

DIRECTORS' REPORT

The Directors have pleasure in presenting their Third Annual Report and Accounts of the Company for the year ended March 31, 2011.

FINANCIAL RESULTS

The summarized financial results of the Company are given hereunder:

(Rs. in Lakh)

Particulars	For the year ended March 31, 2011	<i>For the year ended March 31, 2010</i>
Gross Income	569.38	536.42
Profit before Tax	21.52	287.48
Provision for Tax	8.00	6.25
Profit after Tax	13.52	281.23
Add : Balance brought forward from previous year	223.29	(1.69)
Balance available for appropriation	236.81	279.54
Appropriations:		
Special Reserve u/s 45-IC of Reserve Bank of India Act, 1934	3.00	56.25
Surplus carried forward to Balance Sheet	233.81	223.29

APPROPRIATIONS

The Company proposes to transfer Rs. 3 lakh (*Previous year Rs. 56.25 lakh*) to Special Reserve created u/s 45-IC of Reserve Bank of India Act, 1934 and retain Rs. 233.81 lakh (*Rs. 223.29 lakh*) in the Profit and Loss Account of the Company.

DIVIDEND

The Directors do not recommend any dividend for the year ended March 31, 2011.

REVIEW OF OPERATIONS

During the year, the Company made strategic investments of Rs. 49,500 lakh in its wholly owned subsidiaries, L&T Finance Limited, L&T Infrastructure Finance Company Limited and India Infrastructure Developers Limited, to provide capital to these companies to enable them to raise resources for their continued business growth.

As a matter of prudence, it also made a provision of Rs. 4,500 lakh for diminution of the value of its investment in an Associate Company. This led to the Profit Before Tax during the year ended March 31, 2011 being lower than the corresponding figure for the preceding financial year.

RESOURCES

During the year under review, Larsen & Toubro Ltd (L&T), the holding company, had subscribed to 63,432,835 Equity Shares of Rs. 10 each, for cash at a premium of Rs. 57 per share, aggregating to Rs. 42,500 lakh. The paid up capital of the Company increased to Rs. 141,702.44 lakh as at March 31, 2011 from Rs. 135,359.16 lakh as at March 31, 2010.

The Company has also raised an inter-corporate deposit of Rs. 35,600 lakh from its holding company, Larsen & Toubro Limited to provide funds for the Company's operations.

Initial Public Offer

With a view to making an initial public offering ("IPO") of equity shares, the Company has filed a draft red herring prospectus ("DRHP") dated March 29, 2011 prepared in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements), Regulations, 2009 with the Securities and Exchange Board of India ("SEBI") on March 30, 2011 for an issue size aggregating to Rs. 175,000 lakh. The issue structure includes a potential pre-IPO placement of up to Rs. 40,000 lakh. The Board believes that this step will enable the Company to raise resources to meet the growth needs.

FIXED DEPOSITS

The Company has not accepted any public deposits and as such, no amount on account of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

CHANGE IN THE NAME OF THE COMPANY

During the year, the Company has changed its name to L&T Finance Holdings Limited pursuant to a Special Resolution passed by the Shareholders at a general meeting held on September 1, 2010. Pursuant to the change of name, a fresh certificate of incorporation was granted to the Company by the Registrar of Companies on September 6, 2010.

APPOINTMENT OF CHAIRMAN

The Board has appointed Mr. Y. M. Deosthalee as Chairman of the Company with effect from September 25, 2010. The Board, at its meeting of October 25, 2010, has also approved the appointment of Mr. Deosthalee as Chairman & Managing Director of the Company with effect from the date of listing of the Company, subject to approval by the Shareholders of the Company and other approvals as may be required.

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DIRECTORS

During the year, Mr N. Sivaraman, Director of the Company has been appointed as President and Whole-time Director of the Company.

Further, the Company has appointed the following persons as Additional Directors during the year.

- ❖ Mr. A. K. Jain
- ❖ Mr. Shailesh Haribhakti
- ❖ Mr. B. V. Bhargava
- ❖ Mr. Subramaniam N.
- ❖ Mr. M. Venugopalan
- ❖ Mr. P. V. Bhide

All the Additional Directors hold office up to the date of ensuing Annual General Meeting of the Company and are eligible for re-appointment. Mr. R. Shankar Raman, Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

CORPORATE GOVERNANCE

A separate section on Corporate Governance standards followed by the Company is enclosed as an Annexure to this report.

EMPLOYEE STOCK OPTION SCHEME

The Company has by a board resolution dated September 25, 2010 and Shareholders' resolution dated November 29, 2010, instituted an Employee Stock Option (ESOP) Scheme.

A brief note on the said ESOP scheme as well as details of grants thereunder are given in note 2 of Schedule 11 of the attached financial statements.

AUDITORS

The Company's Statutory Auditors, M/s. Sharp & Tannan, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting. The Board recommends re-appointment of the firm as Statutory Auditors.

PARTICULARS OF EMPLOYEES AS REQUIRED UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 AND THE RULES MADE THEREUNDER

Mr. N. Sivaraman, President & Whole-time Director of the Company, is on deputation from Larsen & Toubro Limited, the holding company. During the year, in accordance with the arrangement between Larsen & Toubro and the Company, the remuneration of Mr. Sivaraman was paid by Larsen & Toubro Limited and therefore, there are no particulars required to be disclosed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975. Please refer to Note No. 7 to Schedule 11 to the Accounts for the year ended March 31, 2011.

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

In view of the nature of activities which are 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 and expenditure during the year under review.

DEPOSITORY SYSTEM

The Equity shares of the Company are admitted with Depositories – National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The Company's 1,417,024,215 shares aggregating to 99.99% are held in Demat Mode.

SUBSIDIARY COMPANIES

The Ministry of Corporate Affairs vide its Circular No 2/2011 dated February 8, 2011 had granted general exemptions to holding company from attaching accounts of subsidiary companies, provided prescribed conditions are fulfilled.

Pursuant to the compliance with the said circular, the Board of Directors has, at its meeting held on April 26, 2011, passed a resolution giving consent for not attaching the Balance Sheet of the subsidiary companies. The audited consolidated financial statements prepared are in accordance with the said circular which form part of this report. Consequently, the financial statements of the subsidiaries are not attached to the Accounts of the Company.

As required by the said circular, the Company has given the information on subsidiary companies in the consolidated financial statements. The Shareholders of the Company and subsidiary companies who wish to have a copy of the accounts of the subsidiaries will be provided the same on receipt of a written request from them. These documents will be available for inspection by any shareholder at the Registered Office of the Company and the subsidiaries on any working day during business hours.

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;

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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, 2011 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 this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
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 (RBI) GUIDELINES

The Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2011.

ACKNOWLEDGEMENT

The Directors wish to thank Reserve Bank of India and other Regulatory / Government Authorities for their continued co-operation and support.

For and on behalf of the Board of Directors

Place : Mumbai
Date : April 26, 2011

Y. M. DEOSTHALEE
Chairman

N. SIVARAMAN
President and Whole-time Director

CORPORATE GOVERNANCE REPORT

The Company has complied with the requirements of corporate governance contained in the listing agreements to be entered into with the Stock Exchanges, particularly those in relation to the composition of the Board of Directors, constitution of committees such as Audit Committee, Nomination & Remuneration Committee and Shareholders' / Investors' Grievance Committee. Further, the provisions of the listing agreements to be entered into with the Stock Exchanges become applicable to the Company at the time of seeking listing and trading approval with the Stock Exchanges.

The Company undertakes to take all necessary steps to comply with all the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 on corporate governance and adopt the corporate governance code as per Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

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.

The Company aims at sustained value creation by gainfully deploying its strong parentage with optimum utilization of the resources.

COMPOSITION OF BOARD

Currently, the Board comprises of nine Directors and the Chairman of the Board is a non-executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, the composition of the Board meets the requirements in terms of non-executive and independent Directors. Mr. N. Sivaraman, President and Whole-time Director, is in charge of the operations of the Company.

Other than Mr. N. Sivaraman, all the members of the Board of the Company are independent in the sense that none of them is involved in the day-to-day management of the Company. The Directors, Mr. Y. M. Deosthalee, Chairman, Mr. R. Shankar Raman are in the services of Larsen & Toubro Ltd. Pursuant to Clause 49 of the Listing Agreement, Mr. A. K. Jain, Mr. Shailesh Haribhakti, Mr. B. V. Bhargava, Mr. Subramaniam N., Mr. M. Venugopalan and Mr. P. V. Bhide are Independent Directors.

MEETINGS OF THE BOARD

The Meetings of the Board are generally held at the Registered Office of the Company at L&T House, Ballard Estate, Mumbai 400 001 and at its Corporate office at Metropolitan, 8th floor, Bandra Kurla Complex, Mumbai 400 051. During the year under review, 6 meetings were held on April 6, 2010, September 25, 2010, October 25, 2010, December 3, 2010, January 31, 2011 and March 22, 2011.

The Company Secretary prepares the agenda and the explanatory notes, in consultation with the Chairman or 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,

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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 following composition of the Board of Directors is as on March 31, 2011. Their attendance at the Meetings during the year and at the last Annual General Meeting as also number of other Directorships as on March 31, 2011 are as follows:

Name of Director	Nature of Directorship	Meetings held during the year	No of Board Meetings attended	Attendance at last AGM	No of other Directorships
Mr. Y. M. Deosthalee	Director	6	6	Present	9
Mr. N. Sivaraman	Whole-time director	6	6	Absent	7 (2)
Mr. R. Shankar Raman	Director	6	5	Present	5
Mr. B .V. Bhargava*	Director	6	5	NA	10
Mr. S. V. Haribhakti*	Director	6	5	NA	14(7)
Mr. N. Subramaniam*	Director	6	3	NA	1(6)
Mr. M. Venugopalan**	Director	6	4	NA	3(3)
Mr. A. K. Jain*	Director	6	5	NA	2
Mr. P. V. Bhide***	Director	6	1	NA	5(1)

* Appointed on September 25, 2010

** Appointed on October 25, 2010

*** Appointed on March 22, 2011

- None of the above Directors are related inter-se.
- None of the Directors hold the office of director in more than the permissible number of companies under the Companies Act, 1956.
- Figures in bracket in nos. of directorship column indicate directorship of private companies.

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.
- Quarterly results and results of operations of Independent Company and business segments.
- Financing plans of the Company.
- Minutes of meeting of Board of Directors, Audit Committee, Nomination & Remuneration Committee, Shareholders' / Investors' Grievance Committee. IPO Committee.
- Details of any joint venture, acquisitions of companies or collaboration agreement
- Any materially relevant 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.
- Compliance or 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.

Post-meeting internal communication system:

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

BOARD COMMITTEES

The Board has constituted the following committees:

- Audit Committee;
- Shareholders' / Investors' Grievance Committee;
- Nomination & Remuneration Committee; and
- IPO Committee.

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(a) Audit Committee

The Audit Committee of the Board was re-constituted by the Directors by a Board resolution dated September 25, 2010 pursuant to Section 292A of the Companies Act. The Audit Committee comprises of:

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

Terms of reference of the Audit Committee includes:

1. Hold discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the quarterly, half yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.
2. 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.
3. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
4. Approving of payment to statutory auditors for any other services rendered by the statutory auditors.
5. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - i. matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act;
 - ii. changes, if any, in accounting policies and practices and reasons for the same;
 - iii. major accounting entries involving estimates based on the exercise of judgment by management;
 - iv. significant adjustments made in the financial statements arising out of audit findings;
 - v. compliance with listing and other legal requirements relating to financial statements;
 - vi. disclosure of any related party transactions; and
 - vii. qualifications in the draft audit report.
6. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
7. 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 up steps in this matter.
8. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
9. Reviewing the adequacy of internal audit function, if any, 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.
10. Discussing with the internal auditors on any significant findings and follow up thereon.
11. 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.
12. 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.
13. 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.
14. Review of information as prescribed under Clause 49 of the listing agreement.

Meetings:

The Committee met twice during the year on October 25, 2010 and January 31, 2011. The attendance of Members at the Meetings was as follows:

Name	Status	No. of meetings during the year	No. of Meetings Attended
Mr. S. V. Haribhakti	Chairman	2	2
Mr. R. Shankar Raman	Member	2	2
Mr. B. V. Bhargava	Member	2	2

All the members of the Audit Committee are financially literate and have accounting or related financial management expertise.

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(b) Shareholders' / Investors' Grievance Committee

The Shareholders' / Investors' Grievance Committee was constituted by the Directors by a Board resolution dated September 25, 2010 and comprises of:

Name of the Director	Designation in the Committee	Nature of Directorship
Mr. Ajit Kumar Jain	Chairman	Independent
Mr. R. Shankar Raman	Member	Non-executive
Mr. Subramaniam N.	Member	Independent

The Shareholders' / Investors' Grievance Committee is responsible for the redressal of shareholders and investors' grievances such as non receipt of share certificates, annual report and payment and receipt of dividend.

Meetings:

No Meeting was held during the year.

(c) Nomination & Remuneration Committee (N&R Committee)

The Nomination & Remuneration Committee was constituted by the Directors by a Board resolution dated September 25, 2010 and reconstituted pursuant to a Board resolution dated October 25, 2010. The Nomination & Remuneration Committee comprises:

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

The Nomination & Remuneration Committee determines the Company's remuneration policy, having regard to performance standards and existing industry practice. Under the existing policies of the Company, the Nomination & Remuneration Committee, inter alia, determines the remuneration payable to the Directors.

Apart from discharging the above mentioned basic functions, the Nomination & Remuneration Committee also discharges the following functions:

- Framing policies and compensation including salaries and salary adjustments, incentives, bonuses, promotion, benefits, stock options and performance targets of the top executives;
- Formulating strategies for attracting and retaining employees and employee development programmes; and
- Implementing the provisions of the ESOPs Scheme in accordance with the provisions of ESOP Guidelines and our Company's corporate authorisations.

Meetings

The Committee met thrice during the year on October 25, 2010, November 4, 2010 and March 22, 2011. The attendance of Members at the Meetings was as follows:

Name	Status	No. of meetings during the year	No. of Meetings Attended
Mr. S. V. Haribhakti	Chairman	3	3
Mr. Subramaniam N.	Member	3	3
Mr. Y. M. Deosthalee	Member	3	3
Mr. M. Venugopalan	Member	3	3

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 & understand financial statements, commitment to ethical standards and values of the Company and ensure healthy debates & 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.

Remuneration of Directors

All the Directors of the Company except Mr. N. Sivaraman are non-executive. By virtue of the terms of appointment entered with the Company, Mr. N. Sivaraman is not entitled to sitting fees for the meetings of the Board and / any committee thereof. The Directors on the Board who are in the services of Larsen and Toubro Limited draw remuneration from Larsen and Toubro Limited and are not paid any sitting fees separately for attending the meetings of the Board and / any Committee of the company. The independent Directors on the Board are paid sitting fees of Rs. 20,000 per meeting for attending the meetings of the Board and / or any committee thereof and do not draw any other remuneration.

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The remuneration policy of Directors is decided by the N&R Committee.

Details of remuneration paid / payable to Directors for the year ended March 31, 2011

The details of remuneration paid / payable to the Non-Executive Directors is as follows:

(Rupees)

Names	Sitting Fees for Board Meeting	Sitting Fees for Committee Meeting	Total
Mr.Y.M.Deosthalee	0	0	0
Mr.R. Shankar Raman	0	0	0
Mr.B.V Bhargava	100,000	40,000	140,000
Mr.S.V Haribhakti	100,000	60,000	160,000
Mr.N. Subramaniam	60,000	20,000	80,000
Mr. M.Venugopalan	80,000	20,000	100,000
Mr. A. K. Jain	100,000	0	100,000
Mr.P.V. Bhide	20,000	0	20,000

(d) IPO Committee

The IPO Committee of the Company was constituted by the Directors at their Board meeting held on September 25, 2010 and handles matters related to the proposed 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.

Meetings

The Committee met twice during the year on September 27, 2010 and March 29, 2011.

OTHER INFORMATION

Training of Directors

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

The Company holds Board meetings at its registered office and at its Corporate office.

Information to directors

The Board of Directors has complete access to the information within the Company.

Presentations are made regularly to the Board / Nomination and Remuneration Committee (N&R) / Audit Committee (AC) (minutes of AC & N&R are circulated to the Board), where Directors get an opportunity to interact with senior managers. Presentations, inter alia, cover business strategies, management structure, HR policy, management development and succession planning, quarterly and annual results, budgets, treasury policy, review of Internal Audit, risk management framework, operations of subsidiaries and associates, etc.

Internal Auditors

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company. The Company also has an internal audit department which carries out audits in designated areas.

Internal Control

The Board ensures the effectiveness of the Company's system of internal controls including financial, operational and compliance controls and risk management systems.

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 .

Statutory Auditors

The Company has obtained a certificate from the auditors certifying their independence and arm's length relationship with the Company. The Company does not advocate rotation of Auditors in view of the domain knowledge acquired by the Auditors over a period of time. Mr. Milind Phadke has signed the audit report for FY 2010-11 on behalf of M/s. Sharp & Tannan, Chartered Accountants.

Code of Conduct

The Company has laid down a Code of Conduct for all Board members and Senior Management Personnel.

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General Body Meetings

Location and time of the previous Annual General Meeting(s):

Year	Location	Date	Time
2009	L&T House, Ballard Estate, Mumbai – 400 001	June 16, 2009	11.30 AM
2010	L&T House, Ballard Estate, Mumbai – 400 001	August 23, 2010	10.30 AM

Special Resolutions passed in previous three years

General Body Meeting	Date	Resolution
Annual General Meeting	June 16, 2009	Appointment of Manager
Extra Ordinary Meeting	October 28, 2009	Issue of Share on Preferential basis
Extra Ordinary Meeting	March 29, 2010	Issue of Share on Preferential basis
Extra Ordinary Meeting	September 1, 2010	Change in the name of the Company
Extra Ordinary Meeting	September 13, 2010	Issue of Share on Preferential basis
Extra Ordinary Meeting	September 13, 2010	Alteration of Articles of Associations
Extra Ordinary Meeting	September 25, 2010	Approval for Initial Public Offer
Extra Ordinary Meeting	November 29, 2010	Institution of ESOP Scheme
Extra Ordinary Meeting	March 24, 2011	Extension of Issue size of Initial Public Offer

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 which will be effective upon listing of the equity shares. 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 (Directors, Advisors, Officers and other concerned employees / 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 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 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' shares.

Disclosures

During the financial year ended March 31, 2011:

- There was no materially significant related party transactions with the Directors that have a potential conflict with the interests of the Company.
- The related party transactions as required under AS 18 have been disclosed in the Notes to Accounts forming part of the Annual Financial Statements.
- The Company has followed all relevant Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 while preparing the Financial Statements.
- Though not applicable, the Company has adhered to few mandatory and non-mandatory requirements of Corporate Governance norms as prescribed by clause 49 of the Listing Agreement.

Listing Fees to Stock Exchanges

Annual Listing fees to Stock Exchanges were paid within timelines.

Registrar and Share Transfer Agents (RTA)

Sharepro Services (India) Private Limited, Andheri, Mumbai.

Address for correspondence

L&T Finance Holdings Limited,
Metropolitan
8th floor, Bandra Kurla Complex, Mumbai 400 051.
Tel. No. (022) 6737 2951
Fax No. (022) 6737 2900

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Shareholder correspondence may be directed to the Company's Registrar and Share Transfer Agent, whose address is given below:

1. Sharepro Services (India) Private Limited
Unit : L&T Finance Holdings Limited
Samhita Warehousing Complex,
Bldg. No.13 AB, 2nd Floor
Sakinaka Telephone Exchange Lane,
Off Andheri – Kurla Road, Sakinaka
Mumbai – 400 072.
Tel No. : (022) 6772 0300 / 6772 0400
Fax No. (022) 2859 1568 / 2850 8927
E-Mail : Lnt@shareproservices.com;
Sharepro@shareproservices.com
2. Sharepro Services (India) Private Limited
Unit : L&T Finance Holdings Limited
912, Raheja Centre, Free Press Journal Road,
Nariman Point, Mumbai 400 021.
Tel : (022) 6613 4700
Fax : (022) 2282 5484

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

The Company has adopted the following non-mandatory requirements on Corporate Governance recommended under Clause 49 of the Listing Agreement:

1. A Nomination & Remuneration Committee has been formed. The Committee comprises of three independent Directors and the Chairman of the Company.
2. Whistle Blower policy for L&T and its group companies is in place.
3. Access to the Audit Committee of the Board is also available.

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.

For and on behalf of the Board of Directors

Y. M. DEOSTHALEE
Chairman

N. SIVARAMAN
President and Whole-time Director

Place : Mumbai
Date : April 26, 2011

AUDITORS' REPORT

We have audited the attached Balance Sheet of L&T Finance Holdings Limited as at March 31, 2011, the Profit and Loss Account 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 Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Profit and Loss Account, the Balance Sheet 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, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 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 in Schedule '11' and the Notes on the Financial Statements in Schedule '12' 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, 2011;
 - (ii) in the case of the Profit and Loss Account, 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. 33013

Place : Mumbai,
Date : April 26, 2011

ANNEXURE TO AUDITOR'S REPORT

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

- (i) The Company has no fixed assets. Accordingly, reporting under paragraph 4(i)(a), (b) and (c) of the Order are not applicable.
- (ii) The Company is a non-banking finance Company and does not hold any inventories. Accordingly, reporting on Paragraph 4(ii)(a), (b) and (c) of the Order is not applicable.
- (iii)
 - (a) According to the information and explanations given to us, 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, reporting under Paragraph 4(iii)(b), (c) and (d) of the Order is not applicable.
 - (b) According to the information and explanations given to us, 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, reporting under Paragraph 4(iii)(f) and (g) of the Order is not applicable.

L&T FINANCE HOLDINGS LIMITED
(Formerly L&T Capital Holdings Limited)

- (iv) In our opinion and according to the information and explanations given to us, the Company has no fixed assets and inventory. The Company has also not commenced sale of its products. Accordingly, reporting under paragraph 4(iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act, 1956. Accordingly, reporting under Paragraph 4(v)(b) of the Order is not applicable.
- (vi) 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 Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us, the Company, being a non-banking finance Company. Accordingly, reporting under paragraph 4(viii) of the Order is not applicable.
- (ix) (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, sales tax, wealth 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, sales tax, wealth tax, service tax and cess that have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company has not been registered for a period of more than five years. Accordingly, reporting under paragraph 4(x) of the Order is not applicable.
- (xi) 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 or debenture holders as at the Balance Sheet date.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, reporting under paragraph 4(xii) of the Order is not applicable.
- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under paragraph 4(xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures or other investments. Accordingly reporting under paragraph 4(xiv) of the Order is not applicable.
- (xv) The Company has not given guarantees for loans taken by others from banks or financial institutions. Accordingly, reporting under paragraph 4(xv) of the Order is not applicable.
- (xvi) The Company has not taken any term loans. Accordingly, reporting under paragraph 4(xvi) of the Order is not applicable.
- (xvii) 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.
- (xviii) During the year, the Company has made preferential allotment of shares to the Company covered in the register maintained under Section 301 of the Companies Act, 1956. In our opinion and according to the information and explanations given to us, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) The Company has not issued any debentures during the period. Accordingly, reporting under paragraph 4(xix) of the Order is not applicable.
- (xx) The Company has not raised any money by public issues during the period. Accordingly, reporting under paragraph 4(xx) of the Order is not applicable.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud 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. 33013

Place : Mumbai,
Date : April 26, 2011

L&T FINANCE HOLDINGS LIMITED
(Formerly L&T Capital Holdings Limited)

BALANCE SHEET AS AT MARCH 31, 2011

	Schedules	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share Capital	1	14,170,244,260		13,535,915,910	
Share application money pending allotment		–		2,750,000,000	
Reserves and Surplus	2	3,646,197,509		27,954,140	
			17,816,441,769		16,313,870,050
Employee stock options outstanding		84,662,486		–	
Less: Deferred employee compensation expenses		72,403,110		–	
			12,259,376		–
Loan Funds					
Unsecured Loans	3		3,560,000,000		–
TOTAL			21,388,701,145		16,313,870,050
APPLICATION OF FUNDS					
Fixed Assets			–		–
Investments	4		21,187,779,461		16,292,779,461
Current Assets, Loans and Advances	5				
Sundry Debtors		–		–	
Cash and Bank Balances		2,976,824		58,069	
Other Current Assets		–		–	
Loans and Advances		199,725,595		22,783,405	
		202,702,419		22,841,474	
Less: Current Liabilities and Provisions	6				
Liabilities		980,735		1,125,885	
Provisions		800,000		625,000	
		1,780,735		1,750,885	
Net Current Assets			200,921,684		21,090,589
TOTAL			21,388,701,145		16,313,870,050
SIGNIFICANT ACCOUNTING POLICIES	11				
NOTES ON THE FINANCIAL STATEMENTS	12				

The Schedules referred to above form an integral part of the financial statements.

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. 33013

N. SURYANARAYANAN
Manager & Company Secretary

Y. M. DEOSTHALEE
Chairman

N. SIVARAMAN
President & Wholetime Director

Place : Mumbai
Date : April 26, 2011

Place : Mumbai
Date : April 26, 2011

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedules	20010-11 Rupees	2009-10 Rupees
INCOME			
Income from operations	7	56,937,773	53,642,073
Other income		-	-
TOTAL		56,937,773	53,642,073
EXPENDITURE			
Administration and other expenses	8	6,356,015	24,894,002
Provisions and contingencies	9	45,000,000	-
Interest and other finance charges	10	3,429,863	-
TOTAL		54,785,878	24,894,002
Profit before taxes		2,151,895	28,748,071
Provision for current taxes		800,000	625,000
Provision for deferred tax [Note No. 5 (b) of Schedule 12]		-	-
Profit after taxes		1,351,895	28,123,071
Balance brought forward from previous year		22,329,139	(168,931)
Profit available for appropriation		23,681,034	27,954,140
Appropriations			
Transfer to Reserve u/s. 45-IC of RBI Act,1934		300,000	5,625,000
Balance carried to Balance Sheet		23,381,034	22,329,140
Basic Earnings per equity share	} [Note No. 4 of Schedule 12]	0.00	0.03
Diluted Earning per equity share		0.00	0.02
Nominal value per Equity Share		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	11		
NOTES ON THE FINANCIAL STATEMENTS	12		

The Schedules referred to above form an integral part of the financial statements.

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. 33013

N. SURYANARAYANAN
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Y. M. DEOSTHALEE
Chairman

N. SIVARAMAN
President & Wholtime Director

Place : Mumbai
Date : April 26, 2011

Place : Mumbai
Date : April 26, 2011

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	2010-11 Rupees	2009-10 Rupees
A. Cash flow from operating activities		
Profit before tax as per Profit and Loss Account	2,151,895	28,748,071
Adjustment for:		
Dividend received on investments	(54,374,354)	(51,228,095)
Provision for diminution in value of investments	45,000,000	-
Operating profit before working capital changes	(7,222,459)	(22,480,024)
Adjustment for :		
(Increase) / Decrease in loans and advances	(163,287,935)	(22,783,405)
Increase / (Decrease) in trade and other payables	(145,150)	1,609,149
Cash generated from operations	(170,655,544)	(43,654,280)
Direct taxes paid	(800,000)	(625,000)
Net cash flow from operating activities (A)	(171,455,544)	(44,279,280)
B. Cash flows from investing activities		
Add : Inflows from investing activities		
Sale of long term investments	-	-
Sale of shares of subsidiary / associate companies	10,000,000	-
Interest and dividend received on investments	54,374,354	51,228,095
	64,374,354	51,228,095
Less : Outflow from investing activities		
Purchase of shares of subsidiary companies	(4,950,000,000)	(4,011,000,000)
Purchase of long term investments	-	(1,516,363,551)
	(4,950,000,000)	(5,527,363,551)
Net cash from investing activities (B)	(4,885,625,646)	(5,476,135,456)
C. Cashflows from financing activities		
Add : Inflows from financing activities		
Proceeds from issue of share capital including securities premium	1,499,999,945	13,515,415,910
Advance received as share application money	-	(8,015,415,910)
Increase in unsecured loans	3,560,000,000	-
	5,059,999,945	5,500,000,000
Less : Outflows from financing activities	-	-
	-	-
Net cash generated (used in) / from financing activities (C)	5,059,999,945	5,500,000,000
Net cash increase / (decrease) in cash and cash equivalents (A+B+C)	2,918,755	(20,414,736)
Cash and cash equivalents as at beginning of the year	58,069	20,472,805
Cash and cash equivalents as at end of the year	2,976,824	58,069

NOTES

- Cash Flow Statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- Cash and cash equivalents represent cash and bank balances.

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. 33013

N. SURYANARAYANAN
Manager & Company Secretary

Y. M. DEOSTHALEE
Chairman

N. SIVARAMAN
President & Wholetime Director

Place : Mumbai
Date : April 26, 2011

Place : Mumbai
Date : April 26, 2011

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS

	As at 31.03.2011 Rupees	Rupees	As at 31.03.2010 Rupees	Rupees
SCHEDULE - 1				
SHARE CAPITAL				
Authorised				
5,000,000,000 Equity shares of Rs. 10 each		<u>50,000,000,000</u>		<u>50,000,000,000</u>
Issued and subscribed				
1,417,024,426 Equity shares of Rs. 10 each <i>(previous year 1,353,591,591 Equity shares of Rs. 10 each)</i>		<u>14,170,244,260</u>		<u>13,535,915,910</u>
<i>Of the above:</i>				
1,417,024,221 <i>(previous year 1,353,591,386) Equity shares are held by Larsen & Toubro Limited, the holding Company and its nominees.</i>				
TOTAL		<u><u>14,170,244,260</u></u>		<u><u>13,535,915,910</u></u>
 SCHEDULE - 2				
RESERVES AND SURPLUS				
Reserve u/s. 45-IC of RBI Act, 1934				
As per last Balance Sheet	5,625,000		-	
Add : Transferred from Profit and Loss Account	<u>300,000</u>		<u>5,625,000</u>	
		5,925,000		5,625,000
General Reserve				
As per last Balance Sheet	-		-	
Add : Created during the year	<u>1,219,880</u>		-	
		1,219,880		-
Securities Premium Account				
As per last Balance Sheet	-		-	
Add : Received during the year	<u>3,615,671,595</u>		-	
		3,615,671,595		-
Profit and Loss Account				
		23,381,034		22,329,140
TOTAL		<u><u>3,646,197,509</u></u>		<u><u>27,954,140</u></u>
 SCHEDULE - 3				
UNSECURED LOANS				
Short term loan		<u>3,560,000,000</u>		-
TOTAL		<u><u>3,560,000,000</u></u>		-
 SCHEDULE - 4				
INVESTMENTS (At cost)				
Long term investments				
(i) Subsidiary companies: (unquoted)				
(a) Fully paid equity shares	19,671,415,910		14,731,415,910	
(ii) Associate Company: (unquoted)	45,000,000		45,000,000	
(iii) Others: (quoted)	<u>1,516,363,551</u>		<u>1,516,363,551</u>	
		21,232,779,461		16,292,779,461
Less: Provision for diminution in value of investment		<u>45,000,000</u>		-
TOTAL		<u><u>21,187,779,461</u></u>		<u><u>16,292,779,461</u></u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2011 Rupees	Rupees	As at 31.03.2010 Rupees	Rupees
Note :				
Quoted investments				
Book value		1,516,363,551		1,516,363,551
Market value		4,206,502,870		2,750,572,416
Unquoted Investments				
Book value		45,000,000		45,000,000
Particulars of investments :				
Long term investments				
Fully paid equity shares				
Subsidiary Company :				
L&T Finance Limited	10,159,815,910		6,409,815,910	
230,922,269 (previous year 212,172,269) shares of Rs. 10 each (18,750,000 shares purchased during the year)				
L&T Infrastructure Finance Company Limited	8,501,000,000		7,751,000,000	
702,150,000 (previous year 683,400,000) shares of Rs. 10 each (18,750,000 shares purchased during the year)				
India Infrastructure Developers Limited	1,010,600,000		560,600,000	
101,060,000 (previous year 56,060,000) shares of Rs. 10 each (45,000,000 shares purchased during the year)				
L&T Aviation Services Private Limited	-		10,000,000	
Nil (previous year 1,000,000 shares) of Rs. 10 each (sold during the year)				
		<u>19,671,415,910</u>		<u>14,731,415,910</u>
Associate Company: (unquoted)				
NAC Infrastructure Equipment Limited	45,000,000		45,000,000	
4,500,000 shares of Rs. 10 each				
Less: provision for diminution in value of investment	45,000,000			
		-		45,000,000
Others: (quoted)				
Federal Bank Limited	1,237,648,479		1,237,648,479	
7,995,619 shares of Rs. 10 each				
City Union Bank Limited	278,715,072		278,715,072	
19,195,012 shares of Rs. 1 each				
		<u>1,516,363,551</u>		<u>1,516,363,551</u>
TOTAL		<u><u>21,187,779,461</u></u>		<u><u>16,292,779,461</u></u>
SCHEDULE - 5				
CURRENT ASSETS, LOANS AND ADVANCES				
Cash and Bank Balances				
Cash in hand	-		-	
Balances with Scheduled Banks				
on current account	2,976,824		58,069	
on deposit account	-		-	
		<u>2,976,824</u>		<u>58,069</u>

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	As at 31.03.2011 Rupees	Rupees	As at 31.03.2010 Rupees	Rupees
Loans and Advances				
Unsecured, considered good				
Loans including interest accrued thereon		-		22,503,699
Advances recoverable in cash or in kind or for value to be received		199,725,595		279,706
TOTAL		202,702,419		22,841,474

**SCHEDULE - 6
CURRENT LIABILITIES AND PROVISIONS**

Liabilities

Sundry creditors				
Micro and small enterprises	-		-	
Other than micro and small enterprises	980,735		1,125,885	
Security deposits	-		-	
Interest accrued but not due	-		-	
		980,735		1,125,885

Provisions for

Current taxes	800,000		625,000	
Others	-		-	
		800,000		625,000
TOTAL		1,780,735		1,750,885

	2010-11 Rupees	Rupees	2009-10 Rupees	Rupees
SCHEDULE - 7 INCOME FROM OPERATIONS				
Dividend income				
Subsidiary companies	-		-	
Other investments	54,374,354		51,228,095	
		54,374,354		51,228,095
Interest income				
Interest received on inter corporate deposits	2,563,419		2,144,132	
Other interest	-		269,846	
		2,563,419		2,413,978
TOTAL		56,937,773		53,642,073

**SCHEDULE - 8
ADMINISTRATIVE AND OTHER EXPENSES**

Professional fees	1,154,662		56,545	
Travelling and conveyance	192,602			
Filing fees	7,550		19,804,388	
Stamp duty	4,250,000		4,957,809	
Directors sitting fees	580,000		-	

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
Auditors remuneration				
Audit fees	50,000		12,000	
Tax audit fees	20,000		9,250	
Certification	17,979		-	
		87,979		21,250
Miscellaneous expenses		83,222		54,010
TOTAL		6,356,015		24,894,002

SCHEDULE - 9

PROVISIONS AND CONTINGENCIES

Provision for diminution in value of investments	45,000,000	-
TOTAL	45,000,000	-

SCHEDULE - 10

INTEREST AND OTHER FINANCE CHARGES

Interest on unsecured loans	3,429,863	-
Others	-	-
TOTAL	3,429,863	-

SCHEDULE - 11

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ('GAAP') and in compliance with the provision of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006, notified by the Central Government.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affects the reported amounts of income and expenses of the period, the reported balances of assets and liabilities as of the date of the financial statements.

B. Investments

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

Current investments are carried at lower of cost or market value. The determination of the carrying costs of such investments is done on the basis of specific identification.

C. Revenue Recognition

Revenue is recognized based on the nature of activity when consideration can be reliably measured and there exists reasonable certainty of its recovery. Income from investments is accounted on accrual basis.

D. The Company complies with the guidelines issued by the Reserve Bank of India in respect of prudential norms for income recognition.

E. Taxes on Income

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

Deferred tax is recognized on timing differences between the accounting income and taxable income for the year and quantified using the tax rates and the laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax asset are recognized and carried forward to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

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

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

F. Employee Stock Ownership Schemes

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

SCHEDULE - 12

NOTES ON THE FINANCIAL STATEMENTS

- 1) During the year, the Company has issued and allotted 63,432,835 equity shares of Rs. 10 each to Larsen & Toubro Limited at issue price of Rs. 67 per share.
- 2) Stock option scheme

The Company has formulated Employee Stock Option Scheme 2010 (ESOP Scheme-2010) in the year 2010-11, for which intrinsic value method is used.

The Plan is designed to provide stock options to employees of the Company, its subsidiaries and holding Company. All grants under the Plan are to be issued and allotted by the Nomination and Remuneration Committee of the Company. The options are to be granted to the eligible employees based on certain criteria and approval of the Committee and as per the respective Employee Stock Option Agreements that the Company enters into with them.

The Company has granted 10,750,000 options on November 30, 2010.

Options have been granted at an exercise price which will be at a discount of 15% of the issue price of equity shares being offered in the initial public offering (IPO) which is under consideration.

The Employees shall be allotted a pre-defined number of equity shares against each option and the options will vest over a period of four years from the date of grant at a pre-defined percentage of the total vesting, which shall each be subject to the conditions as per respective Employee Stock Option Agreements that the Company enters into with them.

Options can be exercised anytime within a period of 7 years from the date of grant and would be settled by way of equity.

The compensation costs of stock options granted to employees are accounted by the Company using the intrinsic value method wherein the fair market value of equity shares has been determined by an independent valuer.

The details of the grant under the aforesaid scheme are summarized below:

Sr. No.	Particulars	2010-11
1.	Grant price – Rupees	The exercise price of the options would be a price which will be at a discount of 15% of the Issue Price.
2.	Grant date	November 30, 2010
3.	Options granted and outstanding at the beginning of the year	–
4.	Options granted during the year	10,750,000
5.	Options cancelled / lapsed during the year	134,600
6.	Options exercised during the year	–
7.	Options granted and outstanding at the end of the year of which –	
	Options vested	–
	Options yet to vest	10,615,400

Information in respect of options outstanding as at March 31, 2011

Range of exercise price	31.03.2011		31.03.2010	
	Number of options	Weighted average remaining life	Number of options	Weighted average remaining life
The exercise price of the options would be a price of 15% discount to the Issue Price of IPO.	10,615,400	3.5 years	–	–

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

(i)	Diluted Earning per Share (EPS) pursuant to issue of shares on excise of Options calculated in accordance with Accounting standard (AS) 20	Diluted EPS Rs. 0.00
(ii)	The difference between employee compensation cost using intrinsic value method and the fair value of the Options and impact of this difference on profits and on EPS.	Had fair value method been adopted for expensing the ESOP compensation the impact on Profit After Tax, EPS (both basic and diluted) would be Nil as L&T Finance Holdings Limited would have recovered the same from its subsidiaries as grants have been issued to employees of the respective companies.
Method and significant assumptions used to estimate the fair value of Options granted during the year.		
(a)	model used	Black-Scholes Method
(b)	inputs to that model	
(i)	Weighted average risk-free interest rate	7.93%
(ii)	Weighted average expected Options Life	3.5 years
(iv)	Weighted average expected dividends	Rs. 0.33 per option
(iii)	Weighted average expected volatility	41.81 %
(v)	Weighted average share price	Rs. 60.42 per share
(vi)	Weighted average exercise price	Rs. 51.357 per share
(vii)	Attrition Rate	12 %
(viii)	the method used to determine expected volatility, including an explanation of the extent to which expected volatility was based on historical volatility	The expected volatility has been calculated entirely based on the historic volatility of peer companies, as historical data of the Company (unlisted) is not available.

Other information regarding employee share-based payment plans is as below:

Rs. in Lakh

Particulars	2010-11	2009-10
Expense arising from employee share-based payment plans	122.59	Nil
Expense arising from equity settled share based payment plans	122.59	Nil
Liability arising from employee share-based payment plans	Nil	Nil

During the year, the Company has recovered Rs. 122.59 lakhs (*previous year Rs. Nil*) from its subsidiary companies towards the stock options granted to their employees, pursuant to the employee stock option schemes.

3) i) Segment Reporting

Primary Segment (Business Segment)

The Company operates mainly in the business segment of investments activity. The other business segment not have income and / or assets more than 10% of the total income and / or assets of the Company. Accordingly, separate segment information for different business segments is not disclosed.

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.

(ii) Related Party Disclosure

i. List of related parties who exercises control:

Larsen & Toubro Limited Holding Company

Sr. No.	Name of the related party	Relationship
1	Larsen & Toubro Limited	Holding Company

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

ii. List of related parties over which control exists:

Sr. No.	Name of the related party	Relationship
1	L&T Finance Limited	Wholly Owned Subsidiary Company
2	L&T Infrastructure Finance Company Limited	Wholly Owned Subsidiary Company
3	India Infrastructure Developers Limited	Wholly Owned Subsidiary Company
4	NAC Infrastructure Equipment Limited	Associate Company

iii. Names of the related parties with whom transactions were carried out during the year and description of relationship:

Holding Company	
1	Larsen & Toubro Limited

Subsidiary companies	
1	L&T Finance Limited
2	L&T Infrastructure Finance Company Limited
3	India Infrastructure Developers Limited

iv. Description of the nature transactions:

No.	Name of Company	Relation-ship	Nature of transaction	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
1	Larsen & Toubro Limited	Holding Company	Transaction						
			Equity shares issued	42,500.00	-	-	1351.54	-	-
			Share application money	-	-	-	27500.00	-	-
			Purchase of Investments	-	-	-	2535.45	-	-
			Sale of investments	100.00	-	-	-	-	-
			Inter corporate borrowing	35,600.00	-	-	-	-	-
			Expenditure						
			Common Administration Exp.	10.71	-	-	0.51	0.51	-
2	L&T Finance Limited	Subsidiary Company	Transaction						
			Subscription to equity shares	37,500.00	-	-	15,000.00	-	-
			Inter Corporate Deposits	868.00	-	-	834.00	-	-
			Excess amount received refundable	-	-	-	10.29	-	-
			Expenses reimbursement	514.53	-	-	0.16	0.16	-
			ESOP charges	105.59	-	21.72	-	-	-
			Income						
			Interest on ICD	23.93	-	-	21.40	-	-
3	India Infrastructure Developers Limited	Subsidiary Company	Transaction						
			Subscription to equity shares	4,500.00	-	-	-	-	-
			Reimbursement of expenses payable	709.73	-	-	-	-	-
			Inter Corporate Deposits	-	-	-	225.00	-	-
			Income						
Interest on Inter Corporate Deposit	1.70	-	-	0.04	-	0.04			
4	L&T Infrastructure Finance Company Limited	Subsidiary Company	Transaction						
			Subscription to equity shares	7,500.00	-	-	27,510.00	-	-
			ESOP charges	17.00	-	17.00	-	-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

No.	Name of Company	Relation-ship	Nature of transaction	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
5	L&T Aviation Services Pvt. Ltd.	Subsidiary Company	Transaction Subscription to equity shares	-	-	-	100.00	-	-
6	L&T Capital Company Ltd.	Fellow Subsidiary Company	Transaction Purchase of Investments	-	-	-	12,376.48	-	-

4) Earning per Share

Particulars		2010-11	2009-10
Basic			
Profit after tax as per Profit and Loss Account (Rs. lakh)	A	13.52	281.23
Weighted average number of equity shares outstanding	B	1,387,132,789	1,219,936,113
Basic EPS (Rupees)	A / B	0.00	0.03
Diluted			
Profit after tax as per Profit and Loss Account (Rs. lakh)	A	13.52	281.23
Weighted average number of equity shares outstanding	B	1,387,132,789	1,219,936,113
Add: Weighted average number of equity shares on account of employee stock options	C	135,989	-
Add: Weighted average number of equity shares on account of share application money	D	19,454,099	337,354
Weighted average number of shares outstanding for diluted EPS	E = B + C + D	1,406,722,877	1,220,273,467
Diluted EPS	A / D	0.00	0.02
Nominal value of shares (Rs.)		10.00	10.00

5) Provision for current taxes

		2010-11	2009-10
(a)	Income tax (Rs. lakh)	8.00	6.25

(b) The Company has a deferred tax asset of Rs. 0.77 lakh (*previous year Rs. 0.77 lakh*) in respect of deduction of preliminary expenses as per Income Tax Act, 1961 lower than as per books of account. The Company has not accounted for the deferred tax asset on ground of prudence.

- 6) The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2011.
- 7) The President & Whoietime Director is on deputation from the Parent Company and compensation debited to the Company is in accordance with the agreement between the Companies. During the year, in accordance with the agreement with the Parent Company, the Company has not received any debit for compensation paid to him.
- 8) Manager is on deputation from the Parent Company and his compensation is debited to the extent of debit received from the Parent Company
- 9) The Company does not have any contingent liability as at March 31, 2011.
- 10) Previous year figures have been regrouped / reclassified wherever necessary.
- 11) 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

Rupees in Lakhs

	Particulars	Amount Outstanding	Amount Overdue
	Liability Side		
1	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	(a) Debentures : Secured	-	-
	: Unsecured	-	-
	(Other than falling within the meaning of Public Deposits)		
	(b) Deferred credits	-	-
	(c) Term loans	-	-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

Particulars			
Liability Side		Amount Outstanding	Amount Overdue
(d)	Inter-corporate Loans and borrowings	35,600	-
(e)	Commercial paper	-	-
(f)	Public deposits *	-	-
(g)	Other loans (Foreign Currency Loan)	-	-
(h)	Lease finance	-	-
2	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :		
(a)	In the form of Unsecured debentures	-	-
(b)	in the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
(c)	Other Public deposits	-	-
Asset Side			
3	Break-up of Loans and Advances including bills receivables [Other than those included in (4) below]		
(a)	Secured		-
(b)	Unsecured		-
4	Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards EL / HP activities		
			Amount Outstanding
(i)	Lease 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)	Hypothecation loans counting towards EL / HP activities		
(a)	Loans where assets have been repossessed		-
(b)	Loans other than (a) above		-
5	Break-up of Investments		
	Current Investments		
	1. Quoted		
(i)	Shares : (a) Equity		-
	(b) Preference		-
(ii)	Debentures and Bonds		-
(iii)	Units of Mutual Funds		-
(iv)	Government Securities		-
(v)	Others (please specify)		-
	2. Unquoted :		
(i)	Shares : (a) Equity		-
	(b) Preference		-
(ii)	Debentures and Bonds		-
(iii)	Units of Mutual Funds		-
(iv)	Government Securities		-
(v)	Others (please specify)		-

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

	Long Term Investments	
1.	Quoted	
(i)	Shares : (a) Equity	15,163.63
	(b) Preference	—
(ii)	Debentures and Bonds	—
(iii)	Units of Mutual Funds	—
(iv)	Government Securities	—
(v)	Others (please specify)	—
		Amount Outstanding
2.	Unquoted :	
(i)	Shares : (a) Equity	196,714.16
	(b) Preference	—
(ii)	Debentures and Bonds	—
(iii)	Units of Mutual Funds	—
(iv)	Government Securities	—
(v)	Others (please specify)	—

		Secured	Unsecured	Total
6	Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances Category Amount net of provisions			
	1. Related Parties			
	Subsidiaries	—	—	—
	Companies in the same group	—	—	—
	Other related parties	—	—	—
	2. Other than related parties	—	—	—
	Total	—	—	—
7	Investor group-wise classification of all investments (current and long term in shares and securities) (both quoted and unquoted): Category	Market Value /	breakup or fair	Book Value
			value or NAV	Rs. in Lakhs
			Rs. in Lakhs	
	1) Related Parties			
	a) Subsidiaries		196,714.16	196,714.16
	b) Companies in the same group		—	—
	c) Other related parties		—	—
	2. Other than related parties		42,065.03	15,163.63
	TOTAL		175269.88	162,927.80
8	Other information			
	(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			—

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 / 2008-009, Guidelines for NBFC-ND-SI as regards capital adequacy, liquidity and disclosure norms:

1) **CRAR:**

	Items	2010-11	2009-10
i)	CRAR (%)	79.88%	100%
ii)	CRAR – Tier I Capital (%)	79.88%	100%
iii)	CRAR – Tier II Capital (%)	—	—

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS (Contd.)

2) Exposures:

Exposure to Real Estate Sector

Category		2010-11	2009-10
a)	Direct exposure		
(i)	Residential Mortgages –	Nil	Nil
	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 Rs. 15 lakh may be shown separately)		
(ii)	Commercial Real Estate –	Nil	Nil
	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;		
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitized exposures –	Nil	Nil
	a. Residential		
	b. Commercial Real Estate		
b)	Indirect Exposure	Nil	Nil
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		

3) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities

(Rs. in Lakh)

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 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
Liabilities:									
Borrowings from banks	–	–	–	–	–	–	–	–	Nil
Market Borrowings	–	–	–	–	35,600.00	–	–	–	35,600.00
Assets:									
Advances	–	–	–	–	–	–	–	–	Nil
Investments	–	–	–	–	–	–	–	211,877.79	211,877.79

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. 33013

N. SURYANARAYANAN
Manager & Company Secretary

Y. M. DEOSTHALEE
Chairman

N. SIVARAMAN
President & Wholetime Director

Place : Mumbai
Date : April 26, 2011

Place : Mumbai
Date : April 26, 2011

L&T FINANCE HOLDINGS LIMITED
(Formerly L&T Capital Holdings Limited)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue

Rights Issue

Bonus Issue

Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Fund
Total Liabilities

Total Assets

Paid-Up Capital (Including Advance)

Reserves & Surplus

Application of Funds
Secured Loans

Unsecured Loans

Net Fixed Assets

Investments

Net Current Assets / (Liabilities)

Miscellaneous Expenditure

Accumulated Losses

IV. Performance of Company (Amount in Rs. Thousands)

Turnover

Total Expenditure

Profit / Loss Before Tax

Profit / Loss After Tax

Earnings Per Share in Rs.

Dividend Rate %

V. Generic Names of Three Principal Products / Services of the Company (as per monetary items)

Item Code No.

(ITC Code)

Product Description

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. 33013

N. SURYANARAYANAN
Manager & Company Secretary

Y. M. DEOSTHALEE
Chairman

N. SIVARAMAN
President & Wholtime Director

Place : Mumbai
Date : April 26, 2011

Place : Mumbai
Date : April 26, 2011

INFORMATION ON SUBSIDIARY COMPANIES PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Rupees Lakh

Sr. No	Particulars	L&T Finance Limited	L&T Infrastructure Finance Company Limited	India Infrastructure Developers Limited	L&T Investment Management Limited	L&T Mutual Fund Trustee Limited
	Financial year ending on	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011	March 31, 2011
1	Share Capital	23,092.23	70,215.00	10,106.00	15,000.00	5.00
2	Reserves	150,145.25	58,624.49	(586.48)	(12,444.13)	(0.56)
3	Liabilities	955,245.92	641,090.37	52,205.99	644.69	3.58
4	Total Liabilities	1,128,483.40	769,929.86	61,725.51	3,200.56	8.02
5	Total Assets	1,128,483.40	769,929.86	61,725.51	3,200.56	8.02
6	Long Term Investments					
	– fellow subsidiaries	–	–	–	–	–
	– Others	20,185.44	34,999.99	700.00	–	1.18
	Current investments	5.49	–	–	2,186.11	–
	Total investments (excluding subsidiary companies)	20,190.93	34,999.99	700.00	2,186.11	1.18
7	Turnover	139,753.50	70,397.46	500.02	860.82	5.41
8	Profit before taxation	34,985.42	29,397.69	177.42	(3,957.49)	(3.82)
9	Provision for taxation	11,941.00	9,315.00	66.00	0.17	–
10	Profit after taxation	23,044.42	20,082.69	111.42	(3,957.66)	(3.82)
11	Interim dividend - Equity	–	–	–	–	–
12	Interim dividend - Preference	–	–	–	–	–
13	Proposed dividend - Equity	–	–	–	–	–
14	Proposed dividend - Preference	–	–	–	–	–

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. 33013

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