily due to robust business in the rural products segment as well as good off-take in corporate loans and leases.

The average volume of L&T Finance's loans and advances, defined as the average of opening and closing year-end balances of its outstanding loans and advances for the Fiscal Year, increased by 37% from ₹ 8203.50 crores as on March 31, 2011 to ₹ 11250.10 crores as on March 31, 2012 due to higher volumes of financing in the rural products financing businesses.

#### Expenditure

Total expenditure increased by 42% from ₹1049.78 crores in FY11 to ₹ 1494.18 crores in FY12, primarily due to an increase in finance cost. As a percentage of average assets, L&T Finance's expenditure increased marginally to 11.97% in FY12 compared to 11.55% in FY11 mainly as a result of an increase in the cost of borrowing. Interest and other finance charges related to L&T Finance's borrowings

increased by 58% from ₹ 641.28 crores in FY11 to ₹ 1014.65 crores in FY12 primarily as a result of a 24% increase in year-end borrowings, from ₹ 8842.47 crores in FY11 to ₹ 10992.33 crores in FY12. This increase also reflects an increase in borrowing costs from 8.40% in FY11 to 9.36% in FY12, resulting from higher interest rates. Rising interest cost and falling yield has lowered Net Interest Margin from 7.31% to 5.69%.

Operating expenses increased by 33% from ₹ 129.59 crores in FY11 to ₹ 172.79 crores in FY12, primarily due to an increase in rental expenses and brokerage. Despite an increase in gross loans and advances of 25%, credit losses decreased by 8% from ₹ 159.47 crores in FY11 to ₹ 146.21 crores in FY12, primarily as a result of reduction in foreclosure losses. During the year, the company provided ₹ 75 crores on microfinance portfolio of Andhra Pradesh and wrote off ₹ 90.58 crores of loan portfolio.

Employee costs increased by 54% from ₹ 65.98 crores in FY11 to ₹ 101.65 crores in FY12 due to an increase in headcount to service higher volumes of business, particularly in the retail business. L&T Finance's headcount increased by 18% from 1,422 as at March 31, 2011 to 1,684 as at March 31, 2012. Depreciation and amortization increased by 10% from ₹ 53.43 crores in FY11 to ₹ 58.86 crores in FY12, which was primarily the result of an increase in assets under operating leases.

### **Profit**

For the reasons stated above, L&T Finance's profit before tax decreased by 16% from ₹ 349.85 crores in FY11 to ₹ 295.27 crores in FY12. As a percentage of total income, L&T Finance's profit before tax decreased from 25% in FY11 to 16% in FY12, primarily as a result of falling Net Interest Margin. Current tax decreased by 24% from ₹ 151.30 crores in FY11 to ₹ 115.08 crores in FY12 as a result of the decrease in L&T Finance's taxable income. L&T Finance's effective rate of tax was 34.13% in FY11 and 32.60% in FY12. Profit after tax decreased by 14% from ₹ 230.44 crores in FY11 to ₹ 199.01 crores in FY12.

## L&T Infrastructure Finance Company Limited

### Income

Total income increased by 68% from ₹ 703.97 crores in FY11 to ₹ 1183.90 crores in FY12. This increase was primarily the result of a 46% increase in the net loans and advances made by L&T Infra from ₹ 7177.74 crores as on March 31, 2011 to ₹ 10464.56 crores as on March 31, 2012, which resulted in an increase in interest income on loans and advances by 70% from ₹ 663.40 crores in FY11 to ₹ 1127.79 crores in FY12. In addition, fee income increased by 25% from ₹ 24.04 crores in FY11 to ₹ 29.96 crores in FY12. The general growth in L&T Infra's business was primarily due to robust business in the roads and renewable power segment.

The average volume of L&T Infra's loans and advances, defined as the average of opening and closing year-end balances of its outstanding loans and advances for the Fiscal Year, increased by 54% from ₹ 5716.58 crores as on March 31, 2011 to ₹ 8821.15 crores as on March 31, 2012.

### Expenditure

L&T Infra's total expenditure increased from ₹409.99 crores in FY11 to ₹ 805.75 crores in FY12, primarily due an increase in interest and finance charges, and provisions and contingencies. As a percentage of average assets, L&T Infra's expenditure increased to 8.5% in FY12 compared to 6.8% in FY11 mainly as a result of an increase in the cost of borrowing and provision expenses. Finance cost



increased from ₹ 380.16 crores in FY11 to ₹ 717.44 crores in FY12 primarily as a result of a 45% increase in year-end borrowings, from ₹ 6183.49 crores in FY11 to ₹ 8942.13 crores in FY12 as well as a marked increase in interest rates. This increase also reflects an increase in borrowing costs from 8.06% in FY11 to 9.49% in FY12, resulting from higher interest rates. Rising interest cost and falling yield has lowered Net Interest Margin from 5.09% to 4.73%.

Operating expenses increased from ₹ 10.50 crores in FY11 to ₹ 34.56 crores in FY12, primarily due to an increase in management fees, corporate support charges, rent and professional fees. Credit losses increased from ₹ 5.78 crores in FY11 to ₹ 33.23 crores in FY12, primarily on account of an increase in standard asset and NPA provision. Employee costs increased from ₹ 13.27 crores in FY11 to ₹ 19.88 crores in FY12.

#### **Profit**

For the reasons stated above, L&T Infra's profit before tax increased by 29% from ₹ 293.97 crores in FY11 to ₹ 378.15 crores in FY12. L&T Infra's current tax increased by 62% from ₹76.60 crores in FY11 to ₹123.91 crores in FY12. L&T Infra's effective rate of tax was 31.68% in FY11 and 30.19% in FY12. Profit after tax increased by 31% from ₹ 200.82 crores in FY11 to ₹ 263.95 crores in FY12.



*L&T Finance Holdings*

**The will to grow.  
The expertise to  
get results.**







# Directors' Report & Financial Statements



***L&T Finance Holdings***

## Directors' Report

The Directors have pleasure in presenting their Annual Report together with the Accounts of your Company for the year ended March 31, 2012.

### Financial Results

The summarized financial results of the Company are given hereunder:

(₹ Lakhs)

Particulars	2011-12	2010-11
<b>Gross Income</b>	12,942.14	569.38
<b>Profit before Tax</b>	8,889.99	21.52
Provision for Tax	1,764.96	8.00
<b>Profit after Tax</b>	7,125.03	13.52
Add : Balance brought forward from previous year	233.81	223.29
<b>Balance available for appropriation</b>	<b>7,358.84</b>	<b>236.81</b>
Appropriations:		
Statutory Reserve	1,425.01	3.00
<b>Surplus carried forward to Balance Sheet</b>	<b>5,933.83</b>	<b>233.81</b>

### Appropriations

The Company proposes to transfer ₹ 1,425.01 lakhs (Previous year ₹ 3 lakhs) to Special Reserve created u/s 45-IC of Reserve Bank of India Act, 1934 and retain ₹ 5,933.83 lakhs (Previous year ₹ 233.81 lakhs) in the Profit and Loss Account of the Company.

### Dividend

Your Directors have considered it financially prudent in the long-term interests of the Company to reinvest the profits into the business of the Company to build a strong reserve base and grow the business of the Company. No dividend has therefore been recommended for the year ended March 31, 2012.

### Year In Retrospect

On July 7, 2011, the Company has, by way of a pre-IPO placement, allotted 60,000,000 equity shares to two investors for an aggregate consideration of ₹ 3,300,000,000 at a price of ₹ 55/- per equity share. Further, pursuant to the prospectus dated August 3, 2011, the Company has on August 6, 2011, issued and allotted 27,330,300 equity shares to Anchor Investors at ₹ 56/- per equity share, 10,000,000 equity shares to eligible employees at ₹ 50/- per equity share and 200,375,061 equity shares to the Public at ₹ 52/- per equity share, in all aggregating to 237,705,361 equity shares for an aggregate consideration of ₹ 12,449,999,972.

In the backdrop of weak appetite of the investors in general to corporate offerings in the primary market, the Initial Public Offering (IPO) of your Company received an overwhelming response across all categories. The Issue was widely subscribed across the band. The shares of the Company were listed on National Stock Exchange of India Limited and BSE Limited on August 12, 2011.

During the year, the Company has issued 31,825 equity shares to various employees pursuant to their exercise of stock options under ESOP 2010 scheme.

The paid up capital of your Company increased to ₹ 17,147,616,120 as at March 31, 2012 from ₹ 14,170,244,260 as at March 31, 2011, post allotment of Pre IPO and IPO Shares and exercise of employee stock options.

### New Initiatives and Diversification

During the year, your Company had identified a few new opportunities with a view to diversify its business so as to make its offerings holistic and insulate its investors from slowdowns due to sector specific business exposures.

With the signing of definitive agreements for the acquisition of Indo Pacific Housing Finance Limited (IPHF), a small sized housing finance company during the later part of the year, your Company has announced its entry into the housing finance business. Consummation of the transaction is subject to regulatory approvals.

Further, L&T Finance Limited, a subsidiary of your Company has executed definitive agreements to acquire, directly or through one of its subsidiaries, FIL Fund Management Private Limited (Fidelity AMC) & FIL Trustee Company Private Limited, the companies carrying on the mutual fund business of Fidelity in India, subject to regulatory approvals. Your Directors wish to inform you that the acquisition would help deepening the presence of your Company across various sectors in financial services through the operations of its subsidiaries, besides reinforcing its brand connecting lakhs of retail investors.

### Fixed Deposits

The Company has not accepted any public deposits.

### Directors

Mr. Y. M. Deosthalee who was earlier associated with the Company in the capacity of Non-Executive Chairman has been appointed as the Chairman & Managing Director of the Company from September 6, 2011, subject to the approval of the shareholders of the Company.

During the year, the Company has appointed Ms. Kamakshi Rao as an Additional Director of the Company. Ms. Rao holds office up to the date of ensuing Annual General Meeting of the Company and is eligible for re-appointment.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. A. K. Jain, Mr. S. V. Haribhakti and Mr. B. V. Bhargava retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment.

### **Employee Stock Option Scheme**

The disclosures required to be made under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, together with a certificate obtained from the Statutory Auditors, confirming compliance thereto, are provided in Annexure A forming part of this Report.

### **Corporate Governance**

Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges, a report on Corporate Governance and a certificate obtained from the Statutory Auditors confirming compliance thereto, is given as Annexure B to this Report.

### **Management Discussion & Analysis**

Management Discussion & Analysis is given elsewhere in this Annual Report.

### **Auditors**

The Auditors, M/s. Sharp & Tannan (S&T), hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956. S&T has submitted the Peer Review Certificate dated September 21, 2010 issued to them by the Institute of Chartered Accountants of India (ICAI).

### **Particulars of Employees**

The Board of Directors wishes to express its appreciation to all the employees for their outstanding contribution to the operations of the Company during the year. The information required under Section 217(2A) of the Companies Act, 1956, and the Rules made thereunder, is provided in the Annexure forming part of the Report. In terms of Section 219(1)(b)(iv) of the Act, the Report and Accounts are being sent to the shareholders excluding the aforesaid Annexure. Any shareholder interested in obtaining a copy of the same may write to the Company Secretary. None of the employees listed in the said Annexure is related to any Director of the Company.

### **Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

In view of the nature of activities being carried on by the Company, Rules 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption respectively, are not applicable to the Company.

There were no foreign exchange earnings during the year (Previous year ₹ Nil); the foreign exchange used by the Company during the year was ₹ 527.69 lakhs (Previous year ₹ Nil) towards professional fees and Directors' sitting fees.

### **Depository System**

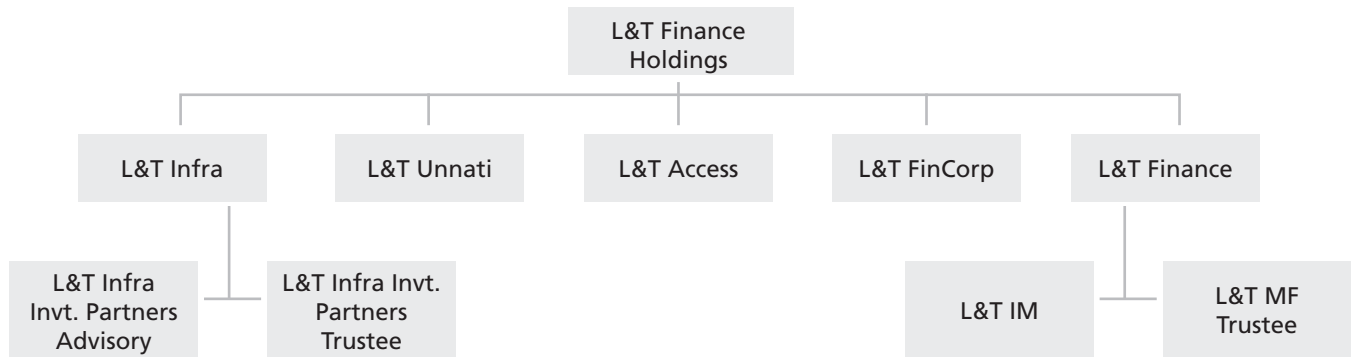
As the Members are aware, the Company's shares are compulsorily tradable in electronic form. As on March 31, 2012, 0.0002% of the Company's total paid up capital representing 3,315 shares is in physical form and remaining capital is in Demat form. In view of the numerous advantages offered by the Depository system, the Members holding shares in physical mode are advised to avail of the facility of dematerialization.

### **Subsidiary Companies**

The Company has the following direct and indirect subsidiary companies:

1. L&T Finance Limited ('L&T Finance')
2. L&T Infrastructure Finance Company Limited ('L&T Infra')
3. L&T FinCorp Limited ('L&T FinCorp')
4. L&T Investment Management Limited ('L&T IM')
5. L&T Mutual Fund Trustee Limited ('L&T MF Trustee')
6. L&T Infra Investment Partners Advisory Private Limited ('L&T Infra Invt. Partners Advisory')
7. L&T Infra Investment Partners Trustee Private Limited ('L&T Infra Invt. Partners Trustee')
8. L&T Access Financial Advisory Services Private Limited ('L&T Access')
9. L&T Unnati Finance Limited ('L&T Unnati')

The group structure is shown in the diagram below:



During the year, the Company has made strategic investments of ₹ 72,500 lakhs in its wholly owned subsidiaries, L&T Finance Limited, L&T Infrastructure Finance Company Limited and L&T FinCorp Limited (formerly India Infrastructure Developers Limited), to provide capital to these companies to enable them to raise resources for their continued business growth.

The Ministry of Corporate Affairs, vide its Circular No. 2/2011 dated February 8, 2011, has granted general exemption under Section 212(8) of the Companies Act, 1956, for not attaching annual reports of subsidiary companies subject to certain conditions being fulfilled by the Company. As required under the circular, the Board of Directors has, at its meeting held on April 26, 2012, passed a resolution giving consent for not attaching the Balance Sheet of the subsidiary companies. The Company has also given the required information on subsidiary companies in this Annual Report. The Shareholders who wish to have a copy of the full report and accounts of the subsidiaries will be provided the same on receipt of a written request from them. These documents will be placed on the Company's website viz. [www.ltfinanceholdings.com](http://www.ltfinanceholdings.com) and will also be available for inspection by any shareholder at the Registered Office of the Company, on any working day during business hours.

## Consolidated Financial Statements

Your Directors have pleasure in attaching the Consolidated Financial Statements pursuant to Clause 32 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India in this regard. The Auditors' Report to the Shareholders does not contain any qualification.

## Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors, based on the representations received from the Operating Management, and after due enquiry, confirm that:

- 1) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;

- 2) 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 as at March 31, 2012 and of the profit of the Company for the year ended on that date;
- 3) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) the annual accounts have been prepared on a going concern basis; and
- 5) proper systems are in place to ensure compliance of all laws applicable to the Company.

## Auditors' Report

The Auditors' Report is unqualified. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

## Reserve Bank of India Regulations

The Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2012.

## Acknowledgement

The Board of Directors would like to thank Reserve Bank of India and other Regulatory / Government authorities and Stock Exchanges for their support and stakeholders for their continued co-operation and support.

For and on behalf of the Board of Directors

**Y. M. Deosthalee**  
Chairman & Managing  
Director

**N. Sivaraman**  
President &  
Whole-time Director

Date : April 26, 2012  
Place : Mumbai

## Annexure 'A' to Directors' Report

Information required to be disclosed under SEBI (ESOS & ESPS) Guidelines, 1999

### Employee Stock Option Scheme 2010 (ESOP Scheme 2010)

The Company has formulated Employee Stock Option Scheme 2010 (ESOP Scheme - 2010) in the FY 2010-11. The Scheme is designed to provide stock options to employees of the Company, its subsidiaries and holding company.

#### Summary of ESOP Disclosure

A	Options Granted	15,460,500
B	Pricing Formula	At a price not below the face value of the equity share and not exceeding the issue price of IPO where the grant is made prior to listing, and at a price not below the face value of the equity share and not exceeding the market price as per SEBI guidelines where the grant is made after listing on such terms & conditions as the Board/Nomination & Remuneration Committee may decide.
C	Options Vested	1,385,866
D	Options exercised	31,825
E	Total No. of shares arising as a result of exercise of option	31,825
F	Options lapsed and/or withdrawn	1,856,235
G	Variation of terms of options	Nil
H	Money realised by exercise of options	₹ 1,406,665/-
I	Total number of options in force: Vested Unvested  Total	 1,350,666 12,221,774 <hr/> 13,572,440
J	Employee-wise details of options granted to: i. Senior Managerial Personnel ii. Any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during that year. iii. Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	 None None None
K	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of option	₹ 0.44
L	Disclosure regarding Employee Compensation Cost	For calculation of Employee Compensation costs, the Company has been using the intrinsic value method of ESOP valuation (as per SEBI Guidelines). Based on fair value of options as per the Black-Scholes Model, the profits for the year ended March 31, 2012 would have been lower by ₹ Nil (excluding ₹ 919.53 lakhs on account of grants to employees of subsidiary company) (Previous year lower by ₹ Nil). Consequently, the Basic and Diluted EPS would have been lower by ₹ Nil (previous year lower by ₹ Nil) and ₹ Nil (previous year lower by ₹ Nil) respectively.
M	Weighted average exercise price and Weighted average fair value	Weighted average exercise price of the options outstanding as at the year end: ₹ 44.20/-  Weighted average fair value of options outstanding as at the year end: ₹ 28.18/-

N	The description of the method and significant assumptions used during the year to estimate the fair value of the options	<p>I. Risk-free interest rate – This is the rate offered in the market with virtually zero risk. Normally the yield of Government backed securities with maturity similar to that of the option is taken into consideration.</p> <p>II. Expected life – Full life of the option is the period up to which it can be exercised.</p> <p>III. Expected volatility – Calculated by using the closing market prices of the Company's shares during the last one year.</p> <p>IV. Expected dividends – yield has been calculated on the basis of dividend yield of the financial year.</p> <p>V. The price of underlying shares in market at the time of option grant – closing market price on previous trading day on which the warrants are allotted on the stock exchange where the volume of shares traded is more.</p>
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### Auditors' Certificate on Employee Stock Option Scheme

We have examined the books of accounts and other relevant records and based on the information and explanations given to us, certify that in our opinion, the Company has implemented the Employee Stock Option Scheme in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Resolution of the Company in General Meeting held on November 29, 2010.

**SHARP & TANNAN**  
Chartered Accountants  
Registration No: 109982W  
by the hand of

**Milind P. Phadke**  
Partner  
Membership No: 033013  
Mumbai, April 26, 2012

## **Annexure 'B' to Directors' Report**

### **Report on Corporate Governance**

#### **A. Company's Corporate Governance Philosophy**

The Company's philosophy on Corporate Governance is founded upon a legacy of fair, ethical and transparent governance practices.

The Company has been guided by ethical principles and being transparent and fair in its business dealings and administration, and having adequate system of controls and checks in place to ensure that the executive decisions should result in optimum growth and development which benefits all the stakeholders. The Company aims to increase and sustain its corporate value through growth and innovation. Further, the Company has established systems and procedures to ensure that its Board of Directors is well informed and well equipped to fulfil its overall responsibilities and to provide management with the strategic direction needed to create long term shareholders' value. The Company has always worked towards building trust with the shareholders, employees, customers, suppliers and other stakeholders based on the principles of good corporate governance viz., integrity, equity, transparency, fairness, disclosure, accountability and commitment to values.

Corporate Governance is an ongoing process at L&T Finance Holdings. The Company believes that there is a need to view Corporate Governance as more than just regulatory requirements as there exists a fundamental link with the organisation of business, corporate responsibility and shareholder wealth maximisation.

#### **B. Board of Directors**

##### **1. Composition of the Board**

The Company has a broad based Board of Directors, constituted in compliance with the relevant guidelines issued by Reserve Bank of India, Companies Act, Listing Agreement and in accordance with best practices in Corporate Governance. The Board functions either as a full Board or through various Committees constituted to oversee specific areas. Policy formulation, setting up of goals and evaluation of performance and control functions vest with the Board.

Currently, the Board comprises of Mr. Y. M. Deosthalee, Chairman & Managing Director, Mr. N. Sivaraman, President & Whole-time Director and eight non-executive Directors.

Mr. R. Shankar Raman, Non-Executive Director, is the Chief Financial Officer and a member of the Board of Directors of Larsen & Toubro Ltd. Mr. A. K. Jain, Mr. S. V. Haribhakti, Mr. B. V. Bhargava, Mr. Subramaniam N., Mr. M. Venugopalan, Mr. P. V. Bhide and Ms. Kamakshi Rao are Independent Directors as defined in Clause 49 of the Listing Agreement.

With seven Independent Directors on the Board, the Company meets the spirit of Corporate Governance more than that mandated by the law.

##### **2. Meetings of the Board**

The Meetings of the Board are generally held at its Corporate office at the Metropolitan, 8th floor, Bandra Kurla Complex, Mumbai 400 051. During the year under review, 8 meetings were held on April 26, 2011, August 5, 2011, September 14, 2011, November 2, 2011, December 28, 2011, January 25, 2012, March 16, 2012 and March 29, 2012.

The Company Secretary prepares the agenda and the explanatory notes, in consultation with the Chairman & Managing Director or President & Whole-time Director and circulates the same in advance to the Directors. Every Director is free to suggest inclusion of items on the agenda. The Board meets at least once every quarter inter alia to review the quarterly results. Additional Meetings are held, when necessary. The Minutes of the proceedings of the Meetings of the Board of Directors are noted and the draft Minutes are circulated amongst the members of the Board for their perusal. Comments, if any, received from the Directors are also incorporated in the Minutes, in consultation with the Chairman. The Minutes are approved by the members of the Board at the next Meeting. Senior Management Personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and when necessary.



The attendance of the members of the Board at the Meetings held during the year and at the last Annual General Meeting and also number of other Directorships & Memberships/Chairmanships of Committees as on March 31, 2012 is as follows:

Name of Director	Nature of Directorship	Meetings held during the year	No. of Board Meetings attended	Attendance at last AGM <sup>@</sup>	No. of other Directorships	No. of Committee Memberships	
						As Member	As Chairman
Mr. Y. M. Deosthalee	CMD	8	8	Present	8(1)	4	4
Mr. N. Sivaraman	WTD	8	8	Present	8(3)	4	1
Mr. R. Shankar Raman	NED	8	5	Present	6	6	–
Mr. A. K. Jain	ID	8	8	NA	2	–	2
Mr. S. V. Haribhakti	ID	8	8	NA	13(7)	5	5
Mr. B. V. Bhargava	ID	8	7	NA	9	4	5
Mr. Subramaniam N.	ID	8	5	NA	1(3)	2	–
Mr. M. Venugopalan	ID	8	8	NA	4(3)	–	1
Mr. P. V. Bhide	ID	8	6	NA	7	1	2
Ms. Kamakshi Rao*	ID	8	3	NA	–	–	–

\* Appointed during the year on October 1, 2011.

@Previous AGM was prior to listing

CMD – Chairman & Managing Director  
NED – Non-Executive Director

WTD – Whole-time Director  
ID – Independent Director

- None of the above Directors is related inter-se.
- None of the Directors holds the office of Director in more than the permissible number of companies under the Companies Act, 1956. Also, the Committee Chairmanships / Memberships are within the limits laid down in Clause 49 of the Listing Agreement.
- Figures in brackets indicate directorship of private companies.

### 3. Information to the Board:

The Board of Directors has complete access to the information within the Company, which inter alia includes -

- Annual revenue budgets and capital expenditure plans of the Company, its subsidiaries and second level subsidiaries.
- Quarterly results and results of operations of subsidiaries, stepped down subsidiaries and business segments.
- Financing plans of the Company.
- Minutes of meetings of the Board of Directors, Audit Committee, Shareholders'/Investors' Grievance Committee, Nomination & Remuneration Committee, IPO Committee and Committee of Directors.
- Minutes of the Board Meetings of material subsidiaries.
- Details of any joint venture, acquisitions of companies or collaboration agreement.
- Material default, if any, in financial obligations to and by the Company or substantial non-payment for services rendered, if any.
- Any issue, which involves possible public liability claims of substantial nature, including any Judgment or Order, if any, which may have strictures on the conduct of the Company.

- Developments in respect of human resources.
- Non-compliance of any regulatory, statutory nature or listing requirements and investor service such as non-payment of dividend, delay in share transfer, etc., if any.

### 4. Post-meeting internal communication system:

The important decisions taken at the Board/Committee meetings are communicated to the concerned departments/subsidiary companies promptly.

### C. Board Committees

The Board has constituted the following committees:

- Audit Committee;
- Shareholders'/Investors' Grievance Committee;
- Nomination & Remuneration Committee;
- IPO Committee;
- Committee of Directors;
- Asset Liability Committee; and
- Risk Management Committee

## 1. Audit Committee

### (i) Terms of reference

The role of the Audit Committee includes the following:

- Holding discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review of the quarterly, half yearly and annual financial statements before submission to the Board and also ensuring compliance of internal control systems.
- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditors and the fixation of audit fees.
- Approving of payment to statutory auditors for any other services rendered by them.
- Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act; changes, if any, in accounting policies and practices and reasons for the same; major accounting entries involving estimates based on the exercise of judgment by management; significant adjustments made in the financial statement arising out of audit findings; compliance with listing and other legal requirements relating to financial statements; disclosure of any related party transactions & qualifications in the draft audit report; reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
- Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency, monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take steps in this matter.
- Reviewing, with the management, performance of statutory & internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of the internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussing with the internal auditors on any significant findings and follow up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern.
- Looking into the reasons for substantial defaults in the payment to the debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any.
- Review of information as prescribed under Clause 49 of the Listing Agreement.

### (ii) Composition

The Audit Committee was formed in 2009 and as on March 31, 2012, the Audit Committee comprises of:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. S. V. Haribhakti	Chairman	Independent
Mr. B. V. Bhargava	Member	Independent
Mr. R. Shankar Raman	Member	Non-Executive

### (iii) Meetings

The Committee met four times during the year on April 26, 2011, August 5, 2011, November 2, 2011 and January 25, 2012. The attendance of members at the meetings was as follows:

Name of the Director	No. of meetings held during the year	No. of meetings attended
Mr. S. V. Haribhakti	4	4
Mr. B. V. Bhargava	4	3*
Mr. R. Shankar Raman	4	2

\*Attended all meetings post listing.

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise. The Company Secretary is the secretary to the Committee.

#### (iv) Internal Audit

The Internal Audit department of L&T Finance Limited provides internal audit services to the Company.

## 2. Shareholders'/Investors' Grievance Committee

### (i) Terms of reference

The role of the Shareholders'/Investors' Grievance Committee includes the following:

- review of cases for refusal of transfer/transmission of shares and debentures;
- redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.;
- reference to statutory and regulatory authorities regarding investor grievances; and
- otherwise ensuring proper and timely attendance and redressal of investor queries and grievances.

### (ii) Composition

The Shareholders'/Investors' Grievance Committee of the Board was formed in 2010 and as on March 31, 2012 the Committee comprises of:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. A. K. Jain	Chairman	Independent
Mr. Subramaniam N.	Member	Independent
Mr. R. Shankar Raman	Member	Non-Executive

### (iii) Meetings:

The Committee met four times during the year on July 4, 2011, September 7, 2011, November 2, 2011 & January 25, 2012. The attendance of members at the meetings was as follows:

Name of the Director	No. of meetings held during the year	No. of meetings attended
Mr. A. K. Jain	4	4
Mr. Subramaniam N.	4	3
Mr. R. Shankar Raman	4	3

### (iv) Details of Shareholders' Requests/Complaints

During the year under review, the Company has resolved investor grievances expeditiously except for the cases constrained by disputes or legal impediments. During the year under review, the Company/its Registrar received the following complaints from SEBI/Stock Exchanges

and queries from the shareholders, which were resolved within the time frame laid down by SEBI.

Particulars	Opening Balance	Received	Resolved	Pending
<b>Complaints :</b>				
SEBI/Stock Exchanges	Nil	41	41	Nil
<b>Queries :</b>				
Transmission/Transfer	Nil	Nil	Nil	Nil
Demat/Remat	Nil	20	20	Nil

The Board has delegated the powers to approve transfer of physical shares and to approve remat of shares to a Share Transfer Committee comprising of three senior Executives. This Committee held five meetings during the year for conducting the business delegated to it.

Mr. N. Suryanarayanan, Company Secretary is the Compliance Officer.

## 3. Nomination & Remuneration Committee (N&R Committee)

### (i) Terms of reference

The role of the Nomination & Remuneration Committee includes the following:

- to review the overall compensation policy, service agreements and other employment conditions of Executive Directors and senior executives just below the Board of Directors and make appropriate recommendations to the Board of Directors;
- to review the overall compensation policy for Non-Executive Directors and Independent Directors and make appropriate recommendations to the Board of Directors;
- to make recommendations to the Board of Directors on the increments in the remuneration of the Directors;
- to assist the Board in developing and evaluating potential candidates for senior executive positions and to oversee the development of executive succession plans;
- to review and approve on an annual basis the corporate goals and objectives with respect to compensation for the senior executives and make appropriate recommendations to the Board of Directors;
- to evaluate at least once in a year the senior executive officer's performance in the light of these established goals and objectives and based on these evaluations, set the senior executive officer's annual

compensation, including salary, bonus and equity and non-equity incentive compensation;

- to review and make appropriate recommendations to the Board of Directors on an annual basis, on the evaluation process and compensation structure for the Company's officers just below the level of the Board of Directors;
- to evaluate the performance of the Company's senior executives just below the level of the Board of Directors and to recommend to the Board of Directors the annual compensation, including salary, bonus and equity and non-equity incentive compensation, for such senior executives, based on initial recommendations from the Managing Director;
- to provide oversight of management's decisions concerning the performance and compensation of other officers of the Company;
- to review incentive compensation arrangements to confirm that incentive pay does not encourage unnecessary risk taking and to review and discuss, at least annually, the relationship between risk management policies and practices, corporate strategy and senior executive compensation;
- to maintain regular contact with the leadership of the Company, including interaction with the Company's human resources department, review of data from the employee survey and regular review of the results of the annual leadership evaluation process; and
- to formulate the Employee Stock Option Scheme (ESOS), decide the terms and conditions, make appropriate recommendations to the Board of Directors and administer and superintend ESOS.

**(ii) Composition:**

The Nomination & Remuneration Committee of the Board was formed in 2010 and as on March 31, 2012 the Committee comprises of:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. S. V. Haribhakti	Chairman	Independent
Mr. Subramaniam N.	Member	Independent
Mr. M. Venugopalan	Member	Independent
Mr. Y. M. Deosthalee	Member	CMD

**(iii) Meetings:**

The Committee met four times during the year on August 5, 2011, September 14, 2011, January 13, 2012 & January 25, 2012. The attendance of members at the meetings was as follows:

Name of the Director	No. of meetings held during the year	No. of meetings attended
Mr. S. V. Haribhakti	4	4
Mr. Subramaniam N.	4	3
Mr. M. Venugopalan	4	4
Mr. Y. M. Deosthalee	4	4

**(iv) Board Membership Criteria**

While screening, selecting and recommending to the Board new members, the Committee ensures that the Board is objective, there is absence of conflict of interest, ensures availability of diverse perspectives, business experience, legal, financial & other expertise, integrity, managerial qualities, practical wisdom, ability to read and understand financial statements, commitment to ethical standards and values of the Company and ensure healthy debates and sound decisions.

While evaluating the suitability of a Director for re-appointment, besides the above criteria, the Committee considers the past performance, attendance & participation in and contribution to the activities of the Board by the Director.

The Independent Directors comply with the definition as given under Clause 49 of the Listing Agreement. While appointing / re-appointing any NEDs on the Board, the Committee considers the criteria as laid down in the Listing Agreement.

**(v) Remuneration Policy:**

The remuneration of the Board members is based on the Company's size, its economic and financial position, industrial trends, compensation paid by the peer companies, etc. Compensation reflects each Board member's responsibility and performance. The level of compensation to Executive Directors is designed to be competitive in the market for highly qualified executives. The Director on the Board who is in the service of Larsen & Toubro Limited draws remuneration from Larsen & Toubro Limited and is not paid any sitting fees separately for attending the meetings of the Board and/any Committee of the Company.

The Company pays remuneration to Executive Directors by way of salary, perquisites, retirement benefits (fixed components) and variable remuneration, based on recommendation of the Nomination & Remuneration Committee, approval of the Board and the shareholders.

The NEDs are paid remuneration by way of commission & sitting fees. The Company pays sitting fees of ₹ 20,000 per meeting to the NEDs for attending the meetings of the Board and Committees. The commission

is paid as per limits approved by the shareholders, subject to a limit not exceeding 1% p.a. of the profits of the Company (computed in accordance with Section 309(5) of the Companies Act, 1956).

As required by the provisions of Clause 49 of the Listing Agreement, the criteria for payment to NEDs is made available on the investor page of the corporate website [www.ltfinanceholdings.com](http://www.ltfinanceholdings.com)

**(vi) Details of remuneration paid/payable to Directors for the year ended March 31, 2012:**

**(a) Executive Directors:**

The details of remuneration paid / payable to the Executive Directors are as follows<sup>@</sup>:

Name	Salary & Perquisites (₹)	Variable Remuneration* (up to) (₹)	Retirement Benefits (₹)	Total (₹)
Mr. Y. M. Deosthalee	8,661,950	32,932,877	922,500	42,517,327
Mr. N. Sivaraman	8,159,551	24,100,000	324,000	32,583,551

<sup>@</sup> Subject to the approval of the Shareholders

\* Subject to the approval of the Shareholders and to be decided by the Board

- Notice period for termination of appointment of Chairman & Managing Director and other Whole-time Director is six months on either side.
- No severance pay is payable on termination of appointment.

**(b) Non-Executive Directors:**

The details of remuneration paid / payable to the Non-executive Directors are as follows:

Name	Sitting Fees for Board Meeting (₹)	Sitting Fees for Committee Meeting (₹)	Commission (up to)* (₹)	Total (₹)
Mr. R. Shankar Raman	Nil	Nil	Nil	Nil
Mr. A. K. Jain	160,000	80,000	900,000	1,140,000
Mr. S. V. Haribhakti	160,000	160,000	900,000	1,220,000
Mr. B. V. Bhargava	140,000	60,000	1,100,000	1,300,000
Mr. Subramaniam N.	100,000	120,000	900,000	1,120,000
Mr. M. Venugopalan	160,000	80,000	900,000	1,140,000
Mr. P. V. Bhide	120,000	Nil	900,000	1,020,000
Ms. Kamakshi Rao	60,000	Nil	450,000	510,000

\*to be decided by the Board subject to the shareholders' approval.

Details of shares held by the Non-Executive Directors as on March 31, 2012 are as follows:

Name	No. of Shares
Mr. R. Shankar Raman	24,462
Mr. A. K. Jain	Nil
Mr. B. V. Bhargava	Nil
Mr. S. V. Haribhakti	Nil
Mr. Subramaniam N.	Nil
Mr. M. Venugopalan	1,490
Mr. P. V. Bhide	Nil
Ms. Kamakshi Rao	Nil

#### 4. IPO Committee

##### (i) Terms of reference

The IPO Committee of the Company was constituted to handle matters related to the IPO of the Company such as the appointment of various intermediaries including merchant bankers, registrars, printers, advertisement and publicity agents, legal counsels and bankers to the Issue, submission of applications and documents to statutory and other authorities from time to time, determination of the price band and the issue price and other aspects related thereto, as may be delegated by the Board in this regard.

##### (ii) Composition:

The IPO Committee of the Board was formed in 2010 and comprised of:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Y. M. Deosthalee	Chairman	CMD
Mr. N. Sivaraman	Member	WTD
Mr. Suneet K. Maheshwari	Member	NA*

\*Not applicable

##### (iii) Meetings:

The Committee met ten times during the year on June 28, 2011, July 4, 2011, July 7, 2011, July 15, 2011, July 21, 2011, July 26, 2011, July 30, 2011, August 3, 2011, August 6, 2011 & August 8, 2011. The attendance of members at the meetings was as follows:

Name of the Director	No. of meetings held during the year	No. of meetings attended
Mr. Y. M. Deosthalee	10	10
Mr. N. Sivaraman	10	10
Mr. Suneet K. Maheshwari	10	10

Post IPO of the Company, the Committee stands dissolved.

#### 5. Committee of Directors

##### (i) Terms of reference:

The Committee of Directors of the Company was constituted to facilitate the operational decisions within the broad framework laid down by the Board such as day to day operational decisions of the Company in terms of borrowing power, additional investment in subsidiaries, authentication of information in connection with the IPO of the Company, etc.

##### (ii) Composition:

The Committee of Directors was formed in 2011 and as on March 31, 2012 the Committee comprises of:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Y. M. Deosthalee	Member	CMD
Mr. N. Sivaraman	Member	WTD
Mr. R. Shankar Raman	Member	Non-Executive

##### (iii) Meetings:

The Committee met nine times during the year on April 26, 2011, July 7, 2011, July 13, 2011, July 30, 2011, August 10, 2011, November 22, 2011, December 12, 2011, January 2, 2012 and March 2, 2012. The attendance of members at the Meetings was as follows:

Name of the Director	No. of meetings held during the year	No. of meetings attended
Mr. Y. M. Deosthalee	9	8
Mr. N. Sivaraman	9	8
Mr. R. Shankar Raman	9	9

#### 6. Asset Liability Committee (ALCO) & Risk Management Committee

The aforesaid special purpose Committees have been constituted during the year for effective risk management in various portfolios and in compliance with RBI Circular on Corporate Governance. Since these Committees were constituted by the Board on March 29, 2012, no meeting was held during the year.



## D. Nomination on Boards of Material Subsidiaries

The Company has ensured that atleast 1 independent director of the Company is nominated on the Board of each Material Subsidiary of the Company. As at March 31, 2012, Mr. P. V. Bhide and Mr. Subramaniam N. were nominees on the Board of Directors of L&T Finance Limited; Mr. A. K. Jain and Mr. B. V. Bhargava were nominees on the Board of Directors of L&T Infrastructure Finance Company Limited.

## E. Other Information

### Training of Directors:

All Directors of the Company are aware and are also updated as and when required, of their roles, responsibilities & liabilities.

### Information to Directors:

The Board of Directors has complete access to the information within the Company, which inter alia, includes items as mentioned in point no. B3 of the Corporate Governance Report. Presentations are made regularly to the Board and its Committees, where Directors get an opportunity to interact with management.

Independent Directors have the freedom to interact with the Company's management. Interactions happen during Board/Committee meetings, when senior company personnel are asked to make presentations about the performance of the Company to the Board.

### Risk Management Framework:

The Company has in place mechanisms to inform Board members about the risk assessment and minimization procedures and periodical review to ensure that executive management controls risk by means of a properly defined framework. A detailed note on risk management is given in the Management Discussion and Analysis report forming part of the Annual Report.

### Statutory Auditors:

The Board has recommended to the shareholders, the re-appointment of Sharp & Tannan (S&T) as Statutory Auditors. S&T has furnished a declaration confirming their independence as well as their arm's length relationship with the Company, also declaring that they have not taken up any prohibited non-audit assignments for the Company. The Company believes that S&T, over a period of time, has gained extensive knowledge of the Company and its business, which is essential to ensure audit quality & audit objectivity. Robust internal control systems and risk management framework, review of Auditors' performance by the Audit Committee and peer review of the Audit firm, are some of the more important factors that prevent audit failures. Mr. Milind P. Phadke has signed the audit report for FY 2011-12 on behalf of S&T.

### Code of Conduct:

The Company has laid down a Code of Conduct for all Board members and Senior Management Personnel. The Code of Conduct is available on the website of the Company [www.ltfinanceholdings.com](http://www.ltfinanceholdings.com). The declaration of Chairman & Managing Director is given below:

#### To the Shareholders of L&T Finance Holdings Limited

Sub: Compliance with Code of Conduct

I hereby declare that all the Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct as adopted by the Board of Directors.

Y. M. Deosthalee  
Chairman & Managing Director

Date: April 26, 2012  
Place: Mumbai

### General Body Meetings:

The last three Annual General Meetings of the Company were held at L&T House, Ballard Estate, Mumbai – 400 001, the registered office of the Company as under:

Year	Date	Time
2008-09	June 16, 2009	11.30 AM
2009-10	August 23, 2010	10.30 AM
2010-11	June 30, 2011	11.00 AM

The following Special Resolutions were passed by the shareholders during the past 3 Annual General Meetings:

Year	Date	Resolution
2008-09	June 16, 2009	Appointment of Mr. N. Suryanarayanan as Manager of the Company
2010-11	June 30, 2011	Appointment of Mr. N. Sivaraman as President & Whole-time Director of the Company

### Postal Ballot

No Special Resolution was passed through Postal Ballot in FY 2011-12. However in FY 2012-13, the following Special Resolutions are proposed to be passed through postal ballot:

- 1) Payment of remuneration to Non-Executive Directors.
- 2) Ratification of Employee Stock Option Scheme-2010, instituted by the Company, prior to its IPO.
- 3) Extension of Employee Stock Option Scheme-2010, instituted by the Company, prior to its IPO, to the eligible employees of the holding Company, subsidiary and associate companies if permitted by law.

**Disclosures:**

- During the year, there were no transactions of material nature with the Directors, Management, their relatives or the subsidiaries, that had potential conflict with the interests of the Company.
- Details of all related party transactions form a part of the accounts as required under AS 18 and the same forms part of the Annual Report.
- The Company has followed all relevant Accounting Standards notified by the Companies (Accounting Standards) Rules, 2011 while preparing the Financial Statements.
- There were no instances of non-compliance on any matter related to the capital markets, during the last three years.

**Change in Accounting Policy:**

- The Company has changed its accounting policy for goodwill arising on acquisition effective April 1, 2011 from amortisation to testing for impairment, annually.

Management believes that this change in accounting policy aligns with the generally accepted practices and reflects enduring benefits to be derived from goodwill arising on acquisition. Consequently, profit before tax is higher by ₹ 489.78 lakhs for the year ended March 31, 2012.

**Means of Communication:**

- Quarterly Results are communicated through a Press Release and newspaper advertisements in prominent national and regional dailies like the Economic Times, Business Standard, Financial Express, Mint, Free Press Journal and Navshakti.
- The financial results, official news releases and presentations are also displayed on the website of the Company (www.ltfinanceholdings.com)
- Annual Report is circulated to all the shareholders and all others like auditors, equity analysts, etc.
- Management Discussion & Analysis forms a part of the Annual Report which is mailed to the shareholders of the Company.

**General Shareholders' Information:**

<b>Annual General Meeting</b>	Thursday, August 9, 2012 at 3.00 p.m. Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020
<b>Financial Year</b>	April 1, 2011 to March 31, 2012
<b>Date of Book Closure</b>	Tuesday, August 7, 2012 to Thursday, August 9, 2012 (both days inclusive)
<b>Dividend Payment Date</b>	Not Applicable
<b>Listing on Stock Exchanges</b>	1. BSE Limited 2. National Stock Exchange of India Limited The Company has paid the listing fees to the Stock Exchanges.
<b>Stock Code</b>	BSE : 533519 NSE : L&TFH

**Financial Calendar**

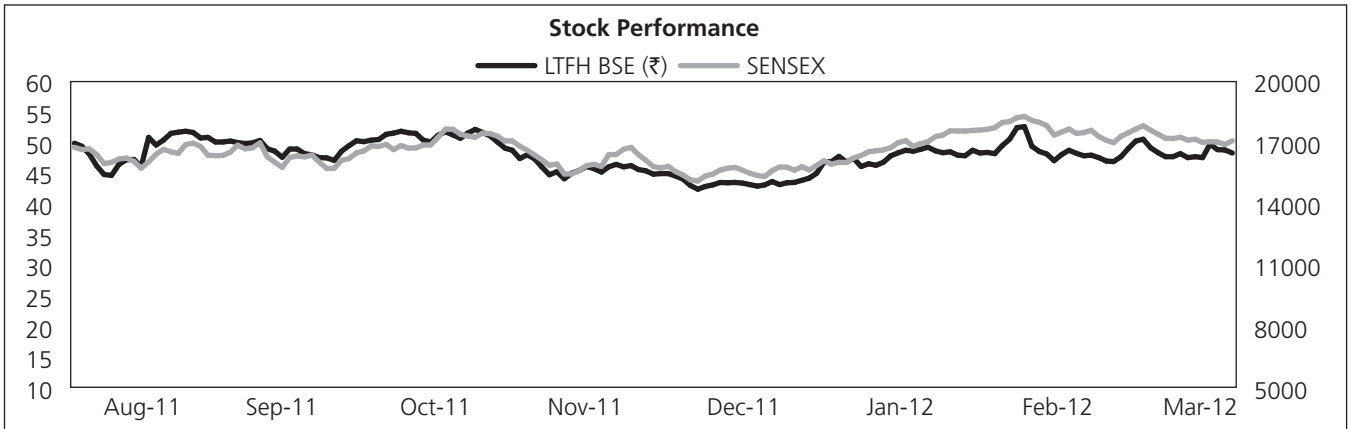
<b>First quarter</b>	During 3 <sup>rd</sup> week of July 2012*
<b>Second quarter</b>	During 4 <sup>th</sup> Week of October 2012*
<b>Third quarter</b>	During 4 <sup>th</sup> week of January 2013*

\* Tentative

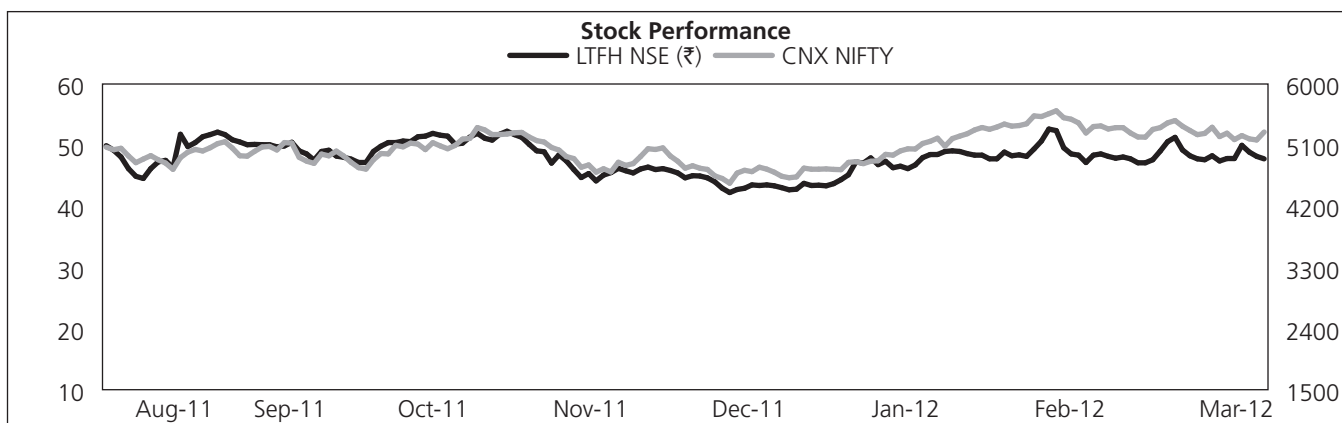


**Market Price Data and Performance in comparison to broad based indices**

Month	LTFH BSE Price (₹)			BSE SENSEX		
	High	Low	Month close	High	Low	Month close
Aug-2011	50.90	44.70	49.65	16,840.80	15,848.83	16,676.75
Sep-2011	51.90	47.65	48.05	17,165.54	16,051.10	16,453.76
Oct-2011	51.90	47.15	51.30	17,804.80	15,792.41	17,705.01
Nov-2011	52.20	44.15	45.25	17,569.53	15,695.43	16,123.46
Dec-2011	46.50	42.45	42.95	16,877.06	15,175.08	15,454.92
Jan-2012	48.95	43.15	48.95	17,233.98	15,517.92	17,193.55
Feb-2012	52.65	47.10	48.80	18,428.61	17,300.58	17,752.68
Mar-2012	50.60	46.95	48.35	17,919.30	17,052.78	17,404.20



Month	LTFH NSE Price (₹)			CNX NIFTY		
	High	Low	Month close	High	Low	Month close
Aug-2011	50.80	44.70	49.80	5,072.95	4,747.80	5,001.00
Sep-2011	52.10	47.70	48.15	5,153.25	4,835.40	4,943.25
Oct-2011	51.95	47.05	51.20	5,360.70	4,751.30	5,326.60
Nov-2011	52.20	44.15	45.35	5,289.35	4,706.45	4,832.05
Dec-2011	46.35	42.50	42.85	5,062.60	4,544.20	4,624.30
Jan-2012	49.05	42.95	49.05	5,204.70	4,636.75	5,199.25
Feb-2012	52.55	47.10	48.75	5,607.15	5,235.70	5,385.20
Mar-2012	50.85	47.00	47.85	5,463.90	5,178.85	5,295.55



<b>Registrar and Transfer Agents</b>	Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex 2nd floor, Sakinaka Telephone Exchange Lane Andheri - Kurla Road, Sakinaka, Andheri (E), Mumbai – 400 072 Tel: +91 22 6191 5400/412 • Fax: +91 22 6191 5444 E-mail: sharepro@shareproservices.com
<b>Share Transfer System</b>	The Board has delegated the authority for approving transfer, transmission etc. of the Company's securities to the Share Transfer Committee.  The Company obtains from a Company Secretary in practice, half-yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the certificate with the Stock Exchanges.

**Distribution of Shareholdings as on March 31, 2012:**

Category (Shares)	Shareholders		Shareholding	
	Number	%	Number	%
Up to 500	353,805	90.93	67,043,995	3.91
501-1000	18,526	4.76	13,715,915	0.80
1001-2000	12,011	3.09	15,493,132	0.90
2001-3000	2,338	0.60	5,895,386	0.34
3001-4000	800	0.20	2,859,228	0.17
4001-5000	464	0.12	2,145,696	0.13
5001-10000	614	0.16	4,517,853	0.26
10001 and above	536	0.14	1,603,090,407	93.49
<b>TOTAL</b>	<b>389,094</b>	<b>100.00</b>	<b>1,714,761,612</b>	<b>100.00</b>

**Categories of Shareholders as on March 31, 2012:**

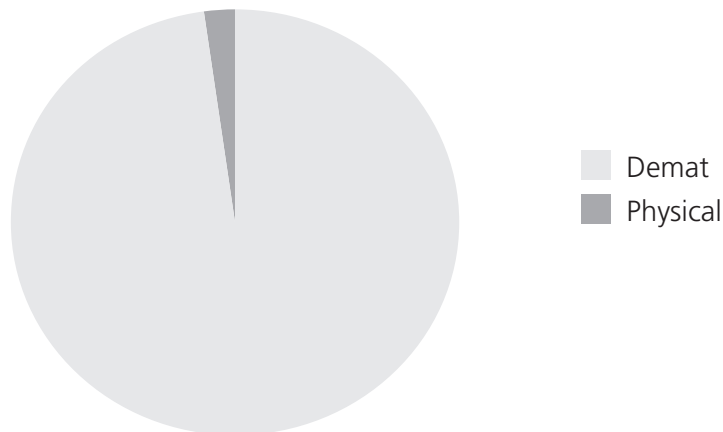
Category	Total Shares	% to Equity
Promoters	1,417,024,221	82.64%
Financial Institutions	1,812,452	0.11%
Foreign Institutional Investors	115,826,019	6.74%
Mutual Funds	10,692,124	0.62%
Bodies Corporate	12,285,307	0.72%
Directors & Relatives	664,064	0.04%
Resident Individuals & Trusts	129,499,077	7.55%
Banks	24,622,947	1.44%
Non Resident Indians	2,335,401	0.14%
<b>Total</b>	<b>1,714,761,612</b>	<b>100.00%</b>

**Dematerialisation of Shares:**

The Company's shares are required to be compulsorily traded in the Stock Exchanges in dematerialized form.

The number of shares held in dematerialized and physical mode is as under:

Particulars	No. of Shares	% of total Capital Issued
Held in Dematerialised Form in NSDL	1,677,620,343	97.83%
Held in Dematerialised Form in CDSL	37,137,954	2.17%
Physical	3,315	0.00%
Total	1,714,761,612	100.00%

**Shares held in Demat/Physical Form**


<b>Dematerialisation of shares and liquidity</b>	As on March 31, 2012 almost the entire equity capital was held in the dematerialised form with NSDL and CDSL. Only 3,315 shares were held in physical form.
<b>Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity</b>	The Company does not have any Outstanding GDRs/ADRs/Warrants or any other Convertible instrument as on date.
<b>Plant Locations</b>	As the Company is engaged in the business of Non Banking Financial Services, this section is not applicable.
<b>Address for correspondence</b>	<b>Sharepro Services (India) Private Limited</b> 13 AB, Samhita Warehousing Complex 2nd floor, Sakinaka Telephone Exchange Lane, Andheri-Kurla Road, Sakinaka, Andheri (E), Mumbai - 400 072 Tel: +91 22 6191 5400/412 Fax: +91 22 6191 5444 e-mail: sharepro@shareproservices.com
<b>Address of the Compliance Officer</b>	<b>Mr. N. Suryanarayanan, Company Secretary</b> L&T Finance Holdings Limited City - 2, 177, C.S.T. Road, Kalina, Santacruz (East), Mumbai - 400 098. Phone No.: 022 - 6621 7300 Fax No.: 022 - 6621 7515 e-mail : igrc@ltfinanceholdings.com

#### **Non-mandatory requirements on Corporate Governance recommended under Clause 49 of the Listing Agreement.**

The Company has adhered to most of the non-mandatory requirements of Corporate Governance norms as prescribed under Clause 49 of the Listing Agreement, which are described as follows:

- Remuneration Committee - Nomination & Remuneration Committee has been formed. The Committee comprises of three independent Directors and the Chairman & Managing Director of the Company.
- Audit Qualifications – All Audit Reports on the financial statements of the Company are unqualified.
- Training of Directors - All our Directors are updated as and when required, of their role, responsibilities & liabilities.

#### **Securities Dealing Code:**

Pursuant to the SEBI (Prohibition of Insider Trading) Regulations 1992, a Securities Dealing Code for prevention of insider trading is in place. The objective of the Code is to prevent purchase and / or sale of shares of the Company by an Insider on the basis of unpublished price sensitive information. Under this Code, Designated Persons are prevented from dealing in the Company's shares during the closure of Trading Window. To deal in securities beyond specified limit, permission of the Compliance Officer is also required. All the Designated Employees are also required to disclose related information periodically as defined in the Code. Directors and designated employees who buy and / or sell shares of the Company are prohibited from entering into an opposite transaction i.e. sell or buy any shares of the Company during the

next six months following the prior transactions. Directors and designated employees are also prohibited from taking positions in the derivatives segment of the Company's shares.

Mr. Shekhar Prabhudesai, Head – Secretarial & Compliance has been designated as the Compliance Officer.

#### **Secretarial Audit**

The Secretarial Audit, at regular intervals, is conducted by the Corporate Secretarial department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit. Further, as a good corporate governance practice, the Company has voluntarily undergone a Secretarial Audit by M/s. S. N. Ananthasubramanian & Co., Practising Company Secretaries, of the secretarial records and documents for the period under review in respect of compliance with the Companies Act, 1956, Listing Agreement and the applicable regulations and guidelines issued by Securities and Exchange Board of India.

As stipulated by SEBI, a Qualified Practising Company Secretary carries out Reconciliation of Share Capital Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges. The Audit confirms that the total listed and paid up capital is in agreement with the aggregate of the total number of shares in dematerialized form and in physical form.

## Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

(Issued in accordance with the provisions of Clause 49 of the Listing Agreement)

### To the Board of Directors of L&T Finance Holdings Limited

Dear Sirs,

We have reviewed the financial statements read with the cash flow statement of L&T Finance Holdings Limited for the year ended March 31, 2012 and that to the best of our knowledge and belief, we state that:

- a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that may be misleading;  
(ii) these statements present a true and fair view of the Company's affairs and are in compliance with current accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, and steps taken or proposed to be taken for rectifying these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee:
  - (i) significant changes in internal control over financial reporting during the year;
  - (ii) significant changes in accounting policies made during the year and that the same have been disclosed suitably in the notes to the financial statements; and
  - (iii) that there have been no instances of significant fraud of which we have become aware.

Yours sincerely,

**V. V. Subramanian**  
Chief Accounts Officer

**Y. M. Deosthalee**  
Chairman & Managing Director

Place: Mumbai

Date: April 26, 2012

# Auditors' Certificate on Compliance of Conditions of Corporate Governance

## To the Members of L&T Finance Holdings Limited

We have examined the compliance of conditions of corporate governance by L&T Finance Holdings Limited for the year ended March 31, 2012 as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us we certify that the Company has complied in all material respects with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Mumbai, April 26, 2012

**SHARP& TANNAN**  
Chartered Accountants  
Registration No: 109982W  
by the hand of  
**Milind P. Phadke**  
Partner  
Membership No: 033013

## Auditors' Report

### To the members of L&T Finance Holdings Limited

We have audited the attached Balance Sheet of **L&T Finance Holdings Limited** as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act 1956, we report that:

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have 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 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 Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
- (e) on the basis of the written representations received from directors of the Company as at March 31, 2012 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of Section 274 (1)(g) of the Companies Act, 1956; and
- (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Significant Accounting Policies and the Notes on the Financial Statements appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
  - (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
  - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### **SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
by the hand of

#### **MILIND P. PHADKE**

Partner  
Membership No. 033013  
Mumbai, April 26, 2012

## Annexure to the Auditors' Report

(Referred to in paragraph (1) of our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) As explained to us, these fixed assets have been accordingly physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size of the Company and nature of its assets. The frequency of physical verification is reasonable and no material discrepancies were noticed on such verification.
  - (c) The Company has not disposed of any substantial part of its fixed assets during the year so as to affect its going concern status.
2. The Company is a non-banking finance company and does not hold any inventories. Accordingly, Paragraph 4 (ii) (a), (b) and (c) of the Order is not applicable.
3. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Paragraph 4 (iii) (b), (c) and (d) of the Order is not applicable.
  - (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Paragraph 4 (iii) (f) and (g) of the Order is not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for services rendered. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
5. According to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956. Accordingly, Paragraph 4 (v) (b) of the Order is not applicable.
6. The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
7. The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Company, being a non-banking finance company, paragraph 4 (viii) of the Order is not applicable.
9. (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, service tax, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period exceeding six months from the date they became payable.
  - (b) According to the information and explanations given to us, there are no dues in respect of income tax, service tax, cess and other statutory dues as applicable that have not been deposited with the appropriate authorities on account of any dispute.
10. The Company has no accumulated losses as at March 31, 2012 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
11. 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 dues to any financial institution or bank as at the balance sheet date.
12. According to the information and explanations given to us and based on our examination of documents and records, we are of the opinion that the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, Paragraph 4 (xii) of the Order is not applicable.
13. The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company. Accordingly, Paragraph 4 (xiii) of the Order is not applicable.



14. The Company is dealing and trading in mutual funds, debentures and other investments. The Company has maintained proper records of the transactions and contracts and timely entries have been made therein and the mutual funds, debentures and other investments have been held by the Company, in its own name.
15. The Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, Paragraph 4 (xv) of the Order is not applicable.
16. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
18. The Company has not made preferential allotment of shares during the year. Accordingly, Paragraph 4 (xviii) of the Order is not applicable.
19. The Company has not issued any debentures during the year. Accordingly, Paragraph 4 (xix) of the Order is not applicable.
20. We have verified the end use of the money raised by public issues from the prospectus filed with SEBI, the Offer Document and as disclosed in the notes to the financial statements.
21. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instances of fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**

Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**

Partner  
Membership No. 033013  
Mumbai, April 26, 2012

# L&T Finance Holdings Limited

## Balance Sheet as at March 31, 2012

₹ Lakhs

	Note No	As at March 31, 2012	As at March 31, 2011
<b>EQUITY AND LIABILITIES:</b>			
<b>Shareholders' funds</b>			
Share capital	2	171,476.16	141,702.44
Reserves and surplus	3	163,889.47	36,584.57
		335,365.63	178,287.01
<b>Non-current liabilities</b>			
Other long-term liabilities	4	13.58	-
Long term provisions	5	219.50	-
		233.08	-
<b>Current liabilities</b>			
Short-term borrowings	6	-	35,600.00
Other current liabilities	7	217.61	9.11
Short-term provisions	8	829.46	0.70
		1,047.07	35,609.81
<b>TOTAL</b>		<b>336,645.78</b>	<b>213,896.82</b>
<b>ASSETS:</b>			
<b>Non-Current assets</b>			
Fixed assets	9		
- Tangible assets		49.48	-
- Intangible assets		4.34	-
		53.82	-
Non-current investments	10	304,677.79	211,877.79
Deferred tax assets (net)	11	55.04	-
Other non-current assets	12	-	1,892.87
		304,786.65	213,770.66
<b>Current assets</b>			
Cash and bank balances	13	393.98	29.77
Short-term loans and advances	14	29,453.49	-
Other current assets	15	2,011.66	96.39
		31,859.13	126.16
<b>TOTAL</b>		<b>336,645.78</b>	<b>213,896.82</b>
Significant accounting policies	1		
The accompanying notes are an integral part of financial statements	22		

As per our report of even date

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**Milind P. Phadke**  
Partner  
Membership No. 033013

Mumbai, April 26, 2012

For and on behalf of the Board

**Y.M. Deosthalee**  
Chairman & Managing Director

**N. Sivaraman**  
President & Whole-time Director

**N. Suryanarayanan**  
Company Secretary

**V.V. Subramanian**  
Chief Accounts Officer

Mumbai, April 26, 2012

## Statement of Profit and Loss for the year ended March 31, 2012

₹ Lakhs

	Note No	2011-12	2010-11
<b>INCOME:</b>			
Revenue from operations	16	11,183.50	569.38
Other Income	17	1,758.64	-
Total		12,942.14	569.38
<b>EXPENSES:</b>			
Employee benefits expense	18	1,115.89	-
Finance costs	19	1,454.67	34.30
Administration and other expenses	20	1,406.42	63.56
Provisions and contingencies	21	74.00	450.00
Depreciation and amortisation expenses		1.17	-
Total		4,052.15	547.86
<b>Profit before exceptional and extraordinary items and taxes</b>		8,889.99	21.52
Exceptional items		-	-
<b>Profit before extraordinary items and taxes</b>		8,889.99	21.52
Extraordinary Items		-	-
<b>Profit before tax</b>		8,889.99	21.52
Tax expense:			
- Current tax		1,820.00	8.00
- Deferred tax	11	(55.04)	-
		1,764.96	8.00
<b>Profit for the year</b>		7,125.03	13.52
<b>Earnings per equity share :</b>			
Basic earnings per equity share before and after extraordinary items (₹)	22.6	0.44	0.00
Diluted earnings per equity share before and after extraordinary items (₹)	22.6	0.44	0.00
Face value per equity share (₹)		10.00	10.00
Significant accounting policies	1		
The accompanying notes are an integral part of financial statements	22		

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
Registration No. 109982W  
by the hand of**Milind P. Phadke**Partner  
Membership No. 033013

Mumbai, April 26, 2012

**Y.M. Deosthalee**

Chairman &amp; Managing Director

**N. Suryanarayanan**

Company Secretary

Mumbai, April 26, 2012

**N. Sivaraman**

President &amp; Whole-time Director

**V.V. Subramanian**

Chief Accounts Officer

## Cash Flow Statement for the year ended March 31, 2012

₹ Lakhs

	2011-12	2010-11
<b>A. Cash flow from operating activities</b>		
Profit before tax as per Statement of Profit and Loss	8,889.99	21.52
<b>Adjustment for:</b>		
Provision for diminution in value of investments	-	450.00
Provision on Standard Assets	74.00	-
Provision for employee benefits	154.39	-
Depreciation	1.17	-
<b>Operating profit before working capital changes</b>	9,119.55	471.52
<b>Adjustment for:</b>		
(Increase)/ Decrease in current and non-current loans and advances	(30,936.80)	(1,628.31)
Increase/(Decrease) in current and non-current provisions and liabilities	955.05	(1.45)
<b>Cash generated from operations</b>	(20,862.20)	(1,158.24)
Direct taxes paid	(1,727.24)	(12.57)
<b>Net cash flow from operating activities (A)</b>	(22,589.44)	(1,170.81)
<b>B. Cash flow from investing activities</b>		
<b>Add: Inflow from investing activities</b>		
Sale of shares of subsidiary/associate companies	-	100.00
	-	100.00
<b>Less : Outflow from investing activities</b>		
Purchase of shares of subsidiary companies	72,800.00	49,500.00
Purchase of NCD of subsidiary company	20,000.00	-
Purchases of Fixed Assets	54.99	-
	92,854.99	49,500.00
<b>Net cash flow from investing activities (B)</b>	(92,854.99)	(49,400.00)
<b>C. Cash flow from financing activities</b>		
<b>Add: Inflow from financing activities</b>		
Proceeds from issue of share capital including securities premium	157,539.01	15,000.00
Proceeds from short-term borrowings	-	35,600.00
	157,539.01	50,600.00
<b>Less : Outflow from financing activities</b>		
IPO/share issue expenses	6,130.37	-
Repayment of short-term borrowings	35,600.00	-
	41,730.37	-
<b>Net cash generated/(used in) from financing activities (C)</b>	115,808.64	50,600.00
<b>Net cash increase/(decrease) in cash and cash equivalents (A+B+C)</b>	364.21	29.19
<b>Cash and cash equivalents as at beginning of the year</b>	29.77	0.58
<b>Cash and cash equivalents as at end of the year</b>	393.98	29.77

Notes:

1. Cash flow statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 "Cash Flow Statements".
2. Cash and cash equivalents represent cash and bank balances.
3. Previous year figures have been regrouped/reclassified wherever applicable.

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
Registration No. 109982W  
by the hand of**Y.M. Deosthalee**

Chairman &amp; Managing Director

**N. Sivaraman**

President &amp; Whole-time Director

**Milind P. Phadke**Partner  
Membership No. 033013**N. Suryanarayanan**

Company Secretary

**V.V. Subramanian**

Chief Accounts Officer

Mumbai, April 26, 2012

Mumbai, April 26, 2012

## Notes forming part of the Financial Statements March 31, 2012

### 1. Significant accounting policies

#### 1.1 Basis of preparation

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof along with the applicable guidelines issued by Reserve Bank of India ("RBI").

#### 1.2 Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified/regrouped the previous year figures in accordance with the requirements applicable in the current year.

#### 1.3 Use of estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

#### 1.4 Tangible and Intangible fixed assets

Tangible fixed assets are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.

Intangible fixed assets comprising software licenses are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated amortisation. Any expenses on such software licenses for support and maintenance payable annually are charged to the Statement of Profit and Loss.

#### 1.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- Income from services is recognized as per the terms of contracts on accrual basis.
- Interest income on deposits is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

- Profit/loss on sale of investments is recognised at the time of actual sale/redemption.
- Dividend income is recognised when the Company's right to receive dividend is established by the reporting date.

#### 1.6 Depreciation/Amortisation

Depreciation/Amortisation is provided on straight-line (SLM) method which reflects the Management's estimate of the useful life of the respective assets.

- Rate used for depreciation  
Motor car: 15%.
- Specialised software are amortised over a period of 3 years.
- Fixed assets costing ₹ 5,000/- or less are fully depreciated in the year of purchase.

#### 1.7 Investments

The Company being regulated as a Non-Banking Financial Company (NBFC) by the RBI, investments are classified under two categories i.e. Current and Long Term and are valued in accordance with the RBI guidelines and the Accounting Standard (AS) 13 on 'Accounting for Investments' issued by the Institute of Chartered Accountants of India.

'Long Term Investments' are carried at acquisition/amortised cost. A provision is made for diminution other than temporary on an individual investment basis.

'Current Investments' are carried at lower of cost or fair value on an individual investment basis.

#### 1.8 Leases

##### *Where the Company is lessee*

Operating leases: where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

#### 1.9 Retirement and other employee benefits

##### *Short-term employee benefits:*

All employee benefits falling due wholly within twelve months of rendering the services are classified as short-term employee benefits. Benefits such as salaries, short-term compensated absences etc. and estimated variable remuneration are recognised in the period in which the employee renders the related service.

##### *Long-term employee benefits:*

The obligation for long-term employee benefits such as long term compensated absences is recognised based on actuarial valuation in the similar manner as in the case of defined benefit plans mentioned below.

### **Post employment benefits:**

#### **(a) Defined contribution plans:**

The Company's provident fund, pension and superannuation scheme are Defined as Contribution plans. The contribution paid/payable under the scheme is recognised during the period in which the employee renders the related services.

#### **(b) Defined benefit plan**

The Company's gratuity scheme is defined benefit plan. The employee gratuity obligation is determined based on actuarial valuation using Projected Unit Credit method which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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.

### **1.10 Income taxes**

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961.

Deferred tax is recognised on timing differences, between taxable income and accounting income that originated in one period and is capable of reversal in one or more subsequent periods. Deferred tax assets are recognised with regard to all deductible timing differences to the extent it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised. The carrying amounts of deferred tax assets are reviewed at each Balance Sheet date and reduced by the extent that

it is no longer probable that sufficient taxable profit will be available to allow all or a part of the deferred tax asset to be utilised.

### **1.11 Provisions and contingent liabilities**

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised.

### **1.12 Employee Stock Option Schemes**

In respect of stock options granted pursuant to the Company's Stock Options Scheme, the intrinsic value of the options (excess of the market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation cost over the vesting period.

### **1.13 Share issue expense**

Expenses incurred on issue of shares are written off against securities premium account.

### **1.14 Cash and cash equivalents**

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

### **1.15 Earnings per share**

Basic and diluted earnings per share are computed in accordance with Accounting Standard (AS)-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

## Notes forming part of the Financial Statements March 31, 2012

### 2. Share Capital

The Company has issued Equity Share Capital, the details in respect of which are given below

Number, face value and amount of shares authorised, issued, subscribed and paid-up	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
<b>Authorised</b>				
Equity Shares of ₹ 10 each	5,000,000,000	500,000.00	5,000,000,000	500,000.00
<b>Issued, subscribed &amp; paid up</b>				
Equity Shares of ₹ 10 each fully paid	1,714,761,612	171,476.16	1,417,024,426	141,702.44
<b>Total issued, subscribed &amp; paid up share capital</b>	<b>1,714,761,612</b>	<b>171,476.16</b>	<b>1,417,024,426</b>	<b>141,702.44</b>

#### (I) Terms/rights attached to equity shares

The Company has only one class of equity share having a par value of ₹ 10 per share. Members of the Company holding equity share capital therein have a right to vote on every resolution placed before the Company and right to receive dividend. The voting rights on a poll is in proportion to the share of the paid-up equity capital of the Company held by the shareholders.

#### (II) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
At the beginning of the period	1,417,024,426	141,702.44	1,353,591,591	135,359.16
Issued during the period				
- Pre-IPO placement	60,000,000	6,000.00	-	-
- Issued under IPO	237,705,361	23,770.54	-	-
- Issued under ESOP	31,825	3.18	-	-
- Capital infusion by holding company	-	-	63,432,835	6,343.28
<b>Outstanding at the end of the period</b>	<b>1,714,761,612</b>	<b>171,476.16</b>	<b>1,417,024,426</b>	<b>141,702.44</b>

#### (III) Equity shares held by holding company

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
Larsen & Toubro Limited and its nominee Equity Shares of ₹ 10 each fully paid	1,417,024,221	141,702.42	1,417,024,221	141,702.42
	<b>1,417,024,221</b>	<b>141,702.42</b>	<b>1,417,024,221</b>	<b>141,702.42</b>

#### (IV) Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	% holding	No. of Shares	% holding
Larsen & Toubro Limited and its nominee Equity Shares of ₹ 10 each fully paid	1,417,024,221	82.64%	1,417,024,221	99.99%
	<b>1,417,024,221</b>	<b>82.64%</b>	<b>1,417,024,221</b>	<b>99.99%</b>

#### (V) Shares reserved to be issued under ESOP

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
Equity Shares of ₹ 10 each	13,572,440	1,357.24	10,615,400	1,061.54
	<b>13,572,440</b>	<b>1,357.24</b>	<b>10,615,400</b>	<b>1,061.54</b>

### 3. Reserves and Surplus

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
<b>a. Securities premium account</b>		
Balance as per the last financial statement	36,156.72	-
Add: Addition during the year #	127,765.29	36,156.72
Less: Share issue expenses adjusted during the year	8,017.39	-
<b>Closing Balance</b>	<b>155,904.62</b>	<b>36,156.72</b>
<b>b. Employee stock options outstanding account</b>		
Balance as per last financial statement	122.59	-
Add: Addition during the year	434.85	122.59
Less: Allotment of shares	2.88	-
<b>Closing Balance</b>	<b>554.56</b>	<b>122.59</b>
<b>c. Reserve u/s 45-IC of Reserve Bank of India Act, 1934</b>		
Balance as per the last financial statement	59.25	56.25
Add: Transferred from surplus in the Statement of Profit and Loss	1,425.01	3.00
<b>Closing Balance</b>	<b>1,484.26</b>	<b>59.25</b>
<b>d. General reserves</b>		
Balance as per the last financial statement	12.20	-
Add: Transferred from surplus in the Statement of Profit and Loss/ Created during the year	-	12.20
<b>Closing Balance</b>	<b>12.20</b>	<b>12.20</b>
<b>e. Surplus in the Statement of Profit and Loss</b>		
Balance as per the last financial statement	233.81	223.29
Add: Profit for the year	7,125.03	13.52
Less: Appropriations Transfer to reserve u/s. 45-IC of Reserve Bank of India Act, 1934	1,425.01	3.00
<b>Closing Balance</b>	<b>5,933.83</b>	<b>233.81</b>
<b>Total</b>	<b>163,889.47</b>	<b>36,584.57</b>

# Includes ₹ 13.76 lakhs (previous year ₹ Nil) on exercise of employee stock options.

### 4. Other long-term liabilities

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Security deposit	13.58	-
<b>Total</b>	<b>13.58</b>	<b>-</b>

### 5. Long term provision

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Provision for tax (net of advance tax)	86.89	-
For employee benefits - Compensated absences/leave encashment	132.61	-
<b>Total</b>	<b>219.50</b>	<b>-</b>

### 6. Short-term borrowings

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
<b>Unsecured</b>		
Borrowing from related party	-	35,600.00
<b>Total</b>	<b>-</b>	<b>35,600.00</b>



**7. Other current liabilities**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Statutory liabilities	41.79	8.49
Brand license fees payable	12.12	-
Other liabilities	163.70	0.62
<b>Total</b>	<b>217.61</b>	<b>9.11</b>

**8. Short-term provisions**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Provision for audit fees	2.80	0.70
Provision for expenses	61.70	-
Provision for employee benefits		
- Gratuity	93.88	-
- Compensated absences/leave encashment	10.88	-
- Variable remuneration	579.66	-
- Others (including provident fund contribution)	6.54	-
	690.96	-
Contingent provisions against standard assets	74.00	-
<b>Total</b>	<b>829.46</b>	<b>0.70</b>

**9. Fixed assets**

₹ Lakhs

Particulars	Gross Block (at cost)			Depreciation/Amortisation				Net Block		
	As at April 1, 2011	Additions	Sales/ Adjustments	As at March 31, 2012	Up to March 31, 2011	For the year	Deductions/ Adjustments	Up to March 31, 2012	As at March 31, 2012	As at March 31, 2011
<b>Tangible Assets</b>										
Motor Car	-	50.11	-	50.11	-	0.63	-	0.63	49.48	-
<b>Intangible Assets</b>										
Computer Software	-	4.88	-	4.88	-	0.54	-	0.54	4.34	-
<b>Total</b>	<b>-</b>	<b>54.99</b>		<b>54.99</b>	<b>-</b>	<b>1.17</b>	<b>-</b>	<b>1.17</b>	<b>53.82</b>	<b>-</b>
Previous year	-	-	-	-	-	-	-	-	-	-

## 10. Non-current investments

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares/ Debentures	₹ Lakhs	No. of Shares/ Debentures	₹ Lakhs
<b>A. Trade Investments (valued at cost unless stated otherwise)</b>				
<b>Unquoted equity instruments</b>				
<b>(I) Investment in subsidiaries</b>				
L&T Finance Limited (Equity Shares of ₹ 10 each fully paid)	238,422,269	116,598.16	230,922,269	101,598.16
L&T Infrastructure Finance Company Limited (Equity Shares of ₹ 10 each fully paid)	795,900,000	122,510.00	702,150,000	85,010.00
L&T Fincorp Limited (Formerly India Infrastructure Developers Limited) (Equity Shares of ₹ 10 each fully paid)	170,025,517	30,106.00	101,060,000	10,106.00
L&T Unnati Finance Limited (Equity Shares of ₹ 10 each fully paid)	2,000,000	200.00	-	-
L&T Access Financial Advisory Services Private Limited (Equity Shares of ₹ 10 each fully paid)	1,000,000	100.00	-	-
<b>(II) Investment in associate:</b>				
NAC Infrastructure Equipment Limited (Equity Shares of ₹ 10 each fully paid)	4,500,000	450.00	4,500,000	450.00
<b>Quoted perpetual debt</b>				
L&T Finance Limited (Debentures of ₹ 1,000,000 each)	2,000	20,000.00	-	-
<b>B. Quoted Non-trade Investments (valued at cost unless stated otherwise)</b>				
Federal Bank Limited (Equity Shares of ₹ 10 each fully paid)	7,995,619	12,376.48	7,995,619	12,376.48
City Union Bank Limited (Equity Shares of ₹ 1 each fully paid)	19,195,012	2,787.15	19,195,012	2,787.15
<b>Total</b>		<b>305,127.79</b>		<b>212,327.79</b>
Less : Provision for diminution in value of Investments		450.00		450.00
<b>Total</b>		<b>304,677.79</b>		<b>211,877.79</b>

₹ Lakhs

Particulars	As at March 31, 2012	As at March 31, 2011
Aggregate amount of quoted investments (Market value of ₹ 63,737.11 Lakhs (Previous Year ₹ 27,505.72 Lakhs)	35,163.64	15,163.64
Aggregate amount of unquoted investments	269,514.15	196,714.15

**11. Deferred tax assets (net)**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
<b>Deferred tax assets</b>		
For contingent provisions against standard assets	24.01	-
For employee benefits (leave encashment)	32.35	-
<b>Total</b>	<b>56.36</b>	<b>-</b>
<b>Less : Deferred tax liabilities</b>		
Difference between book and tax depreciation	1.32	-
<b>Total</b>	<b>1.32</b>	<b>-</b>
<b>Total</b>	<b>55.04</b>	<b>-</b>

**12. Other non-current assets**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Advance tax (net of provision)	-	5.85
Unamortised IPO expenses	-	1,887.02
<b>Total</b>	<b>-</b>	<b>1,892.87</b>

**13. Cash and bank balances**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Balances with banks:		
On current accounts	393.98	29.77
<b>Total</b>	<b>393.98</b>	<b>29.77</b>

**14. Short-term loans and advances**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Loans and advances to related parties:		
Inter-corporate deposits	29,453.49	-
<b>Total</b>	<b>29,453.49</b>	<b>-</b>

**15. Other current assets**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Receivable from group companies	984.19	51.00
Interest accrued but not due	573.00	-
Security deposits	403.90	-
Advances recoverable in cash or in kind	50.57	45.39
<b>Total</b>	<b>2,011.66</b>	<b>96.39</b>

**16. Revenue from operations**

₹ Lakhs

	2011-12	2010-11
<b>Dividend Income:</b>		
From subsidiaries companies	5,342.67	-
From others	864.59	543.75
	6,207.26	543.75
Interest Income	4,976.24	25.63
<b>Total</b>	<b>11,183.50</b>	<b>569.38</b>

## 17. Other Income

	2011-12	2010-11	₹ Lakhs
Management fees	1,529.31	-	-
Profit on sale of Mutual Funds	91.60	-	-
Overhead charges recovered	137.73	-	-
<b>Total</b>	<b>1,758.64</b>	-	-

## 18. Employee benefit expenses

	2011-12	2010-11	₹ Lakhs
Salaries	806.77	-	-
Contribution to and provision for:			
Provident fund	15.51	-	-
Gratuity	54.69	-	-
Compensated absences/leave encashment	99.70	-	-
Pension	132.92	-	-
Superannuation fund	6.30	-	-
	309.12	-	-
<b>Total</b>	<b>1,115.89</b>	-	-

## 19. Finance cost

	2011-12	2010-11	₹ Lakhs
Interest expenses			
Interest on short term borrowing	1,454.67	34.30	34.30
<b>Total</b>	<b>1,454.67</b>	<b>34.30</b>	

## 20. Administration and other expenses

	2011-12	2010-11	₹ Lakhs
Professional fees	775.92	11.55	11.55
Rent	137.45	-	-
Travelling and conveyance	43.52	1.93	1.93
Advertising and publicity	83.32	-	-
Filing fees	0.36	-	-
Directors' sitting fees	14.00	5.80	5.80
Non-Executive Directors' Remuneration	60.50	-	-
Auditors remuneration			
Audit fees	2.00	0.50	0.50
Tax Audit Fees	0.75	-	-
Limited Review Fees	4.50	-	-
Other services	1.67	0.38	0.88
Rates and Taxes	0.09	-	-
Overheads charged by subsidiary company	240.04	-	-
Brand License Fees	13.47	-	-
Repairs and Maintenance	0.52	-	-
Stamp Duty	-	42.50	42.50
Miscellaneous expenses	28.31	0.90	0.90
<b>Total</b>	<b>1,406.42</b>	<b>63.56</b>	

## 21. Provisions and contingencies

	2011-12	2010-11	₹ Lakhs
Provision on standard assets	74.00	-	-
Provision for diminution in value of investments	-	450.00	450.00
<b>Total</b>	<b>74.00</b>	<b>450.00</b>	

**Note No. 22 : Notes on Financial Statements**
**22.1 Stock options Scheme**

- a) In respect of stock options granted pursuant to the Company's Stock Options Scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation over the vesting period.
- b) The grant of options to the employees under stock options schemes is on the basis of their performance and other eligibility criteria. The options are vested over a period of 4 years in the ratio of 15%, 20%, 30% and 35% respectively from the date of grant, subject to the discretion of the Management and fulfilment of certain conditions.
- c) Options can be exercised any time within a period of 7 years from the date of grant and would be settled by way of equity. Management has discretion to modify the exercise period.
- d) The details of grants under the aforesaid schemes are summarised below:

Sr. No.	Particulars	2011-12	2010-11
1.	Grant price – ₹	44.20	
2.	Grant date	November 30, 2010 onwards	
3.	Vesting commenced on	November 30, 2011	
4.	Options granted and outstanding at the beginning of the year	1,06,15,400	-
5.	Options granted during the year	47,10,500	1,07,50,000
6.	Options cancelled/lapsed during the year	17,21,635	1,34,600
7.	Options exercised during the year	31,825	-
8.	Options granted and outstanding at the end of the year of which –		
	- Options vested	13,50,666	-
	- Options yet to vest	1,22,21,774	1,06,15,400
9.	Weighted average remaining contractual life of options (in years)	2.67	3.67

- e) During the year, the Company has recovered ₹ 434.85 lakhs (previous year ₹ 122.59 lakhs) from its subsidiary companies towards stock options granted to their employees, pursuant to the employee stock option schemes.
- f) Total carrying amount of liabilities arising from employee share-based payment plans as on March 31, 2012 is ₹ 1,230.07 lakhs (previous year: ₹ 846.62 lakhs), including ₹ 122.41 lakhs (previous year: ₹ Nil) for which the options have been vested to employees as on March 31, 2012.
- g) Weighted average fair values of options granted during the year is ₹ 28.18 (previous year: ₹ 21.21) per option.
- h) The fair value has been calculated using the Black-Scholes Option Pricing Model and the significant assumptions and inputs to estimate the fair value of options granted during the year are as follows:

Particulars	2011-12	2010-11
a) Weighted average risk-free interest rate	8.30%	7.93%
b) Weighted average expected life of options	3.63 years	3.5 years
c) Weighted average expected volatility	41.81%	41.81%
d) Weighted average expected dividends	₹ 0.75 per option	₹ 0.33 per option
e) Weighted average share price	₹ 60.42 per option	₹ 60.42 per option
f) Weighted average exercise price	₹ 51.357 per share	₹ 51.357 per share
g) Method used to determine expected volatility	Expected volatility is based on the historical volatility of the Company share price applicable to the expected life of each option.	

**22.2 Disclosure pursuant to Accounting Standard (AS) 15 Revised "Employee Benefits" :**
**i) Defined Contribution Plans:**

Amount of ₹ 154.73 lakhs (previous year: ₹ Nil) is recognised as expense and included in personnel expenses in the Statement of Profit and Loss.

## ii) Defined Benefit Plans (Gratuity):

The details of the Company's post-retirement benefit plans for gratuity for its employees are given below which are certified by the actuary and relied upon by the auditors:

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
<b>A. Amount recognised in the Balance Sheet:</b>		
Present value of defined benefit obligation		
- Unfunded obligations	93.88	-
<b>Net liability</b>	<b>93.88</b>	<b>-</b>
<b>B. Expenses recognised in the Statement of Profit and Loss:</b>		
Current service cost	54.69	-
<b>Amount included in "Employee benefit expenses"</b>	<b>54.69</b>	<b>-</b>
<b>C. Change in the Defined Benefit Obligations:</b>		
Liability at the beginning of the year	-	-
Transferred from holding company	39.19	-
Current service cost	54.69	-
<b>Liability at the end of the year</b>	<b>93.88</b>	<b>-</b>
<b>D. Reconciliation of the liability recognised in the Balance Sheet:</b>		
Opening Liability/ (Assets)	-	-
Current service cost	54.69	-
Transferred from holding company	39.19	-
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	93.88	-
Expected employers' contribution next year	10.00	-

Since the Company is under an arrangement to join the Group Gratuity Scheme of Life Insurance Corporation of India (LIC) administered by trustees and managed by LIC, the disclosure with regard to movement and investment pattern of planned assets has not been made.

### Principal actuarial assumptions at the balance sheet date:

Particulars	As at March 31, 2012	As at March 31, 2011
Discount rate	8.65%	-
Expected return on plan assets	-	-
Salary growth rate	6.00%	-

### 22.3 Segment Reporting: Accounting Standard (AS) - 17

The Company operates mainly in the business segment of investment activity. Further, all activities are carried out within India. As such, there are no separate reportable segments as per the provisions of Accounting Standard (AS) - 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

### 22.4 Related Party Disclosures: Accounting Standard (AS) - 18

#### (a) List of Related Parties and Relationships:

##### A. Holding Company

1. Larsen & Toubro Limited

##### B. Subsidiary Companies

1. L&T Finance Limited

2. L&T Infrastructure Finance Company Limited
3. L&T FinCorp Limited (Formerly India Infrastructure Developers Limited)
4. L&T Unnati Finance Limited (Date of incorporation: June 16, 2011)
5. L&T Access Financial Advisory Services Private Limited (Date of incorporation: November 29, 2011)
6. L&T Infra Investment Partners Trustee Private Limited (Date of incorporation : August 12, 2011)
7. L&T Mutual Fund Trustee Limited
8. L&T Investment Management Limited
9. L&T Infra Investment Partners Advisory Private Limited (Date of incorporation: May 30, 2011)

**C. Fellow Subsidiary (with whom Company has undertaken transaction during current or previous year)**

1. L&T Capital Company Limited

**D. Key Management Personnel**

1. Y. M. Deosthalee – Chairman & Managing Director
2. N. Sivaraman – President & Whole-time Director

**(b) Related Party Transactions:**

		₹ Lakhs	
Sr. No.	Nature of Transactions*	2011-12	2010-11
<b>1.</b>	<b>Subscription to Equity shares of</b>		
	• L&T Finance Limited	15,000.00	37,500.00
	• L&T Infrastructure Finance Company Limited	37,500.00	7,500.00
	• L&T FinCorp Limited	20,000.00	4,500.00
	• L&T Access Financial Advisory Services Private Limited	100.00	-
	• L&T Unnati Finance Limited	200.00	-
<b>2.</b>	<b>Sale of investment to</b>		
	• Larsen & Toubro Limited	-	100.00
<b>3.</b>	<b>Inter corporate borrowing taken</b>		
	• Larsen & Toubro Limited	10,000.00	35,600.00
	• L&T FinCorp Limited	1,450.00	-
	• L&T Finance Limited	66.00	-
<b>4.</b>	<b>Interest paid on inter corporate borrowing</b>		
	• Larsen & Toubro Limited	1,436.52	34.30
	• L&T FinCorp Limited	17.07	-
	• L&T Finance Limited	1.08	-
<b>5.</b>	<b>Inter corporate deposits given</b>		
	• L&T Finance Limited	94,542.79	868.00
	• L&T Infrastructure Finance Company Limited	101,114.52	-
	• L&T FinCorp Limited	43,342.67	-
<b>6.</b>	<b>Expense reimbursement to</b>		
	• Larsen & Toubro Limited	-	10.71
<b>7.</b>	<b>ESOP charges recovered</b>		
	• L&T Finance Limited	353.99	105.59
	• L&T Infrastructure Finance Company Limited	80.86	17.00

₹ Lakhs

Sr. No.	Nature of Transactions*	2011-12	2010-11
<b>8.</b>	<b>Interest Income on Inter Corporate Deposits</b>		
	• L&T Finance Limited	2,031.67	23.93
	• L&T Infrastructure Finance Company Limited	2,287.12	-
	• L&T FinCorp Limited	71.42	1.70
<b>9.</b>	<b>Interest Income on Perpetual debt</b>		
	• L&T Finance Limited	586.03	-
<b>10.</b>	<b>Rent recovered</b>		
	• L&T Finance Limited	108.51	-
	• L&T Infrastructure Finance Company Limited	22.83	-
	• L&T Capital Company Limited	13.80	-
<b>11.</b>	<b>Management fees income</b>		
	• L&T Finance Limited	843.40	-
	• L&T Infrastructure Finance Company Limited	826.54	-
	• L&T FinCorp Limited	16.86	-
<b>12.</b>	<b>Dividend income</b>		
	• L&T Finance Limited	2,622.64	-
	• L&T Infrastructure Finance Company Limited	2,720.03	-
<b>13.</b>	<b>Other Income</b>		
	• L&T Infrastructure Finance Company Limited	1.44	-
<b>14.</b>	<b>Deputation charges paid to</b>		
	• Larsen & Toubro Limited	1.13	-
<b>15.</b>	<b>Brand License fees paid to</b>		
	• Larsen & Toubro Limited	13.47	-
<b>16.</b>	<b>Repayment of Inter corporate borrowing taken</b>		
	• Larsen & Toubro Limited	45,600.00	-
	• L&T FinCorp Limited	1,450.00	-
	• L&T Finance Limited	66.00	-
<b>17.</b>	<b>Corporate support charges paid to</b>		
	• L&T Finance Limited	250.61	-
<b>18.</b>	<b>Investment in perpetual debt</b>		
	• L&T Finance Limited	20,000.00	-
<b>19.</b>	<b>Equity shares issued to</b>		
	• Larsen & Toubro Limited	-	42,500.00
<b>20.</b>	<b>Managerial remuneration<sup>#</sup></b>		
	• Y.M. Deosthalee	425.17	-
	• N. Sivaraman	325.84	-

<sup>#</sup> Includes ₹ 570.33 Lakhs towards provision for variable remuneration and does not include contribution to gratuity fund, pension scheme and provision for compensated absences, since the same is provided on actuarial basis for the Company as a whole.

\* Inclusive of Service Tax



**(c) Amount due to/from related parties:**

₹ Lakhs

Sr. No.	Nature of Transactions	As at	
		March 31, 2012	March 31, 2011
<b>1.</b>	<b>Receivable from</b>		
	• L&T Finance Limited	98.43	21.25
	• L&T Infrastructure Finance Company Limited	827.48	17.00
	• L&T FinCorp Limited	60.75	-
	• L&T Access Financial Advisory Services Private Limited	1.82	-
	• L&T Unnati Finance Limited	2.08	-
<b>2.</b>	<b>Interest accrued but not due on perpetual debt</b>		
	• L&T Finance Limited	586.03	-
<b>3.</b>	<b>Investment in perpetual debt</b>		
	• L&T Finance Limited	20,000.00	-
<b>4.</b>	<b>Payable to</b>		
	• Larsen & Toubro Limited	150.31	-
<b>5.</b>	<b>Outstanding Balance of Inter-Corporate Deposits receivable</b>		
	• L&T Finance Limited	576.29	-
	• L&T FinCorp Limited	27,442.67	-
	• L&T Infrastructure Finance Company Limited	1,434.52	-

\* Inclusive of Service Tax

**22.5 Operating Lease:**
**Assets taken on lease:**

The Company has taken office premises on non-cancellable operating leases. Lease Payments include ₹ 137.45 lakhs (previous year ₹ Nil) recognised in the Statement of Profit and Loss, the future minimum lease payments in respect of which are as follows:

₹ Lakhs

Particulars	Minimum Lease Payments	
	As at March 31, 2012	As at March 31, 2011
- Within one year	77.43	-
- Later than one year and not later than five years	-	-
<b>Total</b>	<b>77.43</b>	<b>-</b>

**22.6 Earnings Per Share**

		2011-12	2010-11
<b>Basic</b>			
Profit after tax as per accounts (₹ lakhs)	A	7,125.03	13.52
Weighted average number of equity shares outstanding	B	1,616,351,512	1,387,132,789
Basic EPS before and after extraordinary items (₹)	A/B	0.44	0.00
<b>Diluted</b>			
Profit after tax as per accounts (₹ lakhs)	A	7,125.03	13.52
Weighted average number of equity shares outstanding	B	1,616,351,512	1,387,132,789
Add: Weighted average no. of equity shares on account of share application money	C	-	19,454,099
Add: Weighted average no. of potential equity shares on account of employee stock options	D	-	135,989
Weighted average number of shares outstanding for diluted EPS	E = B + C + D	1,616,351,512	1,406,722,877
Diluted EPS before and after extraordinary items (₹)	A/E	0.44	0.00
Face value of shares (₹)		10.00	10.00

- 22.7** The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2012.
- 22.8** During the year, the Company has signed definitive agreements to acquire Indo Pacific Housing Finance Limited and the said acquisition is subject to appropriate regulatory approvals.
- 22.9** Expenditure in foreign currency:
- On professional fees ₹ 527.09 lakhs (previous year ₹ Nil)
- On Directors' sitting fees ₹ 0.60 lakhs (previous year ₹ Nil)
- 22.10** The Company does not have contingent liability as at March 31, 2012 except performance guarantee ₹ 945 lakhs (previous year ₹ Nil).
- 22.11** The Company has made initial public offer during the year. The utilisation of IPO proceeds are as follows:

₹ Lakhs

Particulars	
<b>Amount received from IPO - (A)</b>	124,500.00
<b>Deployment of funds received from IPO:</b>	
Repayment of inter corporate deposits issued by promoter company	34,500.00
Infusion of capital in L&T Infrastructure Finance Company Limited	27,500.00
Investment in Unsecured Non Convertible Debentures (in the nature of perpetual Tier-I Debt) of L&T Finance Limited	20,000.00
Infusion of capital in L&T FinCorp Limited (formerly India Infrastructure Developers Limited)	20,000.00
Infusion of capital in L&T Unnati Finance Limited	195.00
General corporate purposes	12,987.85
Issue expenses	4,881.86
<b>Total deployment of funds - (B)</b>	120,064.71
<b>Balance amount to be utilised (A - B)</b>	4,435.29
<b>Interim utilisation of balance IPO proceeds :</b>	
Intercompany deposits with subsidiary company (net of earnings on interim utilisation)	4,142.78
Balance with banks in current account	292.51
<b>Total</b>	<b>4,435.29</b>

- 22.12** Schedule to the Balance Sheet of a Non-Banking Financial Company as required by RBI as per their Circular RBI/ 2008-09/ 116 DNBS(PD).CC.No.125/ 03.05.002/ 2008-2009, Guidelines for NBFC-ND-SI as regards capital adequacy, liquidity and disclosure norms:

**1. Capital Risk Adequacy Ratio:**

Items	2011-12	2010-11
i) CRAR (%)	95.52%	79.88%
ii) CRAR – Tier I Capital (%)	95.38%	79.88%
iii) CRAR – Tier II Capital (%)	0.14%	-

**2. Exposure to Real Estate Sector**

₹ Lakhs

Category	2011-12	2010-11
<b>a) Direct exposure</b>		
(i) Residential Mortgages – Lending secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakhs may be shown separately)	Nil	Nil
(ii) Commercial Real Estate – Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	Nil	Nil
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –	Nil	Nil
a) Residential		
b) Commercial Real Estate		
<b>b) Indirect exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

**3. Asset Liability Management:**
**Maturity pattern of certain items of assets and liabilities**

₹ Lakhs

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months up to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities:</b>									
Borrowings from banks	-	-	-	-	-	-	-	-	-
Market Borrowings	-	-	-	-	-	-	-	-	-
<b>Assets:</b>									
Advances	-	-	-	-	29,453.49	-	-	-	29,453.49
Investments	-	-	-	-	-	-	-	304,677.79	304,677.79

**22.13** Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company (as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007

**Liability Side:****1. Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid**

₹ Lakhs

Particular	As at	As at
	March 31, 2012	March 31, 2011
	Amount Outstanding	Amount Overdue
(a) Debentures:	-	-
- Secured		
- Unsecured		
(Other than those falling within the meaning of Public Deposits)		
(b) Deferred Credits	-	-
(c) Term Loans	-	-
(d) Inter-Corporate Loans and borrowings	-	-
(e) Commercial Paper	-	-
(f) Other Loans (Foreign Currency Loan)	-	-
(g) Lease Finance	-	-

**Asset Side:****2. Break-up of Loans and Advances including bills receivables [Other than those included in (3) below]**

₹ Lakhs

	Amount Outstanding
(a) Secured	-
(b) Unsecured	29,453.49

**3. Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities**

₹ Lakhs

	Amount Outstanding
(i) Leased assets including lease rentals under sundry debtors:	-
(a) Financial Lease	-
(b) Operating Lease	-
(ii) Stock on hire including hire charges under sundry debtors:	-
(a) Assets on Hire	-
(b) Repossessed Assets	-
(iii) Other loans counting towards AFC activities:	-
(a) Loans where assets have been repossessed	-
(b) Loans other than (a) above	-

#### 4. Break-up of Investments

₹ Lakhs

	<b>Amount Outstanding</b>
<b>Current Investments</b>	
1. Quoted	
(i) Shares: (a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others	-
2. Unquoted:	
(i) Shares: (a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others	-
<b>Long-Term Investments</b>	
1. Quoted	
(i) Shares: (a) Equity	15,163.63
(b) Preference	-
(ii) Debentures and Bonds	20,000.00
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others	-
2. Unquoted:	
(i) Shares: (a) Equity	269,514.16
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others	-

#### 5. Borrower group-wise classification of assets financed as in (2) and (3) above:

₹ Lakhs

	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
1. Related Parties			
(a) Subsidiaries	-	29,453.49	29,453.49
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	-	-	-
<b>Total</b>	<b>-</b>	<b>29,453.49</b>	<b>29,453.49</b>

**6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**

₹ Lakhs

Category	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	289,514.16	289,514.16
(b) Companies in the same group		-
(c) Other related parties		-
2. Other than related parties	43,737.11	15,163.63
<b>Total</b>	<b>333,251.27</b>	<b>304,677.79</b>

**7. Other Information**

₹ Lakhs

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	-
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	-
(iii) Assets acquired in satisfaction of debt	-

As per our report of even date

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**Milind P. Phadke**  
Partner  
Membership No. 033013

Mumbai, April 26, 2012

For and on behalf of the Board

**Y.M. Deosthalee**  
Chairman & Managing Director

**N. Suryanarayanan**  
Company Secretary

Mumbai, April 26, 2012

**N. Sivaraman**  
President & Whole-time Director

**V.V. Subramanian**  
Chief Accounts Officer

## Auditors' Report

### To the Board of Directors of L&T Finance Holdings Limited

1. We have audited the attached Consolidated Balance Sheet of L&T Finance Holdings Limited and its subsidiaries and associates as at 31st March, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. In respect of the financial statements of certain subsidiaries and associates, we did not carry out the audit, these financial statements have been audited / reviewed by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the subsidiaries and associates are based solely on the reports of the other auditors. The details of assets and revenues in respect of these subsidiaries and the net carrying cost of investment and current year/period share of profit or loss in respect of these associates, to the extent to which they are reflected in the consolidated financial statements are given below:
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of the Accounting Standard (AS) 21 Consolidated Financial Statements and (AS) 23 Accounting for Investments in Associates in Consolidated Financial Statements specified by the Companies (Accounting Standards) Rules, 2006 notified by the Central Government and on the basis of the separate audited/certified financial statements of L&T Finance Holdings Limited included in the consolidated financial statements.
5. We report that on the basis of the information and according to the explanations given to us, and on the consideration of the separate audit report on individual audited financial statements of L&T Finance Holdings Limited, we are of the opinion that the said consolidated financial statements, read together with Significant Accounting Policies and Notes on the Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of L&T Finance Holdings Limited as at 31st March, 2012;
  - (ii) in the case of the Consolidated Statement of Profit and Loss, of the consolidated results of operations of L&T Finance Holdings Limited for the year ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of L&T Finance Holdings Limited for the year ended on that date.

#### Audited by other auditors:

₹ Lakhs

	Total assets	Total revenues	Net cash flows
Subsidiaries	1,109,263.35	119,781.51	(2,781.51)

	Net carrying cost of investment (net of provision for diminution)	Share of Profit/(Loss)
Associates	Nil	Nil

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**MILIND P. PHADKE**  
Partner  
Membership No. 033013  
Mumbai, April 26, 2012

# L&T Finance Holdings Limited

## Consolidated Balance Sheet as at March 31, 2012

₹ Lakhs

	Note No	As at March 31, 2012	As at March 31, 2011
<b>EQUITY AND LIABILITIES:</b>			
<b>Shareholders' funds</b>			
Share capital	2	171,476.16	141,702.44
Reserves and surplus	3	303,798.53	147,419.71
		475,274.69	289,122.15
<b>Non-current liabilities</b>			
Long-term borrowings	4	1,571,852.70	1,011,609.31
Other long-term liabilities	5	16,834.46	8,399.86
Long-term provisions	6	5,840.81	3,597.51
		1,594,527.97	1,023,606.68
<b>Current liabilities</b>			
Short-term borrowings	7	204,649.74	301,462.14
Trade payables	8	2,320.82	2,066.05
Other current liabilities	9	412,167.94	339,258.94
Short-term provisions	10	4,334.41	2,161.83
		623,472.91	644,948.96
<b>TOTAL</b>		<b>2,693,275.57</b>	<b>1,957,677.79</b>
<b>ASSETS:</b>			
<b>Non-current assets</b>			
Fixed assets	11		
Tangible assets		46,807.09	42,730.96
Intangible assets		1,048.27	751.96
Capital work-in-progress		3,179.24	1,627.15
Intangible assets under development		73.86	134.85
Goodwill on consolidation		4,160.10	4,160.10
Non-current investments	12	66,176.09	67,815.97
Deferred tax assets (net)	13	6,091.34	529.90
Long-term loans and advances	14	4,665.35	548.89
Long-term loans and advances towards financing activities	15	1,665,855.80	1,038,951.42
Other non-current assets	16	22,385.75	10,554.78
		1,820,442.89	1,167,805.98
<b>Current assets</b>			
Current investments	17	10,809.84	5,425.88
Trade receivables	18	857.58	700.62
Cash and bank balances	19	11,274.88	16,346.44
Short-term loans and advances towards financing activities	20	166,623.11	234,292.10
Other current assets	21	683,267.27	533,106.77
		872,832.68	789,871.81
<b>TOTAL</b>		<b>2,693,275.57</b>	<b>1,957,677.79</b>
Significant accounting policies	1		
The accompanying notes are an integral part of financial statements	29		

As per our report of even date

For and on behalf of the Board

### SHARP & TANNAN

Chartered Accountants  
Registration No. 109982W  
by the hand of

### Milind P. Phadke

Partner  
Membership No. 033013

Mumbai, April 26, 2012

### Y.M. Deosthalee

Chairman & Managing Director

### N. Suryanarayanan

Company Secretary

Mumbai, April 26, 2012

### N. Sivaraman

President & Whole-time Director

### V.V. Subramanian

Chief Accounts Officer



## Consolidated Statement of Profit and Loss for the year ended March 31, 2012

₹ Lakhs

	Note No	2011-2012	2010-2011
<b>INCOME:</b>			
Revenue from operations	22	298,089.78	209,873.18
Other income	23	2,640.35	1,821.29
<b>Total Income</b>		300,730.13	211,694.47
<b>EXPENSES:</b>			
Finance costs	24	170,724.39	102,065.47
Employee benefits expense	25	15,118.58	9,435.28
Other expenses	26	22,114.76	16,446.86
Allowances and contingencies	27	5,826.54	9,343.60
Write offs/loss on foreclosure of loans	28	12,517.46	7,332.72
Depreciation and amortisation		6,003.76	5,910.76
<b>Total expenses</b>		232,305.49	150,534.69
<b>Profit before exceptional and extraordinary items and taxes</b>		68,424.64	61,159.78
Exceptional items		-	599.50
<b>Profit before extraordinary items and taxes</b>		68,424.64	60,560.28
Extraordinary items		-	-
Profit/(Loss) on sale of subsidiary company		-	5.23
Share of profit/(loss) of associate company		-	(118.78)
<b>Profit before tax</b>		68,424.64	60,446.73
Tax expense:			
Current tax		25,853.28	22,863.86
Deferred tax		(2,908.15)	(1,534.00)
<b>Profit for the period</b>		45,479.51	39,116.87
<b>Earnings per equity share:</b>			
Basic earnings per equity share before and after extraordinary items (₹)	29.17	2.81	2.82
Diluted earnings per equity share before and after extraordinary items (₹)	29.17	2.81	2.78
Face value per share (₹)		10	10
Significant accounting policies	1		
The accompanying notes are an integral part of financial statements	29		

As per our report of even date

For and on behalf of the Board

**SHARP & TANNAN**Chartered Accountants  
Registration No. 109982W  
by the hand of**Milind P. Phadke**Partner  
Membership No. 033013

Mumbai, April 26, 2012

**Y.M. Deosthalee**

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Company Secretary

Mumbai, April 26, 2012

**N. Sivaraman**

President &amp; Whole-time Director

**V.V. Subramanian**

Chief Accounts Officer

**Consolidated Cash Flow Statement for the year ended March 31, 2012**

₹ Lakhs

	March 31, 2012	March 31, 2011
<b>A. Cash flow from operating activities</b>		
Profit before extraordinary items and taxes	68,424.64	60,560.28
<b>Adjustments for:</b>		
Depreciation and amortisation	6,003.76	5,910.76
(Profit)/Loss on sale of investments (net)	(195.00)	(327.63)
(Profit)/Loss on sale of fixed assets (net)	1,637.07	509.80
Income Tax Refund	-	12.81
Provision for compensated absences/leave encashment	341.69	120.36
Provision for Gratuity	164.74	9.39
(Gain)/loss on translation of foreign currency monetary assets and liabilities and mark-to-market of derivatives	871.71	44.54
Cumulative interest on long-term NCDs (payable at maturity)	1,459.94	1,256.88
Obsolescence of Tangible Assets	-	1.64
Provision for diminution in value of investments	(0.12)	(3.20)
Loss on foreclosure of loans and bad debts write off	12,517.46	7,819.55
Provision for non-performing assets	2,919.98	6,319.60
Provision for standard assets	2,906.68	3,027.20
Provision on interest receivable	1,254.53	-
<b>Operating profit before working capital changes</b>	<b>98,307.08</b>	<b>85,261.98</b>
<b>Adjustments for :</b>		
(Increase)/Decrease in loans and advances towards financing activities	(577,579.50)	(662,261.66)
Investment in Preference Shares	-	(22,500.00)
(Increase)/Decrease in trade and other receivables and advances	(175,284.18)	(7,053.16)
Increase/(Decrease) in trade and other payables	82,396.34	42,722.37
Cash (used in)/generated from operations	(572,160.26)	(563,830.47)
Direct taxes paid	(27,138.73)	(24,099.60)
<b>Net cash flow from operating activities (A)</b>	<b>(599,298.99)</b>	<b>(587,930.07)</b>
<b>B. Cash flow from investing activities</b>		
<b>Add: Inflow from investing activities:</b>		
Proceeds/Adjustments from sale of fixed assets	1,464.07	1,975.14
Sale of investments	1,640.00	-
Sale of shares of subsidiary/associate companies	-	100.00
	<b>3,104.07</b>	<b>2,075.14</b>
<b>Less: Outflow from investing activities:</b>		
Purchase of fixed assets (including capital work-in-progress)	14,968.41	13,348.72
Cash paid at divestment of subsidiary	-	99.99
Purchase of investments	5,188.98	26,353.64
	<b>20,157.39</b>	<b>39,802.35</b>
<b>Net cash flow from investing activities (B)</b>	<b>(17,053.32)</b>	<b>(37,727.21)</b>

₹ Lakhs

	March 31, 2012	March 31, 2011
<b>C. Cash flow from financing activities</b>		
<b>Add: Inflow from financing activities:</b>		
Proceeds from issue of share capital including securities premium	157,539.01	15,000.00
Net proceeds from unsecured loans	560,243.39	45,810.89
Net proceeds from secured loans	-	573,101.35
	717,782.40	633,912.24
<b>Less: Outflow from financing activities:</b>		
Debenture/IPO issue expenses	9,901.95	3,605.26
Short-term borrowings	96,812.39	-
	106,714.34	3,605.26
<b>Net cash flow from financing activities (C)</b>	<b>611,068.06</b>	<b>630,306.98</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(5,284.25)</b>	<b>4,649.70</b>
Cash and cash equivalents at beginning of the year	16,339.06	11,689.36
<b>Cash and cash equivalents as at end of the year</b>	<b>11,054.81</b>	<b>16,339.06</b>
<b>Reconciliation of cash and cash equivalents:</b>		
Closing balance as per balance sheet	11,274.88	16,346.44
Less: Deposits with original maturity for more than 3 months but less than 12 months	220.07	7.38
<b>Cash and cash equivalents</b>	<b>11,054.81</b>	<b>16,339.06</b>

## Notes:

1. Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
2. Purchase of fixed assets includes movement of capital work in progress during the year.
3. Cash and cash equivalents represent cash and bank balances.
4. Previous year figures have been regrouped/reclassified wherever applicable.

As per our report of even date

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**Milind P. Phadke**  
Partner  
Membership No. 033013

Mumbai, April 26, 2012

For and on behalf of the Board

**Y.M. Deosthalee**  
Chairman & Managing Director

**N. Suryanarayanan**  
Company Secretary

Mumbai, April 26, 2012

**N. Sivaraman**  
President & Whole-time Director

**V.V. Subramanian**  
Chief Accounts Officer

# Notes forming part of the Consolidated Financial Statements as at March 31, 2012

## 1. Significant accounting policies

### 1.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) and in compliance with the provisions of the Companies Act, 1956. Insurance and other claims are accounted for as and when admitted by the appropriate authorities. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year. The accounts of subsidiaries & associates have been prepared in compliance with Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, prescribed by the Central Government. Necessary adjustments for differences in the accounting policies, wherever applicable, have been made in the consolidated financial statements.

### 1.2 Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified/regrouped the previous year figures in accordance with the requirements applicable in the current year.

### 1.3 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

### 1.4 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and there exists reasonable certainty of its recovery.

- Interest from interest-bearing assets is recognized on an accrual basis.
- Revenues from the various services that the Company renders are recognised when the following criteria are met: persuasive evidence of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectibility is reasonably assured.
- Gains arising on direct assignment of assets/receivables are recognized over the tenure of agreements as per guidelines on securitization of standard assets issued by RBI. Loss, if any is recognised upfront.
- Income from operating lease is recognized as rental and accrued on straight line basis over the period of lease.
- Dividend income is recognized when the Company's right to receive dividend is established on the reporting date.

### 1.5 Tangible Fixed Assets

Fixed assets, except land, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the Statement of Profit and Loss for the period during which such expenses are incurred.

The Company adjusts exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

### 1.6 Depreciation on Fixed Assets

Depreciation/Amortization on fixed assets is calculated on straight-line method which reflect the management's estimate of the useful lives of respective fixed assets and are greater than or equal to the corresponding rate prescribed in Schedule XIV to the Companies Act 1956. The assets for which higher rates used are as follows.

Particulars	Nature	Rates used (SLM)	Schedule XIV Rates (SLM)
Office Equipment	Owned use/ Operating Lease	10%	4.75%
Computer	Owned use/ Operating Lease	20%	16.21%
Plant & Machinery	Operating Lease	11.31%	4.75%
Motor car	Operating Lease	15%	9.5%
Vehicle	Operating Lease	16.21%	9.5%

- Leasehold improvements is amortized over the period of lease term.
- Specialized software are amortized over a period of 3 years.
- Fixed assets costing ₹ 5,000/- or less are fully depreciated in the year of purchase.
- Depreciation is charged for the full month in the month of purchase/sale even if used for part of the month.

### 1.7 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

The amortization period and the amortization method are reviewed at least once in every financial year. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with Accounting Standard (AS) 5 Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Goodwill arising on consolidation as per Accounting Standard (AS) 21 "Consolidated financial statements" is tested for impairment at each Balance Sheet date.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit and Loss when the asset is derecognized.

### 1.8 Investments

Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, fully or partly, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the Statement of Profit and Loss.

Investments other than in subsidiaries and associates have been accounted as per Accounting Standard (AS) 13 on "Accounting for Investments".

### 1.9 Borrowing Costs

Borrowing costs includes interest, ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed out in the period they occur.

## 1.10 Leases

Where the Company is lessee:

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease term at the lower of the fair value of the leased property and present value of minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the Statement of Profit and Loss.

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

Where the Company is lessor:

Leases in which the Company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognized as receivables at an amount equal to the net investment in the lease. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognized in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the Statement of Profit and Loss.

## 1.11 Retirement and Other Employee Benefits

### Short-term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the services are classified as short-term employee benefits. Benefits such as salaries, short term compensated absences etc. and expected cost of bonus/variable pay are

recognized in the period in which the employee renders the related service.

### Post Employment Benefits:

#### (a) Defined Contribution Plans:

The Company's superannuation scheme and state governed provident fund scheme are defined contribution plans. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related services.

#### (b) Defined Benefit Plans:

The employee's gratuity fund scheme and provident fund scheme managed by trust are the Company's defined benefit plans. Wherever applicable the present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

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

Actuarial gains and losses are recognized immediately 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 recognize the obligation on net basis.

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

### Long-term Employee Benefits:

The obligation for long-term employee benefits such as long-term compensated absences is recognized as defined benefits plan.

## 1.12 Earnings Per Share

Basic and diluted earnings per share are computed in accordance with Accounting Standard (AS) 20: Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share reflect the potential dilution that could occur if contracts to issue equity shares were exercised or converted during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

### 1.13 Principles of Consolidation

The consolidated financial statements relate to L&T Finance Holdings Limited ('the Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements".
- b) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve as the case may be.
- c) The difference between the proceeds from disposal of investment in subsidiaries and the carrying amount of its assets less liabilities as of the date of disposal is recognised in the Consolidated Statement of Profit and Loss being the profit or loss on disposal of investment in subsidiary.
- d) Investment in associate companies has been accounted under the equity method as per Accounting Standard (AS) 23 "Accounting for Investments in Associates in Consolidated Financial Statements".
- e) The Company accounts for its share in change in net assets of the associates, post acquisition, after eliminating unrealised profits and losses resulting from transactions between the Company and its associates to the extent of its share, through its Statement of Profit and Loss account to the extent such change is attributable to the associates' Profit and Loss and through its reserves for the balance, based on available information.
- f) The difference between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in the associates is identified in the financial statements as Goodwill or Capital Reserve, as the case may be.
- g) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's independent financial statements.

### 1.14 Income Taxes

Income tax expense is the aggregate amount of current tax expenses and deferred tax expenses. The current tax expenses and deferred tax expenses is determined in accordance with the Provision of Income Tax Act, 1961 and as per Accounting Standards (AS) 22 – Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, respectively. Deferred tax adjustments comprise changes in deferred tax assets or liabilities during the year. Deferred tax assets and liabilities are recognized on a prudent basis for the future tax consequence of timing difference arising between the carrying values of assets and liabilities and their respective tax basis, and carry forward losses. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantially enacted at the Balance Sheet date. The impact of changes in deferred tax assets and liabilities is recognized in the Statement of Profit and Loss.

Deferred tax assets are recognized and reassessed at each reporting date, based upon management's judgement as to whether their realization is considered with reasonable certainty.

### 1.15 Impairment of Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. If such recoverable amount of the assets or recoverable amount of the cash generating unit to which the assets belongs to, is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Statement of Profit and Loss.

### 1.16 Provisions and Contingent Liabilities

A provision is recognized when the Company has a present obligation as a result of past event. It is probable that an



outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

#### **1.17 Foreign Currency Forward Contracts and Derivatives**

Foreign currency transactions are accounted at the exchange rates prevailing on the date of each transaction. Foreign currency monetary items outstanding as at the balance sheet date are reported using the closing rate. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss.

Premium in respect of forward contracts is charged to Statement of Profit and Loss over the period of the contract. Forward contracts outstanding as at the balance sheet date are revalued at the closing rate.

#### **1.18 Employee Stock Compensation Cost**

The Employees Stock Option Scheme (the Scheme) provides for grant of equity shares of L&T Finance Holdings 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.

#### **1.19 Expenses incurred on issue of shares/debentures**

Expenses incurred on issue of shares/debentures are written off against securities premium account.

#### **1.20 Mutual fund scheme expenses**

Mutual Fund scheme expenses represent expenses incurred for the activities of the Mutual Fund schemes which are borne by the Company/debited to the Company by the schemes due to limitation of expenses stipulated in the offer document of the related schemes.



## Notes forming part of the Consolidated Financial Statements as at March 31, 2012

### 2. Share capital

The Company has issued Equity Share Capital, the details in respect of which are given below:

Number, face value and amount of shares authorized, issued, subscribed and paid-up	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
<b>Authorized</b>				
Equity shares of ₹ 10 each.	5,000,000,000	500,000.00	5,000,000,000	500,000.00
<b>Issued, subscribed &amp; paid up</b>				
Equity shares of ₹ 10 each	1,714,761,612	171,476.16	1,417,024,426	141,702.44
<b>Total issued, subscribed &amp; paid-up share capital</b>	<b>1,714,761,612</b>	<b>171,476.16</b>	<b>1,417,024,426</b>	<b>141,702.44</b>

#### 2 (I) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

Equity Shares	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
At the beginning of the period	1,417,024,426	141,702.44	1,353,591,591	135,359.16
Issued during the period				
- Pre - IPO Placement	60,000,000	6,000.00	-	-
- Issued under IPO	237,705,361	23,770.54	-	-
- Issued under ESOP	31,825	3.18	-	-
- Capital infusion from holding company	-	-	63,432,835	6,343.28
Outstanding at the end of the period	<b>1,714,761,612</b>	<b>171,476.16</b>	<b>1,417,024,426</b>	<b>141,702.44</b>

#### 2 (II) Terms/rights attached to equity shares

The Company has only one class of equity share having a par value of ₹ 10 per share. Members of the Company holding equity share capital therein have a right to vote, on every resolution placed before the Company and right to receive dividend. The voting rights on a poll is in proportion to the share of the paid-up equity capital of the Company held by the shareholders.

#### 2 (III) Equity shares held by holding company

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
Larsen & Toubro Limited and its nominee Equity Shares of ₹ 10 each fully paid	1,417,024,221	141,702.42	1,417,024,221	141,702.44

#### 2 (IV) Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	% holding	No. of Shares	% holding
Larsen & Toubro Limited and its nominee Equity Shares of ₹ 10 each fully paid	1,417,024,221	82.64%	1,417,024,221	99.99%

#### 2 (V) Shares reserved to be issued under ESOP

Equity Shares of ₹ 10 each	As at March 31, 2012		As at March 31, 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
	13,572,440	1,357.24	10,615,400	1,061.54

### 3. Reserves & Surplus

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
<b>3 (I) Securities premium account</b>		
Balance as per last financial statement	36,156.72	-
Add: Addition during the year#	127,765.29	36,156.72
Less: Share issue expenses adjusted during the year	8,017.39	-
Less: Debenture issue expenses adjusted during the year (net of tax)	8,413.85	-
<b>Closing Balance</b>	147,490.77	36,156.72
<b>3 (II) Debenture redemption reserve</b>		
Balance as per last financial statement	32,000.00	10,000.00
Add: Transferred from surplus in the Statement of Profit and Loss	21,300.00	22,000.00
<b>Closing Balance</b>	53,300.00	32,000.00
<b>3 (III) Reserve u/s 45-IC of Reseve Bank of India Act, 1934</b>		
Balance as per last financial statement	25,288.77	16,635.77
Add: Transferred from surplus in the Statement of Profit and Loss	10,751.39	8,653.00
<b>Closing Balance</b>	36,040.16	25,288.77
<b>3 (IV) General reserves</b>		
Balance as per last financial statement	12.20	-
Add: Transferred from surplus in the Statement of Profit and Loss/ created during the year	-	12.20
<b>Closing Balance</b>	12.20	12.20
<b>3 (V) Reserve u/s 36(1)(viii) of Income Tax Act</b>		
Balance as per last financial statement	2,153.00	988.00
Add: Transferred from surplus in the Statement of Profit and Loss	2,533.00	1,165.00
<b>Closing Balance</b>	4,686.00	2,153.00
<b>3 (VI) Employee stock option outstanding account</b>		
Balance as per last financial statement	122.59	-
Add: Debited to Statement of Profit and Loss	434.85	122.59
Less: Allotment of shares	2.88	-
<b>Closing Balance</b>	554.56	122.59
<b>3 (VII) Capital reserve on consolidation</b>	34,679.90	34,679.90
<b>3 (VIII) Surplus in the Statement of Profit and Loss</b>		
Balance as per last financial statement	17,006.53	9,707.66
Add: Profit for the year	45,479.51	39,116.87
<b>Less : Appropriations:</b>		
Interim dividend distribution tax (Refer note 29.23)	866.71	-
Transfer to debenture redemption reserve	21,300.00	22,000.00
Transfer to reserve u/s 36(1)(viii) of IncomeTax Act, 1961	2,533.00	1,165.00
Transfer to reserve u/s 45-IC of Reseve Bank of India Act, 1934	10,751.39	8,653.00
<b>Closing Balance</b>	27,034.94	17,006.53
<b>Total</b>	<b>303,798.53</b>	<b>147,419.71</b>

# Includes ₹ 13.76 Lakhs (previous year ₹ Nil) on exercise of employee stock options.

#### 4. Long term borrowings

₹ Lakhs

	Non current portion		Current maturities	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>4 (I) Secured</b>				
Redeemable non convertible debentures	505,996.67	315,121.55	103,000.00	132,500.00
Term loans				
- From banks	938,196.03	661,728.00	144,193.36	143,564.00
- Foreign currency loan	20,160.00	12,000.00	12,000.00	-
- From other parties	-	-	-	1,000.00
<b>Total I</b>	<b>1,464,352.70</b>	<b>988,849.55</b>	<b>259,193.36</b>	<b>277,064.00</b>
<b>4 (II) Unsecured</b>				
Redeemable non convertible debentures	7,500.00	7,500.00	25,000.00	-
Term loans				
- From banks	100,000.00	-	46,625.00	-
Loans and advances from related parties	-	15,259.76	408.50	13.00
<b>Total II</b>	<b>107,500.00</b>	<b>22,759.76</b>	<b>72,033.50</b>	<b>13.00</b>
<b>Total (I + II)</b>	<b>1,571,852.70</b>	<b>1,011,609.31</b>	<b>331,226.86</b>	<b>277,077.00</b>
Less: Amount disclosed under the head "other current liabilities" (Refer Note 9)	-	-	(331,226.86)	(277,077.00)
<b>Total</b>	<b>1,571,852.70</b>	<b>1,011,609.31</b>	<b>-</b>	<b>-</b>

**Particulars of terms of redemption/repayment Secured: Non-current:**

<b>Note 4 (i) Secured Redeemable Non-convertible Debentures : Private Placement</b>								
Series	Face value per Debentures (₹)	Date of allotment	Amount ₹ in Lakhs	Non-Current Portion ₹ in Lakhs	Current Maturities ₹ in Lakhs	Interest rate % p.a.	date of redemption	Redeemable term
E of FY 2011-12	10 lakhs	December 15, 2011	3,000.00	3,000.00		10.04%	December 15, 2014	Redeemable at par at the end of 1096 days from the date of allotment
D of FY 2011-12	10 lakhs	December 5, 2011	5,000.00	5,000.00		10.25%	November 4, 2014	Redeemable at par at the end of 1065 days from the date of allotment
B of FY 2009-10	10 lakhs	September 29, 2009	11,500.00	11,500.00		9.62%	September 29, 2014	Redeemable at par at the end of 60 months from the date of allotment
A of FY 2011-12	10 lakhs	May 31, 2011	10,000.00	10,000.00		NSE M+245 bps	May 31, 2014	Redeemable at par at the end of 36 months from the date of allotment
G of FY 2011-12	10 lakhs	March 22, 2012	2,500.00	2,500.00		9.83%	April 30, 2014	Redeemable at par at the end of 769 days from the date of allotment
G of FY 2011-12	10 lakhs	March 22, 2012	1,100.00	1,100.00		9.83%	April 29, 2014	Redeemable at par at the end of 768 days from the date of allotment
G of FY 2011-12	10 lakhs	March 22, 2012	2,200.00	2,200.00		9.84%	April 8, 2014	Redeemable at par at the end of 747 days from the date of allotment
G of FY 2011-12	10 lakhs	March 22, 2012	1,400.00	1,400.00		9.84%	April 3, 2014	Redeemable at par at the end of 742 days from the date of allotment
G of FY 2011-12	10 lakhs	March 22, 2012	400.00	400.00		9.85%	March 17, 2014	Redeemable at par at the end of 725 days from the date of allotment
E of FY 2011-12	10 lakhs	December 15, 2011	16,300.00	16,300.00		10.15%	December 16, 2013	Redeemable at par at the end of 732 days from the date of allotment
E of FY 2011-12	10 lakhs	December 15, 2011	24,150.00	24,150.00		10.15%	December 2, 2013	Redeemable at par at the end of 718 days from the date of allotment
C of FY 2011-12	10 lakhs	November 23, 2011	12,000.00	12,000.00		10.15%	November 18, 2013	Redeemable at par at the end of 726 days from the date of allotment
B of FY 2011-12	10 lakhs	September 9, 2011	11,000.00	11,000.00		9.96%	September 4, 2013	Redeemable at par at the end of 726 days from the date of allotment
E of FY 2011-12	10 lakhs	December 15, 2011	1,000.00	1,000.00		10.00%	June 24, 2013	Redeemable at par at the end of 557 days from the date of allotment
D of FY 2011-12	10 lakhs	December 5, 2011	3,000.00	3,000.00		10.15%	June 12, 2013	Redeemable at par at the end of 555 days from the date of allotment
E of FY 2011-12	10 lakhs	December 15, 2011	5,500.00	5,500.00		10.04%	June 11, 2013	Redeemable at par at the end of 544 days from the date of allotment
D of FY 2011-12	10 lakhs	December 5, 2011	2,500.00	2,500.00		10.15%	June 3, 2013	Redeemable at par at the end of 546 days from the date of allotment
D of FY 2011-12	10 lakhs	December 5, 2011	1,500.00	1,500.00		10.15%	May 30, 2013	Redeemable at par at the end of 542 days from the date of allotment
D of FY 2011-12	10 lakhs	December 5, 2011	3,000.00	3,000.00		10.15%	May 30, 2013	Redeemable at par at the end of 542 days from the date of allotment
C of FY 2011-12	10 lakhs	November 23, 2011	17,500.00	17,500.00		10.15%	May 23, 2013	Redeemable at par at the end of 547 days from the date of allotment
A of FY 2010-11	10 lakhs	April 12, 2010	17,500.00		17,500.00	7.45%	April 12, 2012	Redeemable at par at the end of 24 months from the date of allotment
Series "A" of 2009-10	10 lakhs	June 1, 2009	18,000.00	-	18,000.00	9.00%	June 1, 2012	At the end of 3 years from the date of allotment
Series "A" of 2010-11	10 lakhs	April 16, 2010	7,500.00	-	7,500.00	8.91%	April 16, 2012	At the end of 2 years from the date of allotment
Series "B" of 2010-11	10 lakhs	April 16, 2010	7,500.00	7,500.00		- 8.91%	April 16, 2013	At the end of 3 years from the date of allotment
Series "C" of 2010-11	10 lakhs	April 16, 2010	7,500.00	7,500.00		- 8.91%	April 16, 2014	At the end of 4 years from the date of allotment
Series "D" of 2010-11	10 lakhs	April 16, 2010	7,500.00	7,500.00		- 8.91%	April 16, 2015	At the end of 5 years from the date of allotment
Series "E" of 2010-11	10 lakhs	April 16, 2010	7,500.00	7,500.00		- 8.91%	April 16, 2016	At the end of 6 years from the date of allotment
Series "F" of 2010-11	10 lakhs	April 16, 2010	7,500.00	7,500.00		- 8.91%	April 15, 2017	At the end of 7 years from the date of allotment
Series "G" of 2010-11	10 lakhs	April 16, 2010	7,500.00	7,500.00		- 8.91%	April 16, 2018	At the end of 8 years from the date of allotment
Series "A" of 2011-12	10 lakhs	October 18, 2011	50,000.00	50,000.00		- 9.70%	October 18, 2028	At the end of 17 years from the date of allotment, Put call option at the end of 10 years
Series "B" of 2011-12	10 lakhs	October 31, 2011	10,000.00	10,000.00		- 9.40%	October 31, 2016	At the end of 5 years from the date of allotment, Put call option at the end of 18 months
Series "D" of 2011-12	10 lakhs	December 28, 2011	10,000.00	-	10,000.00	9.40%	December 28, 2016	At the end of 5 years from the date of allotment, Put call option at the end of 15 months
<b>Total (A)</b>			<b>292,550.00</b>	<b>239,550.00</b>	<b>53,000.00</b>			

**4 (I) (i) Secured Redeemable Non-convertible Debentures : Public Issue**

Series	Face value per Debentures (₹)	Date of allotment	Amount ₹ in Lakhs	Non-Current Portion ₹ in Lakhs	Current Maturities ₹ in Lakhs	Interest rate % Pa.	Date of redemption	Redeemable term
NCD 2009 Series 4	1,000	September 17, 2009	47,069.00	47,069.00		10.24%	September 17, 2019	Redeemable at par at the end of 120 months from the date of allotment
NCD 2009 Series 3	1,000	September 17, 2009	12,632.00	12,632.00		9.95%	January 17, 2017	Redeemable at par at the end of 88 months from the date of allotment
NCD 2009 Series 2	1,000	September 17, 2009	29,635.00	29,635.00		9.62%	September 17, 2014	Redeemable at par at the end of 60 months from the date of allotment
NCD 2009 Series 1	1,000	September 17, 2009	10,664.00	10,664.00		9.51%	September 17, 2014	Redeemable at par at the end of 60 months from the date of allotment
NCD 2010 Series 2	1,000	March 10, 2010	12,866.37		12,866.37	8.50%	March 8, 2013	Redeemable at par at the end of 36 months from the date of allotment
NCD 2010 Series 1	1,000	March 10, 2010	37,133.63		37,133.63	8.40%	March 8, 2013	Redeemable at par at the end of 36 months from the date of allotment
Series 2010A - 1	1,000	December 2, 2010	1,908.20	1,908.20		7.75% p.a. payable annually		
Series 2010A - 2	1,000	December 2, 2010	4,717.17	4,717.17		7.75% p.a. compounded annually payable at maturity		At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 7 years from the date of allotment.
Series 2010A - 3	1,000	December 2, 2010	6,289.78	6,289.78		7.50% p.a. payable annually		
Series 2010A - 4	1,000	December 2, 2010	12,706.40	12,706.40		7.50% p.a. compounded annually payable at maturity		At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 5 years from the date of allotment.
Series 2011A - 1	1,000	March 23, 2011	9,069.27	9,069.27		8.20% p.a. payable annually		
Series 2011A - 2	1,000	March 23, 2011	30,930.73	30,930.73		8.30% p.a. compounded annually payable at maturity		
Series 2011 B - 1	1,000	January 10, 2012	15,184.82	15,184.82		9% p.a. payable annually		
Series 2011 B - 2	1,000	January 10, 2012	37,755.81	37,755.81		9% p.a., compounded annually payable at maturity		At the end of 10 years from the date of allotment. Buyback option available to the investors at the end of 5 years and 7 years from the date of allotment.
Series 2012 A - 1	1,000	March 24, 2012	12,129.31	12,129.31		8.70% p.a. payable annually		
Series 2012 A - 2	1,000	March 24, 2012	35,755.18	35,755.18		8.70% p.a. compounded annually payable at maturity		
<b>Total (B)</b>			<b>316,446.67</b>	<b>266,446.67</b>	<b>50,000.00</b>			
<b>Grand Total (A+B)</b>			<b>608,996.67</b>	<b>505,996.67</b>	<b>103,000.00</b>			

The debentures covered in (A) and (B) above are secured by mortgage of an immovable property created under the terms of its operating lease arrangement and hypothecation of specific receivables.

#### 4 (I) (ii) Term loans from Banks:

₹ Lakhs

Repayment terms	Tenure	Non-Current Portion ₹ Lakhs	Current Maturities ₹ Lakhs
Bullet	0 to 6 months	-	46,600.00
	7 to 12 months	-	12,500.00
	upto 5 years	342,100.00	-
Quarterly	0 to 6 months	-	35,776.85
	7 to 12 months	-	35,151.51
	upto 5 years	59,886.03	-
Semi Annual	0 to 6 months	-	1,000.00
Bullet	18 months to 5 years	108,800.00	-
Equated annual instalments starting from 25th month	4 year	30,000.00	-
Equated semi annual instalments after moratorium period of 3 years	5 years to 6 years	105,200.00	1,000.00
Equated quarterly instalments	5 years to 7 years	212,335.00	12,165.00
Repayable in 8 quarterly instalments		12,500.00	-
Repayable in 12 quarterly instalments commencing from 01/07/2012		4,875.00	-
Repayable in 8 quarterly instalments commencing from 01/07/2012		50,000.00	-
Repayable in 8 quarterly instalments commencing from 31/07/2012		12,500.00	-
<b>Total</b>		<b>938,196.03</b>	<b>144,193.36</b>

#### 4 (I) (iii) Term loans in Foreign currency:

₹ Lakhs

Particulars	Bank Name	Amount	Non-Current Portion	Current Maturities	Date of redemption
ECB	DBS BANK	12,000.00	-	12,000.00	April 27, 2012
ECB	HSBC	8,960.00	8,960.00	-	August 11, 2014
ECB	HSBC	11,200.00	11,200.00	-	Half yearly repayment, starts from August 9, 2012.
<b>Total</b>		<b>32,160.00</b>	<b>20,160.00</b>	<b>12,000.00</b>	

Unsecured :

Non Current :

#### 4 (II) (i) (A) Unsecured Redeemable Non-convertible Subordinate Debt:

₹ Lakhs

Series	Face value per Debenture	Amount	Non-Current Portion	Current Maturities	Date of redemption
Series H of FY 2007-08	₹ 10 lakhs each	7,500.00	7,500.00	-	February 20, 2018

**4 (II) (i) (B) Unsecured, Redeemable, Non-Convertible Debentures (privately placed)**

₹ Lakhs

Series	Face Value per debenture	Date of allotment	Amount	Non-Current Portion	Current Maturities	Interest Rate (%)	Date of redemption
Series "C" 2011-12	10,000,000	November 15, 2011	25,000.00	-	25,000.00	9.15%	November 20, 2016

**4 (II) (ii) (A) Term loans from Banks :**

₹ Lakhs

Repayment terms	Amount	Current Maturities	Non-Current Portion
Bullet at the end of 5 years	100,000.00	-	100,000.00
Repayable in 8 quarterly instalments commencing from July 1, 2012	7,500.00	7,500.00	-
Repayable in 12 quarterly instalments commencing from July 1, 2012	1,625.00	1,625.00	-
Repayable in 8 quarterly instalments commencing from July 1, 2012	30,000.00	30,000.00	-
Repayable in 8 quarterly instalments commencing from July 31, 2012	7,500.00	7,500.00	-
<b>Grand Total</b>	<b>146,625.00</b>	<b>46,625.00</b>	<b>100,000.00</b>

**4 (II) (iii) Loans and advances from related parties: Inter-corporate borrowings**

₹ Lakhs

Particulars	Relation	Amount	Non-Current Portion	Current Maturities	date of redemption	Redeemable term
L&T Capital Company Limited	Fellow subsidiary	57.00	-	57.00	March 22, 2013	Bullet
		100.00	-	100.00	January 19, 2013	Bullet
		160.00	-	160.00	October 12, 2012	Bullet
		51.50	-	51.50	August 17, 2012	Bullet
		40.00	-	40.00	July 19, 2012	Bullet
<b>Total</b>		<b>408.50</b>	<b>-</b>	<b>408.50</b>		

**5. Other long-term liabilities**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Interest accrued but not due on debentures	8,683.76	2,495.79
Security deposits and margin money received	2,812.95	2,937.30
Deferred income on loan processing	3,456.91	2,966.77
Cash margin collected	1,868.62	-
Others	12.22	-
<b>Total</b>	<b>16,834.46</b>	<b>8,399.86</b>

**6. Long-term provisions**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Contingent provision against standard assets	5,266.25	3,322.07
For Employee benefits		
- Gratuity	43.91	32.88
- Leave Encashment	527.51	239.42
	571.42	272.30
Others	3.14	3.14
<b>Total</b>	<b>5,840.81</b>	<b>3,597.51</b>

## 7. Short term borrowings

₹ Lakhs

	As at March 31, 2012		As at March 31, 2011	
<b>7 (I) Secured</b>				
Term loans				
- from banks		25,000.00		44,300.00
Bank overdraft/Cash Credit*		10,189.57		7,564.02
<b>Total I</b>		<b>35,189.57</b>		<b>51,864.02</b>
<b>7 (II) Unsecured</b>				
Term loans				
- from banks		95,000.00		80,000.00
Commercial papers	10,982.99		132,448.31	
Less: Unexpired discounting charge	167.92		495.19	
		10,815.07		131,953.12
Loans and advances from related parties (ICDs)		3,520.00		37,645.00
Bank overdraft/CC facility		50,125.10		-
Working capital demand loan		10,000.00		-
<b>Total II</b>		<b>169,460.17</b>		<b>249,598.12</b>
<b>Total (I + II)</b>		<b>204,649.74</b>		<b>301,462.14</b>

\*Secured by first exclusive charge on specific receivables.

### 7 (I) Secured Term Loan from bank

Repayment terms	Tenure	(₹ Lakhs)
Bullet	0 to 6 month	10,000.00
	7 to 12 months	15,000.00
<b>Total</b>		<b>25,000.00</b>

### 7 (II) (i) Unsecured Term Loan from bank

Repayment terms	Tenure	(₹ Lakhs)
Bullet	0 to 6 month	85,000.00
	7 to 12 months	10,000.00
<b>Total</b>		<b>95,000.00</b>

### 7 (II) (ii) Inter-corporate borrowings

(Redeemable term - Bullet)

Name of Lender	Relation	Amount ₹ in Lakhs	Date of redemption
L&T Capital Company Limited	Fellow subsidiary	150.00	March 26, 2013
		54.00	March 20, 2013
		15.00	February 8, 2013
		47.00	December 18, 2012
		3.00	November 21, 2012
		8.00	September 28, 2012
		12.00	August 22, 2012
		5.00	August 17, 2012
		35.00	August 8, 2012
		18.00	July 28, 2012
		15.00	July 19, 2012
		20.00	July 4, 2012
		45.00	June 15, 2012
		28.00	May 31, 2012
65.00	April 18, 2012		
Metro Tunnelling Group	Joint Venture	3,000.00	April 12, 2012
<b>Total</b>		<b>3,520.00</b>	



## 8. Trade payables

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Trade Payables		
- Dues to Micro Enterprises and Small Enterprises	-	-
- Others	2,320.82	2,066.05
<b>Total</b>	<b>2,320.82</b>	<b>2,066.05</b>

## 9. Other current liabilities

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Current maturities of long-term debt (Refer Note 4)	331,226.86	277,077.00
Interest accrued but not due on debentures	8,907.98	13,307.09
Interest accrued but not due on borrowings	9,323.42	257.98
Deferred income on loan processing	1,150.11	624.95
Security deposits and margin money received	530.94	513.97
Short term obligations	34,626.84	29,083.13
Statutory dues	371.89	326.16
Advance from customers	19.80	28.41
Sundry Creditors for capital goods	83.21	20.69
Deferred income on assignment	770.99	-
Debenture Application money refundable	476.16	3,377.51
Unclaimed interest on debentures (Refer Note given below)	157.99	29.30
Bank book credit balance	10,401.63	-
Other liabilities	14,120.12	14,612.75
<b>Total</b>	<b>412,167.94</b>	<b>339,258.94</b>

Note: No amount (*Previous Year Nil*) was due for transfer to the Investor Education and Protection Fund under Section 205C of the Companies Act, 1956.

## 10. Short term provisions

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Contingent provision against standard assets	2,374.63	1,931.13
For Employee benefits		
- Gratuity	195.95	82.07
- Leave Encashment	246.01	147.93
- Variable remuneration	579.66	-
- Others	6.54	-
For Dividend Distribution Tax (Refer Note 29.23)	866.71	-
Others	64.91	0.70
<b>Total</b>	<b>4,334.41</b>	<b>2,161.83</b>

## 11. Fixed Assets

₹ Lakhs

Particulars	GROSS BLOCK (at cost)			DEPRECIATION / AMORTISATION				NET BLOCK		
	As at April 1, 2011	Additions	Sales/ deductions	As at March 31, 2012	Up to March 31, 2011	For the year	Deductions	Up to March 31, 2012	As at March 31, 2012	As at March 31, 2011
<b>Tangible Assets</b>										
<b>Owned Assets</b>										
Land - freehold	15,593.44	-	-	15,593.44	-	-	-	-	15,593.44	15,593.44
Buildings	3,706.02	2,278.57	-	5,984.59	567.42	66.60	-	634.02	5,350.57	3,138.60
Office Equipments	764.66	106.35	10.72	860.29	311.29	66.57	5.44	372.42	487.87	453.37
Furniture and fixtures	1,287.62	107.61	7.32	1,387.91	223.48	120.25	4.62	339.11	1,048.80	1,064.14
Computers	2,362.81	471.88	95.53	2,739.16	1,036.53	452.11	94.17	1,394.47	1,344.69	1,326.28
Motor car	62.84	50.10	33.70	79.24	16.22	4.88	13.07	8.03	71.21	46.62
<b>Owned Assets Leased out</b>										
Buildings	1,061.33	-	-	1,061.33	1,061.33	-	-	1,061.33	-	-
Plant and Machinery	51,549.47	1,174.65	2,396.94	50,327.18	43,619.91	1,123.35	714.17	44,029.09	6,298.09	7,929.56
Office Equipment	39.00	34.01	-	73.01	8.47	5.77	-	14.24	58.77	30.53
Furniture and fixtures	1,309.26	311.39	67.39	1,553.26	152.03	91.49	10.59	232.93	1,320.33	1,157.23
Motor car	14,528.77	6,334.63	3,918.41	16,944.99	5,256.80	2,355.48	2,600.88	5,011.40	11,933.59	9,271.97
Vehicles	904.80	-	-	904.80	72.43	146.18	-	218.61	686.19	832.37
Computers	4,453.89	1,853.39	330.47	5,976.81	2,567.04	1,113.42	317.19	3,363.27	2,613.54	1,886.85
(A)	97,623.91	12,722.58	6,860.48	103,486.01	54,892.95	5,546.10	3,760.13	56,678.92	46,807.09	42,730.96
<b>Intangible Assets</b>										
<b>Owned Assets</b>										
Specialised software	1,924.07	754.74	103.78	2,575.03	1,172.11	457.66	103.01	1,526.76	1,048.27	751.96
(B)	1,924.07	754.74	103.78	2,575.03	1,172.11	457.66	103.01	1,526.76	1,048.27	751.96
(A) + (B)	99,547.98	13,477.32	6,964.26	106,061.04	56,065.06	6,003.76	3,863.14	58,205.68	47,855.36	43,482.92
Previous year	98,682.99	11,682.15	5,919.34	104,445.80	30,695.88	5,910.76	3,432.76	33,173.88		
Add: Capital work-in-progress									3,179.24	1,627.15
									51,034.60	45,110.07

**12. Non current investments**

	As at March 31, 2012		As at March 31, 2011	
	No. of shares / Debentures	₹ Lakhs	No. of shares / Debentures	₹ Lakhs
<b>12 (I) Trade Investments (valued at cost unless stated otherwise)</b>				
<b>Unquoted equity instruments</b>				
<b>Investment in Associates</b>				
NAC Infrastructure Equipment Limited (Equity Shares of ₹ 10 each fully paid)	4,500,000	450.00	4,500,000	450.00
<b>Total (A)</b>		<b>450.00</b>		<b>450.00</b>
<b>12 (II) Other Investments (valued at cost unless stated otherwise)</b>				
<b>A) Quoted instruments</b>				
<b>Investment in equity</b>				
Federal Bank Limited (Equity Shares of ₹ 10 each fully paid)	7,995,619	12,376.48	7,995,619	12,376.48
City Union Bank Limited (Equity Shares of ₹ 1 each fully paid)	19,195,012	2,787.15	19,195,012	2,787.15
Integrated Digital Info Services Limited (Equity Shares of ₹ 10 each fully paid)	383,334	11.73	383,334	11.73
Elque Polyesters Limited (Equity Shares of ₹ 10 each fully paid)	194,300	19.43	194,300	19.43
Monnet Industries Limited (Equity Shares of ₹ 10 each fully paid)	18,800	7.52	18,800	7.52
<b>Investment in Debentures</b>				
Infrastructure Development Finance Company Limited IDFC Ltd (M+170bps) 16 May 2012 (Debentures of ₹ 1,000,000 each)	-	-	700	7,087.19
IDFC Ltd (M+183bps) 04 Dec 2012 (Debentures of ₹ 1,000,000 each)	-	-	250	2,593.64
IDFC Ltd (M+150bps) 16 May 2017 (Debentures of ₹ 1,000,000 each)	400	4,683.98	400	4,683.98
<b>B) Unquoted instruments</b>				
<b>Investment in equity</b>				
Invent Assets Securitisation & Reconstruction Private Limited (Equity Shares of ₹ 10 each fully paid)	5,420,000	1,219.50	3,780,000	850.50
Alpha Micro Finance Consultants Private Limited (Equity Shares of ₹ 10 each fully paid)	200,000	20.00	200,000	20.00
Metropoli Overseas Limited (Equity Shares of ₹ 10 each fully paid)	99,400	14.91	99,400	14.91
Anil Chemicals and Industries Limited (Equity Shares of ₹ 10 each fully paid)	40,000	8.00	40,000	8.00
BSCPL Infrastructure Ltd. (Equity Shares of ₹ 10 each fully paid)	436,300	2,500.00	436,300	2,500.00
Tikona Digital Networks Pvt. Ltd. (Equity Shares of ₹ 10 each fully paid)	100	2.84	100	2.84
Bhoruka Power Corporation Ltd. (Equity Shares of ₹ 10 each fully paid)	587,850	5,000.00	587,850	5,000.00
Ardom Telecom Limited (Equity Shares of ₹ 10 each fully paid)	648,649	200.00	-	-
<b>Investments in debentures</b>				
Tikona Digital Networks Pvt. Ltd. (Debentures of ₹ 2,840 each fully paid)	361,968	10,279.89	175,956	4,997.15
<b>Investments in preference shares</b>				
Anrak Aluminium Limited (Preference Shares of ₹ 10 each fully paid)	125,000,000	12,500.00	125,000,000	12,500.00
KSK Energy Ventures Limited (Preference Shares of ₹ 10 each fully paid)	100,000,000	10,000.00	100,000,000	10,000.00

	As at March 31, 2012		As at March 31, 2011	
	No. of shares / Debentures	₹ Lakhs	No. of shares / Debentures	₹ Lakhs
<b>Cumulative Convertible Preference Shares (CCPS)</b>				
Ardom Telecom Limited (CCPS of ₹ 100,000 each fully paid)	1,800	1,800.00	-	-
<b>Others</b>				
Invent Assets Securitisation & Reconstruction Private Limited:				
Security receipt		1,629.50		1,664.50
Share application money paid pending allotment		378.00		747.00
Phoenix ARC Private Limited				
Security receipt		793.09		-
LTFL Securitisation Trust 2002		0.01		0.01
12% National Saving Certificate 2002 (Deposited as security with sales tax authorities)		0.04		0.04
<b>Total (B)</b>		<b>66,232.07</b>		<b>67,872.07</b>
<b>Total (A + B)</b>		66,682.07		68,322.07
Less: Provision for diminution in value of Investments		505.98		506.10
<b>Total non current investments</b>		<b>66,176.09</b>		<b>67,815.97</b>
<b>Note:</b>				
Aggregate amount of quoted investments (Market value of ₹ 68,451.77 Lakhs (Previous Year ₹ 41,876.02 Lakhs).		19,886.29		29,567.12
Aggregate amount of unquoted investments		46,795.78		38,754.95

### 13. Deferred tax assets (net)

In compliance with Accounting Standard (AS) 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the Company has provided for deferred tax liability (net) in the Statement of Profit and Loss on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

Component & Particulars	₹ Lakhs	
	As at March 31, 2012	As at March 31, 2011
<b>Deferred tax liabilities</b>		
Difference between book depreciation and tax depreciation	1,176.92	2,859.63
Expenses on Non convertible debentures - Public issue	-	2,653.29
Other items giving rise to timing difference	817.67	1,120.72
	<b>1,994.59</b>	<b>6,633.64</b>
<b>Less : Deferred tax assets</b>		
Provision for Non Performing Assets	5,691.82	6,134.26
Provision on Standard Assets	1,930.81	922.55
Provision for leave encashment	80.25	75.69
Unpaid statutory liabilities	104.34	-
Other items giving rise to timing difference	278.71	31.04
	<b>8,085.93</b>	<b>7,163.54</b>
<b>Net deferred tax assets</b>	<b>6,091.34</b>	<b>529.90</b>

### 14. Long term loans and advances

	₹ Lakhs	
	As at March 31, 2012	As at March 31, 2011
<b>Unsecured (Considered good)</b>		
Capital Advances	631.61	43.58
Security Deposit	4,033.74	505.31
<b>Total</b>	<b>4,665.35</b>	<b>548.89</b>

**15. Long term loans and advances towards financing activities**

₹ Lakhs

	Non current portion#		Current maturities	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>15 (I) Secured</b>				
Term loans	1,557,044.00	936,823.94	563,074.44	467,583.62
Finance Lease	10,948.45	10,185.40	5,328.86	3,536.12
Debentures	67,026.78	71,793.15	9,632.22	9,785.63
	1,635,019.23	1,018,802.49	578,035.52	480,905.37
Less: Allowances for non-performing assets	9,748.91	12,445.20	-	-
<b>Total I</b>	1,625,270.32	1,006,357.29	578,035.52	480,905.37
<b>15 (II) Unsecured</b>				
Term loans	44,654.15	33,327.54	74,566.43	22,162.97
Debentures	2,800.00	-	-	-
	47,454.15	33,327.54	74,566.43	22,162.97
Less: Allowances for non-performing assets	6,868.67	733.41	-	-
<b>Total II</b>	40,585.48	32,594.13	74,566.43	22,162.97
<b>Total (I + II)</b>	<b>1,665,855.80</b>	<b>1,038,951.42</b>	<b>652,601.95</b>	<b>503,068.34</b>
Less: Amount disclosed under the head "other current assets" (Refer Note 21)	-	-	(652,601.95)	(503,068.34)
<b>Total</b>	<b>1,665,855.80</b>	<b>1,038,951.42</b>	<b>-</b>	<b>-</b>

#Borrower wise loans and advances towards financing activity under the Non-performing Assets category has been treated as non-current.

**16. Other non current assets**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Advances recoverable in cash or in kind or for value to be received	10,631.96	1,830.07
Advance taxes (net)	9,233.44	6,410.50
Accrued interest on debentures	896.01	-
Accrued interest on Fixed Deposit	1.84	-
Unamortized Professional Fees (Placement Fees)	24.13	-
Unamortized IPO Expenses	-	1,887.01
Income accrued on loans	1,598.37	427.20
<b>Total</b>	<b>22,385.75</b>	<b>10,554.78</b>

## 17. Current investments

### Non-trade Investments (valued at cost unless stated otherwise)

	As at March 31, 2012		As at March 31, 2011	
	No. of units	₹ Lakhs	No. of units	₹ Lakhs
<b>Quoted instruments</b>				
<b>Investment in Debentures</b>				
Mahindra & Mahindra Financial Services Limited				
M & M Fin Ser (M+260) 16 Jan 2012 (NCDs of ₹ 1,000,000 each)	-	-	250	2,538.58
Infrastructure Development Finance Company Limited				
IDFC Ltd (M+170bps) 16 May 2012 (NCDs of ₹ 1,000,000 each)	700	7,087.19	-	-
IDFC Ltd (M+183bps) 04 Dec 2012 (NCDs of ₹ 1,000,000 each)	250	2,593.64	-	-
<b>Unquoted instruments</b>				
<b>Investment in Mutual Funds</b>				
L&T FMP Series12-Plan 15M March, 2010-II	-	-	200,000	20.00
L&T FMP - V (February 368 D A) - Growth	1,000,000	100.00	-	-
L&T FMP - V (December 368 D A) - Growth	2,000,000	200.00	-	-
L&T Liquid Super Institutional Plan - Cumulative	34,019	500.00	9,826,123	1,309.60
L&T Select Income Institutional Growth	-	-	478,638.40	50.57
L&T FMP-II (November 12 M A) - Growth	-	-	2,000,000	200.00
L&T FMP - III (February 90 D A) - Growth	-	-	3,059,460	305.95
L&T FMP- II (January 90 D A) - Growth	-	-	3,000,000	300.00
L&T Ultra Short Term Fund Institutional - Cumulative	166,769	28.83	-	-
L&T FMP - V (February 90 D A) - Growth	3,000,000	300.00	-	-
L&T Ultra Short Term Fund Regular - Cumulative	1,143	0.18	-	-
L&T Monthly Income Plan - Cumulative	-	-	3,599,064	700.00
L&T Liquid Fund- Regular Cumulative	-	-	6,386	1.18
		10,809.84		5,425.88
Less: Provision for diminution in the value of Investments		-		-
<b>Total</b>		<b>10,809.84</b>		<b>5,425.88</b>
<b>Note:</b>				
Aggregate amount of quoted investments (Market value ₹ 9,680.83 lakhs ( <i>Previous Year</i> ₹ 2,538.58 lakhs))		9,680.83		2,538.58
Aggregate amount of unquoted investments		1,129.01		2,887.30

## 18. Trade receivable

	As at March 31, 2012		As at March 31, 2011	
			₹ Lakhs	
<b>Secured</b>				
Considered good				
Debts outstanding for a period exceeding six months	224.24		29.93	
Others	-		-	
		224.24		29.93
<b>Unsecured</b>				
Considered good				
Debts outstanding for a period exceeding six months	575.75		236.32	
Others	57.59		434.37	
		633.34		670.69
<b>Total</b>		<b>857.58</b>		<b>700.62</b>

**19. Cash and bank balances**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
<b>Cash and cash equivalents</b>		
<b>Balance with Banks</b>		
In Current Account (Refer note below)	11,012.25	15,800.27
In Deposit account (Deposits with original maturity of less than three months)	39.03	533.60
Cash on hand	3.53	5.19
<b>Other bank balances</b>		
Deposits with original maturity for more than 3 months but less than 12 months	220.07	7.38
<b>Total</b>	<b>11,274.88</b>	<b>16,346.44</b>

**Note:** The balances with banks in current account includes amount of ₹ 476.16 lakhs (*Previous Year ₹ 3,377.51 lakhs*) lying in escrow account towards Infrastructure Bond Issue application money refundable.

**20. Short term loans and advances towards financing activities**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
<b>20 (I) Secured</b>		
Finance Lease	7.94	-
Term loans	73,590.42	63,769.85
Debentures	-	5,000.00
<b>Total I</b>	73,598.36	68,769.85
<b>20 (II) Unsecured</b>		
Term loans	93,024.75	105,447.73
Debentures	-	60,074.52
<b>Total II</b>	93,024.75	165,522.25
<b>Total (I + II)</b>	<b>166,623.11</b>	<b>234,292.10</b>

**21. Other current assets**

₹ Lakhs

	As at March 31, 2012	As at March 31, 2011
Current maturities of long-term loans and advances towards financing activities (Refer Note 15)	652,601.95	503,068.34
Advances recoverable in cash or in kind or for value to be received	8,506.86	16,329.53
Receivable from group companies	39.19	51.00
Billed interest and other receivables	6,390.24	4,710.99
Less : Allowance for income reversal	2,418.09	3,052.21
	3,972.15	1,658.78
Accrual of Fee Income	422.73	385.90
Security deposit	440.30	-
Loans and advances to related parties	18.31	-
Interest accrued on loans	17,265.78	11,613.22
<b>Total</b>	<b>683,267.27</b>	<b>533,106.77</b>

## 22. Revenue from operations

₹ Lakhs

	2011-12	2010-11
Term Loans and other financing activity	268,856.72	190,701.77
Lease	9,145.61	7,057.08
Bill Discounting	5,955.16	4,602.70
Interest on Debentures	6,356.95	1,963.54
Dividend Income on:		
Equity shares	864.59	543.74
Preference shares	800.00	232.33
	1,664.59	776.07
Other Income from Preference Shares	1,453.97	1,242.02
Financial Advisory Fees	2,996.34	2,404.64
Interest received on inter-corporate deposits	-	25.63
Networking activity	24.91	21.05
Income from Trusteeship fees	5.00	5.00
Investment Management fees	990.26	660.13
Portfolio Management fees	222.94	95.98
Other operational income	417.33	317.57
<b>Total</b>	<b>298,089.78</b>	<b>209,873.18</b>

## 23. Other Income

₹ Lakhs

	2011-12	2010-11
Income from investments		
- Interest and dividend on securities	2,073.19	1,205.67
- Profit on sale/redemption of investments	195.00	327.63
	2,268.19	1,533.30
Interest on Income Tax Refund	235.50	1.81
Others	136.66	286.18
<b>Total</b>	<b>2,640.35</b>	<b>1,821.29</b>

## 24. Finance cost

₹ Lakhs

	2011-12	2010-11
Interest on debentures	43,357.30	23,467.63
Fixed loans		
Interest on term loan	94,291.19	39,584.31
Interest on inter-corporate borrowing	2,848.04	18,003.33
Commercial paper discounting charges	25,320.99	18,636.91
	122,460.22	76,224.55
Interest on bank overdraft/Cash credit	1,110.57	257.62
Exchange difference on foreign currency borrowings/ derivatives (to the extent regarded as borrowing costs)	1,592.15	371.07
Other borrowing costs		
Professional Fees	211.45	222.90
On Infra bond	-	210.01
Others	1,992.70	1,311.69
	2,204.15	1,744.60
<b>Total</b>	<b>170,724.39</b>	<b>102,065.47</b>



**25. Employee benefit expenses**

	₹ Lakhs	
	2011-12	2010-11
Salaries	12,809.26	8,313.66
Contribution to and provision for:		
Provident fund and Pension fund	643.78	323.61
Gratuity fund	164.74	105.37
Superannuation fund	70.65	47.86
Compensated absences/ leave encashment	341.69	112.78
	1,220.86	589.62
Expenses on ESOP	487.93	155.05
Welfare and other expenses	600.53	376.95
<b>Total</b>	<b>15,118.58</b>	<b>9,435.28</b>

**26. Other expenses**

	₹ Lakhs	
	2011-12	2010-11
Travelling and conveyance	1,884.61	1,509.95
Printing and stationery	342.52	388.42
Telephone, postage and telegrams	1,085.64	919.30
Directors' Sitting fees	34.30	19.30
Non-Executive Directors' Remuneration	60.50	-
Brokerage and service charges	699.22	250.86
Stamping charges	175.62	150.41
Advertising and publicity	397.33	493.27
Repairs and maintenance - Plant and machinery	-	31.12
- Others	964.96	841.57
Rent	3,213.11	2,325.87
Rates and taxes	773.61	258.38
Electricity charges	329.40	283.36
Property maintenance	64.74	-
Insurance	200.88	129.33
Auditors' remuneration (Refer Note given below)		
Audit fees	50.26	21.90
Tax audit fees	8.00	1.78
Limited review	11.98	2.05
Certification	52.97	57.09
Taxation matters	-	2.62
Expenses reimbursed	1.90	0.50
	125.11	85.94
Professional fees	7,105.74	5,466.87
ROC filing fees	25.21	0.17
Outsource service charges	241.45	184.23
Loss on sale of fixed assets	1,637.07	494.20
Membership and subscription	166.88	93.62
Filing fees	33.39	55.57
Brand license fees	718.95	-
Corporate social responsibility	136.06	109.83
Mutual fund scheme expenses	674.14	1,312.75
PMS business promotion and distribution expenses	187.43	62.84
Miscellaneous expenses	836.89	979.70
<b>Total</b>	<b>22,114.76</b>	<b>16,446.86</b>

**Note:** Excludes ₹ 19.00 lakhs (*Previous Year ₹ 24.00 lakhs*) paid to Auditors as professional fees in connection with issuance of long term Infrastructure Bonds. The said fee along with other expenses is charged off against Securities Premium Account as per Section 78 of the Companies Act, 1956.

## 27. Allowances and contingencies

₹ Lakhs

	2011-12	2010-11
Allowances for standard assets	2,906.68	3,027.20
Allowances for non-performing assets	2,919.98	6,319.60
Allowances for diminution in value of investments	(0.12)	(3.20)
<b>Total</b>	<b>5,826.54</b>	<b>9,343.60</b>

## 28. Write offs/loss on foreclosure of loans and other business expenses

₹ Lakhs

	2011-12	2010-11
Loss on foreclosure of loans (net)	2,545.15	5,584.50
Bad debts write off	9,972.31	1,748.22
<b>Total</b>	<b>12,517.46</b>	<b>7,332.72</b>

## 29. Notes on financial statements

### 29.1 Basis of preparation:

- The Consolidated Financial Statement (CFS) are prepared in accordance with Accounting Standard (AS) 21 "Consolidated Financial Statement", Accounting Standard (AS) 23 "Accounting for investment in Associates in Consolidated Financial Statement" as specified in the Companies (Accounting Standards) Rules, 2006. The CFS comprises of the financial statements of L&T Finance Holdings Limited, its subsidiaries and associates. Reference in these notes to L&T Finance Holdings Limited, Company, Companies or Group shall mean to include L&T Finance Holdings Limited or any of its subsidiaries and associates, unless otherwise stated.
- The notes and significant policies to the CFS are intended to serve as a guide for better understanding of the Group's position. In this respect, the Company has disclosed such notes and policies which represent the required disclosure.

### 29.2 The list of subsidiaries and associates included in the Consolidated Financial Statement are as under:

Sr. No.	Name of Company	Country of Incorporation	As at March 31, 2012		As at March 31, 2011	
			Proportion of ownership interest (%)	Proportion of voting power held (%)	Proportion of ownership interest (%)	Proportion of voting power held (%)
<b>Subsidiary</b>						
1	L&T Finance Limited	India	100	100	100	100
2	L&T Infrastructure Finance Company Limited	India	100	100	100	100
3	L&T FinCorp Limited (Formerly India Infrastructure Developers Limited.)	India	100	100	100	100
4	L&T Investment Management Limited	India	100	100	100	100
5	L&T Mutual Fund Trustee Limited	India	100	100	100	100
6	L&T Access Financial Advisory Services Private Limited (date of incorporation 29-Nov-2011)	India	100	100	-	-
7	L&T Unnati Finance Limited (date of incorporation 16-June-2011)	India	100	100	-	-
8	L&T Infra Investment Partners Advisory Private Limited (date of incorporation 30-May-2011)	India	100	100	-	-
9	L&T Infra Investment Partners Trustee Private Limited (date of incorporation 12-Aug-2011)	India	100	100	-	-
<b>Associate</b>						
1	NAC Infrastructure Equipment Limited	India	30	30	30	30

### 29.3 Stock options scheme

- a) In respect of stock options granted pursuant to the Company's stock options scheme, the intrinsic value of the options (excess of market price of the share over the exercise price of the option) is treated as discount and accounted as employee compensation over the vesting period.
- b) The grant of options to the employees under the stock option schemes is on the basis of their performance and other eligibility criteria. The options are vested over a period of 4 years in ratio of 15%, 20%, 30% and 35% respectively from the date of grant, subject to the discretion of the management and fulfilment of certain conditions.
- c) Options can be exercised anytime within a period of 7 years from the date of grant and would be settled by way of equity. Management has discretion to modify the exercise period.
- d) The details of the grants under the aforesaid schemes are summarised below:

Sr. No.	Particulars	2011-12	2010-11
1	Grant price – ₹	44.20	
2	Grant date	November 30, 2010 onwards	
3	Vesting commenced on	November 30, 2011	
4	Options granted and outstanding at the beginning of the year	10,615,400	-
5	Options granted during the year	4,710,500	10,750,000
6	Options cancelled/lapsed during the year	1,721,635	134,600
7	Options exercised during the year	31,825	-
8	Options granted and outstanding at the end of the year of which		
	- Options vested	1,350,666	-
	- Options yet to vest	12,221,774	10,615,400
9	Weighted average remaining contractual life of options (in years)	2.67	3.67

- e) During the year, the Company has recovered ₹ 434.85 lakhs (*Previous Year ₹ 122.59 lakhs*) from its subsidiary companies towards the stock options granted to their employees, pursuant to the employee stock option schemes.
- f) Total carrying amount of liabilities arising from employee share-based payment plans as on March 31, 2012 is ₹ 1,230.07 lakhs (*Previous Year ₹ 846.62 lakhs*), including ₹ 122.41 lakhs (*Previous Year ₹ Nil*) for which the options have vested to employees as on March 31, 2012.
- g) Weighted average fair values of options granted during the year is ₹ 28.18 (*Previous Year: ₹ 21.21*) per option.
- h) The fair value has been calculated using the Black-Scholes Option Pricing Model and the significant assumptions and inputs to estimate the fair value of options granted during the year are as follows:

Particulars	2011-2012	2010-2011
a) Weighted average risk-free interest rate	8.30%	7.93%
b) Weighted average expected life of options	3.63 years	3.5 years
c) Weighted average expected volatility	41.81%	41.81%
d) Weighted average expected dividends	₹ 0.75 per option	₹ 0.33 per option
e) Weighted average share price	₹ 60.42 per option	₹ 60.42 per option
f) Weighted average exercise price	₹ 51.357 per share	₹ 51.357 per share
g) Method used to determine expected volatility	Expected volatility is based on the historical volatility of the Company share price applicable to the expected life of each option.	

## 29.4 Contingent liabilities and commitments:

₹ Lakhs

Contingent Liabilities	As at March 31, 2012	As at March 31, 2011
a) Claims against the Company not acknowledged as debt:		
• Income Tax matter in dispute	4,767.12	2,545.12
• Service Tax/Sales Tax/VAT matters in dispute	1,365.39	539.34
• Legal matters in dispute	13.63	27.25
• Other claims not acknowledged as debt	38.75	-
b) Bank Guarantees	8,039.50	1,151.00
c) Other money for which the Company is contingently liable; Letter of Credit/ Letter of Comfort	28,161.89	8,969.91
<b>Commitments</b>		
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	10,524.36	11,277.63
b) Other commitments		
• Undrawn commitments* (standby facilities)	357,053.34	-

\* This disclosure is given pursuant to the notification no. DNBS.CC.PD.No.252/03.10.01/2011-12 dated December 26, 2011 issued by the Reserve Bank of India.

**29.5** The Company has changed its accounting policy for goodwill arising on acquisition/consolidation effective April 1, 2011 from amortization to testing for impairment, annually. Management believes that this change in accounting policy aligns with the generally accepted practices and reflects enduring benefits to be derived from goodwill arising on acquisition/consolidation. Consequently, profit before tax is higher by ₹ 489.78 lakhs for the year ended March 31, 2012.

**29.6** In the past the Company amortized debenture issue expenses over the tenure of the debentures. During the year the Company has opted to charge the unamortized portion and further debenture issue expenses of ₹ 8,413.85 lakhs (net of tax of ₹ 3,883.27 lakhs) from the securities premium account in accordance with Section 78 of the Companies Act, 1956. Consequently profit before tax is higher by ₹ 2,231.32 lakhs for the year ended March 31, 2012.

**29.7** During the financial year 2009-10, in respect of a loan classified as a part of "Non Performing Assets", L&T Infrastructure Finance Company Limited invoked pledge of 6,946,000 equity shares in the borrower company, pledged with it as collateral by the borrower. Out of the said equity shares, 28,000 nos. were sold up to March 31, 2012 and the proceeds adjusted against the interest and related costs outstanding against the said loan. As and when the balance shares are sold, the proceeds would be adjusted against the overdue portion of the loan then remaining outstanding.

**29.8** During the year ended March 31, 2012, L&T Finance Limited, a subsidiary Company, has made additional provision of ₹ 7,500.00 lakhs against micro-finance loan portfolio in the State of Andhra Pradesh taking the cumulative provision to ₹ 13,467.43 lakhs. Of the cumulative provision, an amount of ₹ 9,052.82 lakhs has been written off. After the write off, the balance of the said portfolio is ₹ 10,213.52 lakhs, while carrying a provision of ₹ 4,414.61 lakhs there against.

**29.9** The Company has made initial public offer (IPO) during the year, the proceeds of which has been utilized in the following manner:

		₹ Lakhs
<b>Particulars</b>		
<b>Amount received from IPO - (A)</b>		124,500.00
<b>Deployment of funds received from IPO :</b>		
Repayment of inter corporate deposits issued by promoter company		34,500.00
Infusion of capital in L&T Infrastructure Finance Company Limited		27,500.00
Investment in Unsecured Non Convertible Debentures (in the nature of perpetual Tier -I Debt) of L&T Finance Limited		20,000.00
Infusion of capital in L&T FinCorp Limited (formerly India Infrastructure Developers Limited)		20,000.00
Infusion of capital in L&T Unnati Finance Limited		195.00
General corporate purposes		12,987.85
Issue expenses		4,881.86
<b>Total deployment of funds - (B)</b>		<u>120,064.71</u>
<b>Balance amount to be utilised (A-B)</b>		<u>4,435.29</u>
<b>Interim utilisation of balance IPO proceeds:</b>		
Inter corporate deposits with subsidiary company (net of earnings on interim utilization)		4,142.78
Balance with banks in current account		292.51
<b>Total</b>		<u><b>4,435.29</b></u>

**29.10 Disclosure pursuant to Accounting Standard (AS) 15 (Revised) "Employee Benefits":**

**i) Defined Contribution Plans :**

Amount of ₹ 447.86 lakhs (*Previous Year ₹ 214.12 lakhs*) is recognised as an expense and included in personnel expenses in the Statement of Profit and Loss.

**ii) Defined Benefit Gratuity Plans:**

a) The amounts recognized in Balance Sheet are as follows:

Particulars	Gratuity Plan	
	As at March 31, 2012	As at March 31, 2011
<b>A. Amount to be recognized in Balance Sheet</b>		
Present Value of Defined Benefit Obligation		
- Wholly Funded	328.11	227.58
- Wholly Unfunded	139.44	33.53
Less: Fair value of Plan Assets	196.44	119.32
Unrecognized Past Service Costs	35.83	26.85
<b>Amount to be recognized as liability or (asset)</b>	<b>235.28</b>	<b>114.94</b>
<b>B. Amounts reflected in the Balance Sheet</b>		
- Liability	235.28	114.94
- Assets	-	-
<b>Net Liability (assets)</b>	<b>235.28</b>	<b>114.94</b>

b) The amounts recognised in the Statement of Profit and Loss are as follows:

₹ Lakhs

Particulars	Gratuity Plan	
	2011-12	2010-11
1 Current Service Cost	145.51	56.19
2 Interest on Defined Benefit Obligation	28.43	17.43
3 Expected Return on Plan Assets	(13.58)	(11.81)
4 Actuarial Losses/(Gains)	0.16	42.28
5 Past Service Cost	1.79	1.28
<b>Total included in Employee Benefit Expenses</b>	<b>162.31</b>	<b>105.37</b>
<b>Actual Return on Plan Assets</b>	<b>12.12</b>	<b>7.69</b>

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

₹ Lakhs

Particulars	Gratuity Plan	
	As at March 31, 2012	As at March 31, 2011
Opening balance of the present value of Defined Benefit Obligation	261.11	161.48
Add: Current Service Cost	145.51	56.19
Add: Interest Cost	28.43	17.43
Add/(less): Actuarial Losses/(Gain)	0.84	40.13
Add: Past Service Cost	-	5.76
Add: Transferred from holding company	39.19	-
Less: Benefits paid	(7.52)	(19.88)
<b>Closing balance of the present value of Defined Benefit Obligation</b>	<b>467.56</b>	<b>261.11</b>

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

₹ Lakhs

Particulars	Gratuity Plan	
	As at March 31, 2012	As at March 31, 2011
Opening balance of the fair value of plan assets	141.68	113.70
Add: Expected Return on plan assets*	13.58	11.81
Add/(less): Actuarial gains/(losses)	0.67	(2.35)
Add: Contribution by Employer	81.15	38.22
Less: Benefits Paid	(7.52)	(19.88)
<b>Closing balance of the plan assets</b>	<b>229.56</b>	<b>141.50</b>

**Note:**

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

\* Based used to determine the overall expected return.

The trust formed by the Company manages the investment of provident fund and gratuity fund. 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.

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

Particulars	Gratuity Plan	
	As at March 31, 2012	As at March 31, 2011
1 Government of India Securities	47%	37%
2 Corporate Bonds	0%	41%
3 Special Deposit Scheme	11%	20%
4 Equity shares of listed companies	0%	0%
5 Property	0%	0%
6 Insurer Managed Funds	0%	0%
7 Others	42%	2%

f) Principal actuarial assumption at the balance sheet date (expressed as weighted averages):

Particulars	As at March 31, 2012	As at March 31, 2011
1. Discount rate	8.69%	8.20%
2. Expected return on plan assets	8.00%	8.00%
3. Salary growth rate	5.75%	6.00%

g) The amounts pertaining to experience adjustments are as follows:

Particulars	As at March 31,				
	2012	2011	2010	2009	2008
- Defined Benefit Obligation	373.66	261.11	161.49	126.28	92.93
- Plan Assets	229.58	141.68	113.93	79.40	41.51
- Surplus /(Deficit)	(144.08)	(119.43)	(47.56)	(46.88)	(51.42)
Exp. Adjustment on Plan Liabilities	33.08	34.91	(8.41)	9.67	12.84
Exp. Adjustment on Plan Assets	0.76	(2.36)	(1.25)	3.45	(1.25)

₹ Lakhs

### iii) Defined Benefit Provident Fund Plan:

a) The amounts recognized in Balance Sheet are as follows:

Particulars	Provident Fund Plan	
	As at March 31, 2012	As at March 31, 2011
<b>A. Net (Liability)/Asset recognized in the Balance Sheet</b>		
Present Value of Funded Obligation	(1,988.84)	1,404.69
Liability towards unpaid contribution	-	-
Less: Fair Value of Plan Assets	1,963.00	(1,428.01)
Amount to be recognized in the Balance Sheet as liability or (asset)	25.84	(23.32)
<b>B. Amounts to be recognized in the Balance Sheet</b>		
Liability	25.84	-
Assets	-	23.32

₹ Lakhs

b) Expenses recognized in the Statement of Profit and Loss:

₹ Lakhs

Particulars	Provident Fund Plan	
	2011-12	2010-11
1 Current Service Cost	269.00	157.35
2 Interest on Defined Benefit Obligation	122.00	105.69
3 Expected Return on Plan Assets	(122.00)	(108.57)
4 Net Actuarial Losses/(Gains)	(22.00)	(5.40)
5 (Shortfall) in actual return on plan assets over interest payable not to be recognized as expenses to the extent of excess of asset over liabilities	22.00	8.28
6 Expenses recognized in the Statement of Profit and Loss	269.00	157.35
7 Actual Return of Plan Asset	144.00	113.97

c) The changes in present value of defined benefit Obligation representing reconciliation of opening and closing balance thereof are as follows:

₹ Lakhs

Particulars	Provident Fund Plan	
	As at March 31, 2012	As at March 31, 2011
Opening balance of the present value of Defined Benefit Obligation	1,404.00	960.73
Add: Current Service Cost	269.00	157.35
Add: Interest Cost	122.00	105.69
Add: Contribution by Plan Participants	386.00	245.72
Less: Benefits paid	(192.85)	(64.80)
<b>Closing balance of the present value of Defined Benefit Obligation</b>	<b>1,988.15</b>	<b>1,404.69</b>

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

₹ Lakhs

Particulars	Provident Fund Plan	
	As at March 31, 2012	As at March 31, 2011
Opening balance of the fair value of plan assets	1,364.85	912.61
Add: Expected Return on plan assets	122.00	108.57
Add/(less): Actuarial gains/(losses)	22.00	5.40
Add: Contribution by Employer	261.00	157.35
Add: Contribution by Plant participants	376.00	245.72
Less: Benefits paid	(192.85)	(64.80)
<b>Closing balance of the plan assets</b>	<b>1,953.00</b>	<b>1,364.85</b>



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

Particulars	Provident Fund Plan	
	As at March 31, 2012	As at March 31, 2011
1 Government of India Securities	24%	24%
2 State Government Scheme	12%	11%
3 Special Deposit Scheme	16%	18%
4 Public Sector Unit Bond	41%	38%
5 Corporate Bonds	7%	6%
6 Others (cheques on hand)	0%	3%
	<b>100%</b>	<b>100%</b>

**Note:** 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. Pursuant to the guidance note issued by the Institute of Actuaries, ₹ 25.84 lakhs has been recognized in Statement of Profit and Loss on account of interest rate guarantee on exempt provident fund.

**iv) General description of defined benefit plans:**

**1. Gratuity Plan:**

The Company operates gratuity plan through a trust wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier. The benefit vests after five years of continuous service. The Company's scheme is more favorable compared to the obligation under the Payment of Gratuity Act, 1972.

**2. Provident Fund Plan:**

The Company manages Provident Fund Plan through a Provident Fund Trust for its employees which is permitted 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.

**3. Leave Encashment:**

The Company provides leave encashment benefit on all types of separation from the Company. It is calculated on the last basic salary drawn at the time of separation. Maximum leave encashment allowable at the time of separation is 300 days.

**29.11 Disclosure pursuant to Accounting Standard (AS) 16 "Borrowing Cost"**

Borrowing costs capitalized during the year are ₹ 219.41 lakhs (Previous Year ₹ 776.35 lakhs).

**28.12 Disclosure pursuant to Accounting Standard (AS) 17 "Segment Reporting"**

**a) Primary Segment (Business Segment)**

The major subsidiary companies operate mainly in the business segment of fund based financing activity. The other business segment does not have income and/or assets more than 10% of the total income and/or assets of the consolidated entity. Accordingly, separate segment information for different business segments is not disclosed.

**b) Secondary Segment (Geographical Segment)**

The Company operates only in the domestic market. As a result separate segment information for different geographical segments is also not disclosed.

**29.13 As per the Accounting Standard (AS) 18 on “Related Party Disclosures” issued by the Institute of Chartered Accountants of India, the related parties, nature and volume of transactions carried out with them in the ordinary course of business are as follows:**

**Disclosure pursuant to Accounting Standard (AS) 18 Related Party Disclosures:**

(a) List of related parties (with whom transactions were carried out during current and previous year):

**A. Holding Company**

1 Larsen & Toubro Limited

**B. Fellow Subsidiary Companies**

2 L&T Bangalore Airport Hotel Limited

3 L&T Beawar Pali Pindwara Tollway Private Limited

4 L&T Devihalli Hassan Tollway Private Limited

5 L&T General Insurance Company Limited

6 Larsen & Toubro Infotech Limited

7 L&T Infrastructure Development Projects Limited

8 L&T MHI Boilers Private Limited

9 L&T Power Development Limited

10 L&T Sargent & Lundy Limited

11 L&T Shipbuilding Limited

12 L&T Special Steels & Heavy Forgings Private Limited

13 L&T Transco Private Limited

14 L&T Uttaranchal Hydropower Limited

15 L&T Valdel Engineers Limited

16 Larsen & Toubro Electromech LLC

17 Nabha Power Limited

18 L&T Capital Company Limited

19 Ewac Alloys Limited

20 Tractor Engineers Limited

**C. Key Management Personnel**

1 Y. M. Deosthalee (Chairman & Managing Director)

2 N. Sivaraman (President & Whole-time Director)

**(b) Disclosure of related party transactions:**

		₹ Lakhs	
Sr. No.	Nature of Transactions*	2011-12	2010-11
<b>1</b>	<b>Brand License Fees</b>		
	• Larsen & Toubro Limited	769.63	-
<b>2</b>	<b>Corporate support charges recovered from:</b>		
	• L&T General Insurance Company Limited	10.72	-
	• Larsen & Toubro Limited	0.37	-
	• L&T Capital Company Limited	-	2.21
<b>3</b>	<b>Corporate support charges recovered by:</b>		
	• Larsen & Toubro Infotech Limited	-	223.70
	• Larsen & Toubro Limited	172.94	602.80
<b>4</b>	<b>Deputation and other expenses recovered from:</b>		
	• L&T Devihalli Hassan Tollway Private Limited	-	0.40
	• L&T Infrastructure Development Projects Limited	4.80	59.04
	• L&T MHI Boilers Private Limited	12.66	10.64
	• L&T Power Development Limited	18.50	2.63
	• L&T Shipbuilding Limited	-	1.65
	• L&T Transco Private Limited	-	10.91
	• L&T Uttaranchal Hydropower Limited	-	0.04
	• Larsen & Toubro Limited	79.74	88.77
	• Larsen & Toubro Infotech Limited	3.90	-
	• L&T Capital Company Limited	15.79	19.76
	• Nabha Power Limited	-	2.16
<b>5</b>	<b>Deputation charged recovered by:</b>		
	• Larsen & Toubro Infotech Limited	9.19	3.56
	• Larsen & Toubro Limited	243.05	309.96
	• L&T Capital Company Limited	1.11	-
<b>6</b>	<b>Equity shares issued to:</b>		
	• Larsen & Toubro Limited	-	42,500.00
<b>7</b>	<b>ESOP Charges recovered by:</b>		
	• Larsen & Toubro Limited	53.08	17.26
<b>8</b>	<b>Fee Income</b>		
	• L&T Bangalore Airport Hotel Limited	-	107.54
	• L&T Beawar Pali Pindwara Tollway Private Limited	11.03	-
	• L&T Devihalli Hassan Tollway Private Limited	-	44.12
	• L&T Infrastructure Development Projects Limited	1,012.82	253.20
	• L&T Power Development Limited	55.15	-
	• L&T Shipbuilding Limited	87.02	390.96
	• L&T Special Steels & Heavy Forgings Private Limited	-	202.95
	• L&T Uttaranchal Hydropower Limited	-	194.32
	• Nabha Power Limited	-	794.16
<b>9</b>	<b>Inter Corporate Deposit taken from:</b>		
	• Larsen & Toubro Limited	27,000.00	640,100.00
	• L&T General Insurance Company Limited	-	3,340.00
	• L&T Capital Company Limited	1,793.00	2,185.66
<b>10</b>	<b>Interest income on leases</b>		
	• L&T Sargent & Lundy Limited	-	0.08
	• Larsen & Toubro Infotech Limited	18.01	11.13
	• L&T Valdel Engineers Limited	-	0.13
	• Larsen & Toubro Limited	27.48	75.16

₹ Lakhs

Sr. No.	Nature of Transactions*	2011-12	2010-11
	• L&T Capital Company Limited	-	0.13
	• Tractor Engineers Limited	-	4.80
<b>11</b>	<b>Interest income on term loan:</b>		
	• Ewac Alloys Limited	29.19	-
<b>12</b>	<b>Interest on secured debentures:</b>		
	• Larsen & Toubro Limited	3,204.85	3,033.03
<b>13</b>	<b>Interest expense on inter corporate borrowings:</b>		
	• L&T General Insurance Company Limited	-	5.52
	• Larsen & Toubro Limited	2,293.88	2266.48
	• L&T Capital Company Limited	63.52	48.99
<b>14</b>	<b>Data centre charges paid to:</b>		
	• Larsen & Toubro Limited	213.42	171.14
<b>15</b>	<b>Networking charges recovered from:</b>		
	• Larsen & Toubro Limited	30.73	27.48
<b>16</b>	<b>Professional fees paid to:</b>		
	• Larsen & Toubro Limited	232.53	223.70
<b>17</b>	<b>Other expenses:</b>		
	• L&T Devihalli Hassan Tollway Private Limited	-	0.40
	• Larsen & Toubro Electromech LLC	0.44	-
	• L&T Sargent & Lundy Limited	3.78	-
	• L&T Uttaranchal Hydropower Limited	-	0.04
	• Larsen & Toubro Limited	53.40	38.41
	• L&T Capital Company Limited	-	6.03
	• Nabha Power Limited	-	2.16
<b>18</b>	<b>Other income</b>		
	• Larsen & Toubro Limited	3.36	-
	• L&T General Insurance Company Limited	102.15	-
<b>19</b>	<b>Rent recovered by:</b>		
	• Larsen & Toubro Limited	299.89	-
<b>20</b>	<b>Rent recovered from:</b>		
	• L&T General Insurance Company Limited	22.27	-
	• Larsen & Toubro Limited	14.46	13.11
	• L&T Capital Company Limited	29.68	7.94
<b>21</b>	<b>Sale of loan portfolio to:</b>		
	• Larsen & Toubro Limited	-	49,902.95
<b>22</b>	<b>Sale of investment to:</b>		
	• Larsen & Toubro Limited	-	100.00
<b>23</b>	<b>Secured debentures issued</b>		
	• Larsen & Toubro Limited	20,000.00	17,500.00
<b>24</b>	<b>Security deposit received:</b>		
	• L&T General Insurance Company Limited	1,350.00	-
<b>25</b>	<b>Term loan/Operating lease given:</b>		
	• Ewac Alloys Limited	1,600.00	-
	• Larsen & Toubro Limited	-	77.22
<b>26</b>	<b>Managerial Remuneration:#</b>		
	• Y. M. Deosthalee	425.17	-
	• N. Sivaraman	325.84	-

# It Includes ₹ 570.33 lakhs towards provision for variable remuneration and does not include provision for gratuity fund, pension scheme and provision for compensated absences, since the same is provided on actuarial basis for the Company as a whole.

\* Inclusive of Service Tax

**(c) Amount due to/from related parties :**

		₹ Lakhs	
Sr. No.	Nature of Transactions*	2011-12	2010-11
<b>1</b>	<b>Balance of ICD taken</b>		
	• Larsen & Toubro Limited	-	15,000.00
	• L&T Capital Company Limited	928.50	542.76
<b>2</b>	<b>Balance of loan given</b>		
	• Larsen & Toubro Infotech Limited	0.38	-
	• Ewac Alloys Limited	1,600.00	-
	• Larsen & Toubro Limited	80.19	-
<b>3</b>	<b>Secured Debenture Outstanding</b>		
	• Larsen & Toubro Limited	17,500.00	37,500.00
<b>4</b>	<b>Account Payable</b>		
	• Larsen & Toubro Electromech LLC	0.17	-
	• Larsen & Toubro Limited	896.73	49.87
<b>5</b>	<b>Account Receivable</b>		
	• L&T Capital Company Limited	0.17	-
	• L&T Bangalore Airport Hotel Limited	-	96.79
	• L&T Beawar Pali Pindwara Tollway Private Limited	11.03	-
	• L&T General Insurance Company Limited	1827.36	79.65
	• L&T Infrastructure Development Projects Limited	-	253.20
	• L&T MHI Boilers Private Limited	1.66	-
	• L&T Power Development Limited	16.65	2.37
	• L&T Shipbuilding Limited	41.13	-

\* Inclusive of Service Tax

**29.14 Leases:**
**a) Where the Company is lessor:**

The group companies have given assets on finance lease to its customers with respective underlying assets/equipment as security. The details of gross investments, unearned finance income and present value of rentals as at March 31, 2012 in respect of these assets are as under:

		₹ Lakhs	
Particulars		2011-12	2010-11
<b>Gross Investments:</b>			
- Within one year		6,914.65	116.07
- Later than one year and not later than five years		12,934.99	16,864.24
- Later than five years		184.83	-
<b>Total</b>		<b>20,034.47</b>	<b>16,980.31</b>
<b>Unearned Finance Income:</b>			
- Within one year		1,686.78	5.76
- Later than one year and not later than five years		2162.64	3,253.03
- Later than five years		8.74	-
<b>Total</b>		<b>3,858.16</b>	<b>3,258.79</b>
<b>Present Value of Rentals:</b>			
- Within one year		5,227.87	3,536.12
- Later than one year and not later than five years		10,772.35	10,185.40
- Later than five years		176.09	-
<b>Total</b>		<b>16,176.31</b>	<b>13,721.52</b>

**b) Operating Lease :**

**Where the Company is lessee:**

The group companies have taken cars, furniture and fixtures and premises on non-cancellable operating leases. Lease Payments recognized in the Statement of Profit and Loss during the year is ₹ 3,518.47 lakhs (*Previous Year ₹ 2,610.14 lakhs*), the future minimum lease payments in respect of which as at March 31, 2012 are as follows:

₹ Lakhs

Particulars	Lease Payments	
	2011-12	2010-11
- Within one year	3,481.83	2,653.04
- Later than one year and not later than five years	11,042.77	7,890.29
- Later than five years	6,312.82	823.00
<b>Total</b>	<b>20,837.42</b>	<b>11,366.33</b>

**29.15 Basic and Diluted Earnings Per Share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earnings Per Share"**

		2011-12	2010-11
<b>Basic</b>			
Profit after tax as per accounts (₹ lakhs)	A	45,479.51	39,116.87
Number of equity shares		1,714,761,612	1,417,024,426
Weighted average number of equity shares outstanding	B	1,616,351,512	1,387,132,789
Basic EPS before and after extraordinary items (₹)	A/B	2.81	2.82
<b>Diluted</b>			
Profit after tax as per accounts (₹ lakhs)	A	45,479.51	39,116.87
Weighted average number of equity shares outstanding	B	1,616,351,512	1,387,132,789
Add: Weighted average no. of equity shares on account of share application money	C	--	19,454,099
Add: Weighted average no. of potential equity shares on account of employee stock options	D	--	135,989
Weighted average number of shares outstanding for diluted EPS	E=B+C+D	1,616,351,512	1,406,722,877
Diluted EPS before and after extraordinary items (₹)	A/E	2.81	2.78
Face value of shares (₹)		10.00	10.00

**29.16** During the year, the Company either itself or through one of its subsidiaries has signed definitive agreements to acquire Indo Pacific Housing Finance Limited, FIL Fund Management Private Limited and FIL Trustee Company Private Limited. The said acquisitions are subject to appropriate regulatory approvals.

**29.17** On the basis of replies received by the Company in response to enquiries made, there are no dues payable as at the year end to Micro, Small and Medium Enterprises nor are there other particulars that are required to be disclosed under the Companies Act, 1956 or the Micro, Small and Medium Enterprises Development Act, 2006.

**29.18** The Company has entered into currency swap transactions with a view to convert its USD borrowings into Indian rupee borrowing. The Company has foreign currency borrowings of USD 69,000,000 (*Previous Year USD 24,000,000*), against which the Company has undertaken currency interest rate swaps of USD 69,000,000 (*Previous Year USD 24,000,000*) to hedge foreign currency risk. Accordingly translation of borrowing at the exchange rate prevailing at the Balance Sheet date is not required.

**29.19** During the year, the Company has raised ₹ 100,825.12 lakhs (*Previous Year ₹ 65,621.55 lakhs*) from the public issue of long term infrastructure bonds entitled to benefits under section 80CCF of Income Tax Act, 1961. The said amount has been fully utilised towards "infrastructure lending" as defined by Reserve Bank of India up to March 31, 2012.

**29.20** Appropriation to the Debenture Redemption Reserve in terms of Section 117C of the Companies Act, 1956, is carried out of distributable profits of the Company.

**29.21** For one of the subsidiaries, the Company has not recognised deferred tax asset of ₹ 908.61 lakhs (*Previous year ₹ 1,082.41 lakhs*) on ground of prudence.

- 29.22** Provision for income tax includes, tax provision made by one of the subsidiaries in accordance with Section 115 JB of Income Tax Act, 1961 to the tune of ₹ 135.00 lakhs (*Previous Year ₹ 66.00 lakhs*).
- 29.23** During the year, L&T Finance Limited and L&T Infrastructure Finance Company Limited, the wholly owned subsidiary companies, have declared and paid interim dividend aggregating to ₹ 5,342.67 lakhs on equity shares and have provided for dividend distribution tax amounting to ₹ 866.71 lakhs in accordance with Section 115O of Income Tax Act, 1961.

As per our report of even date

**SHARP & TANNAN**  
Chartered Accountants  
Registration No. 109982W  
by the hand of

**Milind P. Phadke**  
Partner  
Membership No. 033013

Mumbai, April 26, 2012

For and on behalf of the Board

**Y.M. Deosthalee**  
Chairman & Managing Director

**N. Sivaraman**  
President & Whole-time Director

**N. Suryanarayanan**  
Company Secretary

**V.V. Subramanian**  
Chief Accounts Officer

Mumbai, April 26, 2012

## Summary of financial information of subsidiary companies under Section 212 (8) of the Companies Act, 1956

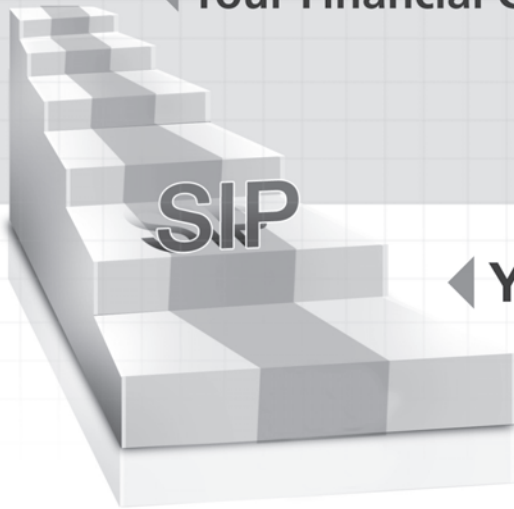
₹ Lakhs

Sr No.	Names of Subsidiaries	Capital	Reserves	Total assets	Total liabilities	Total Investments	Total Income	Profit before taxation	Provision for taxation	Profit after taxation	Proposed dividend
1	L&T Finance Limited	23,842.23	179,009.57	1,382,334.37	1,382,334.37	18,410.55	178,945.90	29,527.31	9,626.00	19,901.31	-
2	L&T Mutual Fund Trustee Limited	5.00	(2.69)	6.49	6.49	0.18	5.15	(2.13)	-	(2.13)	-
3	L&T Investment Management Limited	16,500.00	(14,974.18)	2,205.22	2,205.22	1,128.83	1,385.53	(2,531.26)	(1.21)	(2,530.05)	-
4	L&T Infrastructure Finance Company Limited	79,590.00	103,808.35	1,106,993.09	1,106,993.09	42,282.73	118,390.84	37,815.50	11,420.38	26,395.12	-
5	L&T Infra Investment Partners Advisory Private Limited	1.00	(461.30)	57.56	57.56	-	-	(461.30)	-	(461.30)	-
6	L&T Infra Investment Partners Trustee Private Limited	1.00	(1.08)	1.00	1.00	-	-	(1.08)	-	(1.08)	-
7	L&T FinCorp Limited (formerly India Infrastructure Developers Limited)	17,002.55	12,838.03	194,329.42	194,329.42	-	2,955.70	456.06	135.00	321.06	-
8	L&T Access Financial Advisory Services Private Limited	100.00	(2.22)	100.00	100.00	-	-	(2.22)	-	(2.22)	-
9	L&T Unnati Finance Limited	200.00	(2.23)	200.26	200.26	-	0.55	(2.23)	-	(2.23)	-





## ◀ Your Financial Goal



◀ You

Dear Shareholder,

As you are aware, L&T is known for its customer focused approach and its continuous quest for world-class quality. L&T has endeavored to attain and sustain leadership in all its major lines of businesses. In continuation with its commitment to enhancing shareholders value, we bring to you Systematic Investment Plan from L&T Mutual Fund.

Systematic Investment Plan (SIP) is a financial planning tool that may help you to create long term wealth especially if you have a future financial requirement. By investing an amount of your choice every month (minimum of ₹ 1000/-), you could plan for and meet financial goals like funds for a child's education, a marriage in the family or a comfortable post-retirement life.

One of the advantages of SIP is the **Rupee Cost Averaging** that one may get. Through systematic investing, you may buy more units when the prices are low and fewer units when the prices are high. This results in averaging of cost per unit.

Given below is an example of 2 friends Vaibhav and Prashant who decided to invest ₹ 60,000/- in a mutual fund scheme. Vaibhav invested ₹ 5,000/- on a monthly basis for 12 months in a mutual fund scheme using SIP whereas Prashant invested ₹ 60,000/- in lumpsum in the same scheme. The tables below illustrate how their respective investments performed at the end of 12 months.

### Vaibhav's SIP Investment

Month	Amount Invested (₹)	Purchase Price based on Assumed NAV (₹)	No. of Units Purchased
January	5000	10	500.00
February	5000	9	555.56
March	5000	11	454.55
April	5000	9.5	526.32
May	5000	10	500.00
June	5000	9	555.56
July	5000	10	500.00
August	5000	9	555.56
September	5000	11	454.55
October	5000	10	500.00
November	5000	10	500.00
December	5000	9	555.56
<b>Total</b>	<b>60000</b>		<b>6157.63</b>

Average cost per unit = ₹ 9.79

### Prashant's One - Time Investment

Month	Amount Invested (₹)	Purchase Price based on Assumed NAV (₹)	No. of Units Purchased
January	60000	10	6000
<b>Total</b>	<b>60000</b>		<b>6000</b>

Average cost per unit = ₹ 10

**The above is for illustration purpose only and should not be considered as an investment advise.**

At the end of the 12 months, Vaibhav has more units than Prashant, even though they invested the same amount. That's because the average cost of Vaibhav's units is much lower than that of Prashant. Thus, using SIP averages out the cost per unit, which may result in wealth creation over time.

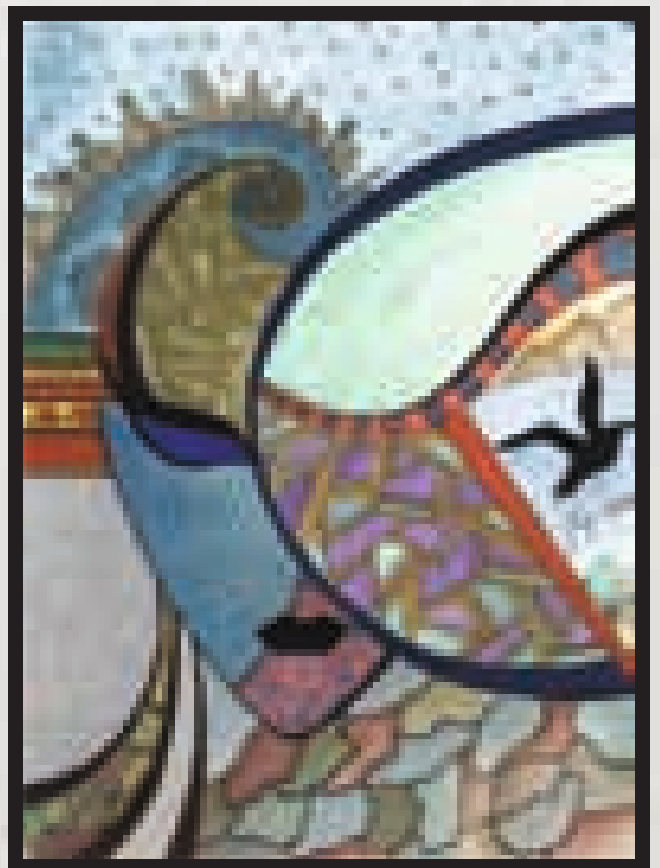
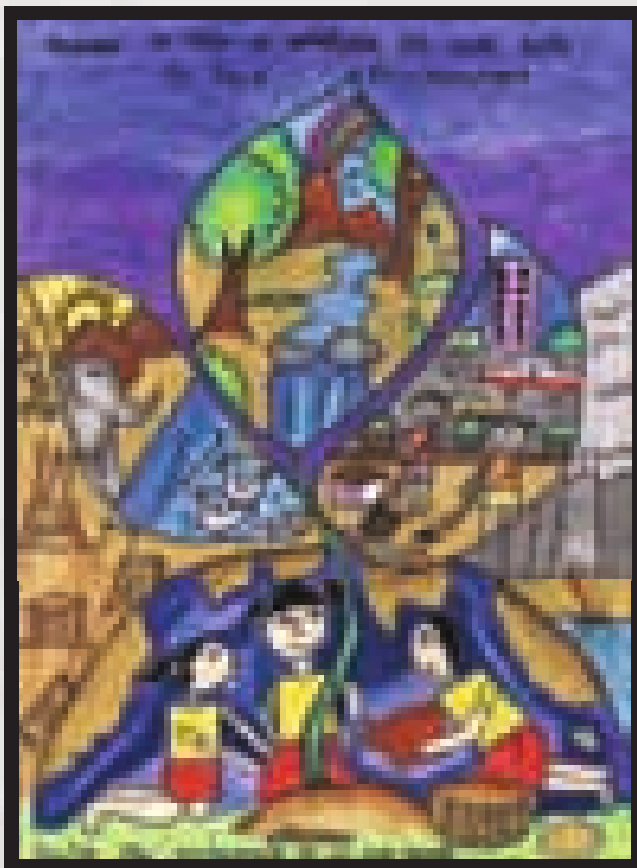
Website: [www.LNTMF.com](http://www.LNTMF.com) • Toll free: 1800 209 6565

An investor education initiative. SIP does not assure a profit or guarantee protection against loss in declining market.  
**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**

# Art from the Heart

We got artistic talent from within the families of Team LTFH to show us what 'diversity' meant to them.

Presented here are three efforts drawn from a large and vibrant gallery.





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Bandra-Kurla Complex, Bandra (East), Mumbai – 400 051, INDIA

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