

Notice of the Fifth Annual General Meeting

Notice is hereby given that the **Fifth Annual General Meeting** of the Members of L&T Finance Holdings Limited will be held on Thursday, **August 01, 2013** at 3.00 p.m. at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai - 400 020, to transact the following business:

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet of the Company as at March 31, 2013 and Statement of Profit and Loss for the year ended on that date together with the Report of the Directors and Auditors thereon.
2. To declare a dividend on preference shares.
3. To declare a dividend on equity shares.
4. To appoint a Director in place of Mr. R. Shankar Raman, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint M/s. Sharp & Tannan, Chartered Accountants, Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors or any Committee thereof to fix their remuneration.

Special Business:

6. Mr. Subramaniam N., a Director due to retire by rotation at this Annual General Meeting, is not seeking re-election and accordingly it is "**RESOLVED THAT** the vacancy thereby caused be not filled up at this meeting or at any adjournment thereof."
7. Mr. M. Venugopalan, a Director due to retire by rotation at this Annual General Meeting, is not seeking re-election and accordingly it is "**RESOLVED THAT** the vacancy thereby caused be not filled up at this meeting or at any adjournment thereof."
8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

"**RESOLVED THAT** Mr. R. Gopalakrishnan, who was appointed as an Additional Director of the Company and whose term of office expires at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a Member under Section 257 of the Companies Act, 1956, proposing his candidature for the office of the Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

Registered Office:

L&T House, Ballard Estate,
Mumbai - 400 001

By Order of the Board of Directors
For L&T Finance Holdings Limited

Sd/-
N. Suryanarayanan
Company Secretary

Date: June 27, 2013
Place: Mumbai

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL, INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. The instrument appointing the proxy should, however, be deposited at the Registered Office of the Company not less than forty eight hours before the commencement of the meeting.
2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is annexed hereto.

3. The Members are requested to bring their copy of the Annual Report to the meeting.
4. The Members/Proxies should fill the Attendance Slip for attending the meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The Members who hold shares in electronic form are requested to write their Client ID and DP ID and those who hold shares in physical form are requested to write their Folio Number, in the attendance slip for attending the meeting.
7. Corporate Members intending to send their authorised representatives to attend the Annual General Meeting are requested to send a duly certified copy of the Board Resolution authorising their representatives to attend and vote at the meeting.
8. The Members who still hold share certificate(s) in physical form are advised to dematerialise their shareholding to avail the benefits of dematerialisation, which include easy liquidity, since trading is permitted in dematerialised form only, electronic transfer, savings in stamp duty and elimination of any possibility of loss of documents and bad deliveries.
9. The Register of Members and Share Transfer Books would remain closed from Tuesday, July 30, 2013 to Thursday, August 01, 2013 (both days inclusive).
10. If the dividend as recommended by the Board of Directors is approved at the Annual General Meeting, payment of such dividend will be made on or before Friday, August 30, 2013:
 - a) to all the Members in respect of shares held in physical form whose names appear on the Company's Register of Members after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on Monday, July 29, 2013; and
 - b) to all Beneficial Owners in respect of shares held in electronic form whose names appear in the statement of beneficial ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on Monday, July 29, 2013.
11. The facility of electronic credit of dividend directly to the respective bank accounts of the Members through Electronic Clearing Service (ECS) is arranged by the Company. This facility is currently available at the locations specified by RBI. This facility is in addition to the Bank Mandate Facility that already exists whereby bank account details are printed on the dividend warrants. The Members who would like to avail of the ECS Mandate Facility or the Bank Mandate Facility (if not done earlier) are requested to complete and submit the ECS Mandate Form to Company's Registrar and Share Transfer Agent (for shares held in physical form) or their Depository Participants (for shares held in electronic form) latest by Monday, July 29, 2013.
12. Brief profile of the Director retiring by rotation and eligible for re-appointment and Director proposed to be appointed, as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges is annexed to the Notice.
13. The Annual Report of the Company, circulated to the Members of the Company, will also be made available on the Company's website i.e. www.ltfinanceholdings.com.
14. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all the working days, except Saturdays, Sundays and holidays, between 11.00 a.m. and 1.00 p.m, upto the date of the Annual General Meeting.
15. Investor Grievance Redressal: The Company has designated an exclusive e-mail id i.e. igrc@ltfinanceholdings.com to enable investors to register their complaints, if any.
16. **Note for Preference Shareholders:** A Member holding preference shares is entitled to attend the meeting and vote only on the resolution(s) which directly affects his rights.

ANNEXURE TO THE NOTICE

Explanatory Statement

As required by Section 173(2) of the Companies Act, 1956, the following Explanatory Statement sets out material facts relating to the business under items 6, 7 & 8 of the accompanying Notice.

ITEM NO. 6 & 7

Pursuant to provisions of the Section 256 of the Companies Act, 1956, Mr. Subramaniam N. and Mr. M. Venugopalan, who were appointed as Independent Directors of the Company on September 25, 2010 and October 25, 2010 respectively, are liable to retire by rotation at the ensuing Annual General Meeting. The Company has received intimation from them that due to their prior commitments, they do not offer themselves for re-appointment.

Considering that the business of the Company is being carried out substantially through its subsidiaries and the Company being a holding company, it is proposed that the vacancies arising in this respect be not filled up at the current juncture.

The Company appreciates their contribution and support extended during their tenure as Directors on the Board of the Company.

ITEM NO. 8

Mr. R. Gopalakrishnan, who has been appointed as an Additional Director w.e.f. January 29, 2013 holds office up to the ensuing Annual General Meeting of the Company and is eligible for appointment. In terms of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with a deposit of ₹ 500/- from one of its Members signifying his intention to propose the candidature of Mr. R. Gopalakrishnan for the office of Director.

Accordingly, your Directors recommend the resolution for appointing Mr. R. Gopalakrishnan as a Director of the Company, for the approval of the Members.

Save and except Mr. R. Gopalakrishnan, none of the Directors is in anyway interested or concerned in the above resolution.

Profile of the Director retiring by rotation and eligible for re-appointment and Director proposed to be appointed as required under Clause 49 of the Listing Agreement:

Name of the Director	Mr. R. Shankar Raman	Mr. R. Gopalakrishnan
Date of Birth	December 20, 1958	December 25, 1945
Date of Appointment on the Board	May 01, 2008	January 29, 2013
Brief Profile	Mr. R. Shankar Raman, aged 54, is the Chief Financial Officer and the member of the Board at L&T. He is a Non-Executive Director on the board of our Company and L&T Finance. Mr. Shankar Raman has a bachelor's degree in commerce from Madras University. He is a Chartered and Cost Accountant by profession. He has approximately 30 years of experience in the field of finance. He has experience in other varied areas such as audit, accounts, treasury, capital markets, corporate finance, project finance and general management. He joined L&T group in 1994 for setting 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 board of several companies including international subsidiaries within the L&T group. Mr. Shankar Raman has participated and presented papers in several conventions/seminars including international conferences.	Mr. R. Gopalakrishnan, aged 67, has been a professional manager for 45 years from 1967 onwards: 31 years in Unilever and 14 years in TATA. He had served in Jeddah as Chairman of Unilever Arabia, in Bangalore as Managing Director of Brooke Bond Lipton India, and finally as Vice Chairman of Hindustan Lever. Currently, he is Director, Tata Sons Ltd. He is the Chairman of Tata Auto-Component Systems and Rallis India, the Vice Chairman of Tata Chemicals, and is a Director of Tata Power and Tata Technologies. He is an Independent Director on the boards of Akzo Nobel India and Castrol India. Mr. Gopalakrishnan studied physics at St Xavier's Calcutta, engineering at IIT Kharagpur and attended the Advanced Management Program at Harvard Business School. He is a Past President of All India Management Association.

Name of the Director	Mr. R. Shankar Raman	Mr. R. Gopalakrishnan
Directorships held in other companies (excluding Section 25 and foreign companies) as on April 25, 2013	1. L&T Investment Management Limited; 2. Larsen & Toubro Limited; 3. L&T Finance Limited; 4. L&T Power Development Limited; 5. L&T Infrastructure Development Projects Limited; and 6. L&T General Insurance Company Limited.	1. TATA Sons Limited; 2. TATA Chemicals Limited; 3. The TATA Power Company Limited; 4. Rallis India Limited; 5. TATA Autocomp Systems Limited; 6. TATA Technologies Limited; 7. Akzo Nobel India Limited; 8. Castrol India Limited; 9. Advinus Therapeutics Limited; 10. Metahelix Life Sciences Limited; 11. Dhaanya Seeds Limited; and 12. ABP Private Limited.
Memberships of committees across companies (includes only Audit & Shareholders'/ Investors' Grievance Committee)	A) Audit Committee: 1. L&T Finance Holdings Limited; 2. L&T Investment Management Limited; 3. L&T Finance Limited; 4. L&T Power Development Limited; 5. L&T Infrastructure Development Projects Limited; and 6. L&T General Insurance Company Limited. B) Shareholders'/ Investors' Grievance Committee: L&T Finance Holdings Limited	A) Audit Committee: 1. TATA Chemicals Limited; 2. Akzo Nobel India Limited; 3. Castrol India Limited; and 4. ABP Pvt. Limited. B) Shareholders'/ Investors' Grievance Committee: Nil
Shareholding in the Company	24,461	Nil
Relationship between directors inter-se	Nil	Nil

Registered Office:

L&T House, Ballard Estate,
Mumbai - 400 001

By Order of the Board of Directors
For L&T Finance Holdings Limited

Sd/-

N. Suryanarayanan
Company Secretary

Date: June 27, 2013

Place: Mumbai

GREEN INITIATIVE IN CORPORATE GOVERNANCE

As the Members are aware, the Ministry of Corporate Affairs ("MCA") vide its Circular nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 has undertaken "Green Initiative in Corporate Governance" by allowing companies to send various communications/documents (including notice of general meetings, annual report, etc.) to its Members through electronic mode, to the registered e-mail addresses of the Members. Accordingly, the Company requests the Members to take part in this initiative by extending their support which would go a long way in protecting the environment and also reducing costs.

In view of the above, the Members who hold share(s):

- in electronic form and have not registered their e-mail address with the depository participant, are hereby requested to promptly register their e-mail address for serving of documents by the Company in electronic mode.
- in physical form and have not registered their e-mail address with the Company/Registrar and Share Transfer Agent (RTA) of the Company, are hereby requested to register their e-mail address with the Company by sending an e-mail to gogreen@ltfinanceholdings.com.

L&T FINANCE HOLDINGS LIMITED

Regd. Office: L&T House, Ballard Estate, Mumbai - 400 001

ANNUAL GENERAL MEETING - AUGUST 1, 2013 AT 3.00 P.M.

**ATTENDANCE
SLIP**

D.P.ID	
Client Id/ Folio No.	
No. of Shares	

NAME AND ADDRESS OF THE REGISTERED SHAREHOLDER
--

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the Fifth Annual General Meeting of the Company at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai - 400 020 on **Thursday, August 1, 2013.**

SIGNATURE

Note : Please complete this and hand it over at the entrance of the hall.

L&T FINANCE HOLDINGS LIMITED

Regd. Office: L&T House, Ballard Estate, Mumbai - 400 001

ANNUAL GENERAL MEETING - AUGUST 1, 2013 AT 3.00 P.M.

**FORM OF
PROXY**

I/We, _____

of _____ in the district of _____

being a member / members of L&T Finance Holdings Limited, hereby appoint _____

of _____ in the district of _____ or failing him

_____ of _____ in the district of _____

as my/our proxy to vote for me/us and on my/our behalf at the Fifth Annual General Meeting of the Company to be held on Thursday, August 1, 2013 and at any adjournment thereof.

Signed this _____ day of _____ 2013

D.P.ID	
Client Id/ Folio No.	
No. of Shares	

Signature

Affix a
1 Rupee
Revenue
Stamp

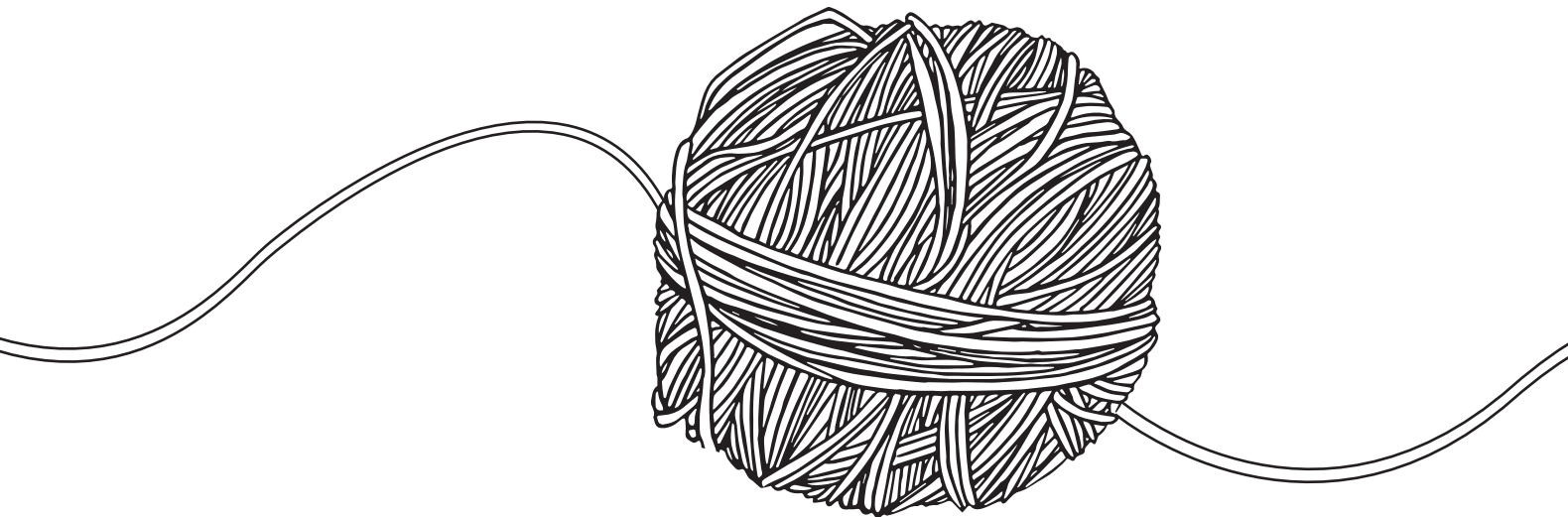
Note : This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

annual report 2012-2013



happiness multiplied

Our vision is to be
an admired and inspirational
financial institution,
creating sustainable value
for all our stakeholders.



the happiness multiplier effect

Our financial services started as a single product business in the mid-nineties. Our offerings now span the entire geo-socio-economic spectrum. We fund infrastructural growth, fuel industrial prosperity and empower rural India, we channelize business and corporate endeavours, create wealth and finance the dreams of millions. Our goal is to become a comprehensive provider of financial solutions, but diversity means more than numbers on our balance sheet. Like weaving a thread around our vast and varied country, our aim is to bring happiness to the lives we touch, one customer at a time. It's an even more gratifying result.

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company information

Board of Directors

Mr. Y. M. Deosthalee
Chairman & Managing Director

Mr. N. Sivaraman
President & Whole-time Director

Mr. R. Shankar Raman
Non-Executive Director

Mr. A. K. Jain
Independent Director

Mr. S. V. Haribhakti
Independent Director

Mr. B. V. Bhargava
Independent Director

Mr. Subramaniam N.
Independent Director

Mr. M. Venugopalan
Independent Director

Mr. P. V. Bhide
Independent Director

Ms. Kamakshi Rao
Independent Director

Mr. R. Gopalakrishnan
Independent Director

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, Vidyanagari Marg,
Kalina, Santacruz (East), Mumbai - 400 098
Phone: +91 22 6621 7300 Fax: +91 22 6621 7515
Email: igrc@ltfinanceholdings.com
Website: www.ltfinanceholdings.com

Registrar & Share Transfer Agent
Sharepro Services (India) Private Limited



A focus on asset quality, control over operating expenses and improvement in margins are some of the factors that contributed to our performance this year.

Dear Shareholder,

One year, as a measure of time, can have a sense of sameness and pass by like any other year. Or, it can unfold eventful happenings that positively impact a business and its future. I am pleased to report that Financial Year 2013 was a momentous year for your Company and one that moved us closer to our goal of providing comprehensive financial services under a single roof.

The macro picture

History will perhaps not record FY 2013 in India's growth story. The year was characterized by a broad-based slowdown – GDP plummeted to 5 percent, the lowest in the decade – high current account and fiscal deficits, raised interest rates, persistent inflation and an unwelcoming investment climate. The repercussions were felt across industries and businesses, including ours.

A late monsoon and drought in parts of the country affected crop yield. The tractor industry - the largest in the world by volume - recorded a 2 percent de-growth, and though Central India did well, rural markets in the South and the West witnessed a decline in farm equipment sales. The infrastructure sector faced ongoing heat; Power was mired in the high cost and availability of fuel, apart from mounting dues from state electricity boards. Delays in capital infusion, land acquisition and environmental clearances were the blocks in the roads sector. These, along with the mining ban in Goa, Karnataka and Orissa, contributed to a 20 percent de-growth in construction equipment sales. In sectors

such as telecom, the question of spectrum allocation remained unresolved. The de-growth theme played out in the commercial vehicle sector as well, courtesy a hike in diesel prices, stagnant freight rates and increasing asset costs. In the corporate sector, deteriorating cash flows, stretched working capital cycles and execution delays were the dampeners for SME businesses. Add to these challenges, policy restraints and a weak global economy, and you know why this fiscal was not the most encouraging.

Thankfully, there was a silver lining. Rising income and affluence levels across urban and rural markets brought in healthy growth for the FMCG and consumer durable sectors. Alongside, state-led initiatives such as the Metro Rail and a few road projects, investment in social infrastructure - education and health care - and continued interest in renewable energy provided opportunities for lending. Elevated levels of interest rates also provided prospects for re-financing.

Strategic initiatives

Our financial services business is founded on the L&T Group's priceless legacy of trust and a vision to become an admired and inspirational financial institution that creates sustainable value for our stakeholders. Our core values - integrity, transparency, diligence and accountability - are the bedrock on which all our individual businesses stand.

Over the last fiscal, we stretched our boundaries to address the financial needs of the mass retail consumer. Your Company completed three key acquisitions,

successfully integrated people and processes and hit the road running with all three businesses: L&T Housing Finance (erstwhile Indo Pacific Housing Finance), operates in 21 markets. Family Credit, now integrated with our retail finance arm, offers two-wheeler and car loans across 90 branches and has a presence at over 1,400 dealer outlets and more than 400,000 customer accounts. And with Fidelity's Indian mutual fund business, L&T Mutual Fund acquired size, scale and performance - a portfolio of 25 funds across equity and fixed income, funds that come with a proven track record, close to 9,00,000 customer accounts and wide reach.

With these acquisitions, we offer our customers a wide range of financial solutions - from income generating assets and consumer loans to wealth building.

During the year, we also launched our private wealth business, L&T Wealth Management, which offers bespoke solutions to a current base of 650 high net worth customers.

We are in the process of setting up an Infrastructure Debt Fund that will provide long term, low cost funding to operational BOT projects. It is expected to commence operations in the first half of FY 2014.

It is important to note that over the years, your Company has developed skill sets to address different kinds of risks - asset related risk, balance sheet risk and project risk. We have built a high quality team to manage these risks and our portfolio efficiently and provide our customers with a comprehensive range of products.

Our businesses, grouped into strategic business units that operate independently, ride on three de-linked levers of growth – the rural cycle, industry cycle and infrastructure cycle. The low correlation between them insulates us from troughs and ensures that we grasp opportunities as they emerge.

Company performance

L&T Finance Holdings witnessed profitable growth in the last year. Our consolidated loan book crossed ₹ 33,000 crores with a PAT of ₹ 558.8 crores (excluding exceptional items), growing by 30% and 23% respectively YoY. A focus on asset quality, control over operating expenses and improvement in margins are some of the factors that contributed to our performance this year. Alongside, our

fee-based businesses also posted creditable growth. L&T Mutual Fund's managed assets crossed ₹ 11,000 crores and L&T Wealth Management closed the year with over ₹ 2,400 crores in assets under service.

In order to support funding requirements of subsidiaries through an optimal capital structure and reduce dilution of earnings for our equity investors, L&T Finance Holdings raised resources of ₹ 750 crores through Redeemable Preference Shares. We thank our investors for the overwhelming response.

Outlook

The macro economic forecast for FY 2014 is similar to FY 2013. The global picture appears slightly brighter with the US economy on a recovery path, but Europe continues to be under stress. At home, it is important to aggressively push the reform process in the areas of land acquisition, telecom and power. It is also necessary to expedite the process of awarding road contracts, either through the BOT route or the EPC route. Energy security is the key to solving our problems and we look forward to favourable policies for it, including the government's directive to Coal India to sign fuel supply agreements. In infrastructure finance, our focus will be on the refinancing and renewable sectors to drive growth. In investment management, penetration beyond the top 15 cities is high on our agenda and offshore funds could also hold out opportunities.

I am confident that our proactive approach and domain expertise will help us successfully overcome challenges, and that our practice of selective lending and ensuring credit worthiness will continue to bear fruit.

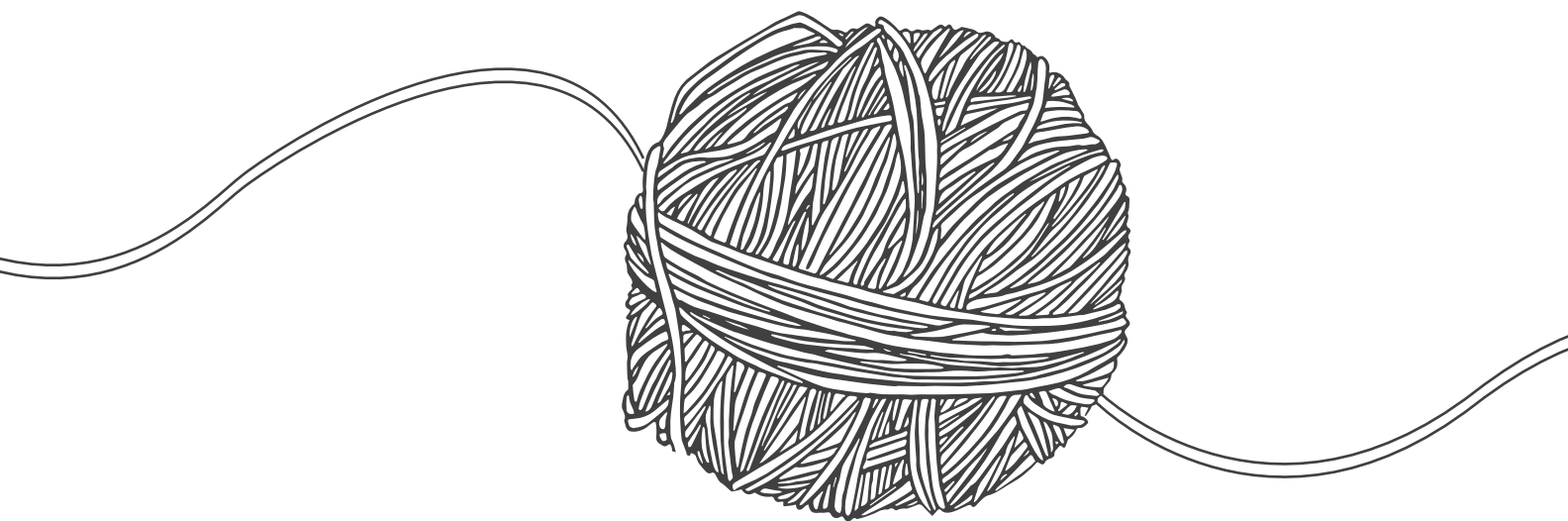
I take this opportunity to thank my colleagues on the Board for their valuable support, and contributions.

I thank all employees of our financial services business for their deep commitment, sincere efforts and substantial contribution during this exciting journey.

Above all, I thank you for your vote of confidence and your continued faith in us.

Regards,

Y. M. Deosthalee
Chairman & Managing Director



our businesses

tightly knit with
India's growth cycles
and a billion dreams



At L&T Finance Holdings, our business model is woven around complementary, high-growth business segments across five core business groups:

Retail Finance: Car loans, two-wheeler loans, commercial vehicle loans, construction equipment loans, rural finance and micro finance.

Housing Finance: Home loans, loan against property, balance transfer and top-up loans and construction finance for developers.

Corporate Finance: Supply chain finance, corporate loans and leases.

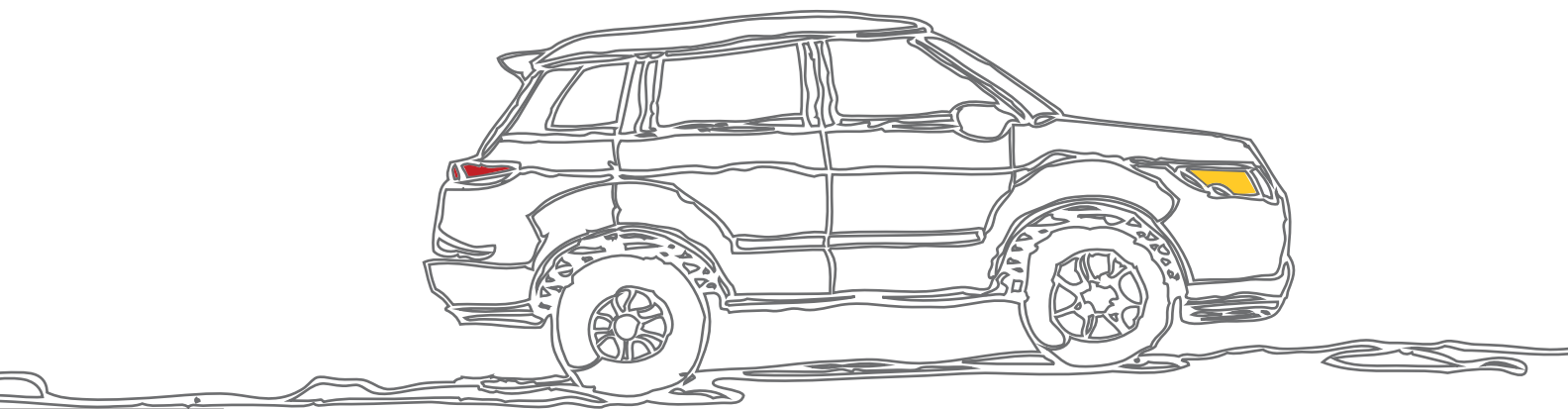
Infrastructure Finance: Project finance and corporate loans, financial advisory services and equity investments.

Investment Management: Mutual fund and wealth management.

Our new businesses synergise well with our existing retail financing business and give us an opportunity to quickly establish our presence with urban consumers and serve the needs of our existing customers.



Our vision to participate in home ownership has taken root with L&T Housing Finance. Our aim is to take the stress out of borrowing. We provide home loans, home improvement loans, loans against property, balance transfer and top-up loans to salaried and self-employed customers, predominantly across the middle and premium segments. We also extend construction finance to real estate developers and builders. The goal is simple: bring happiness home.

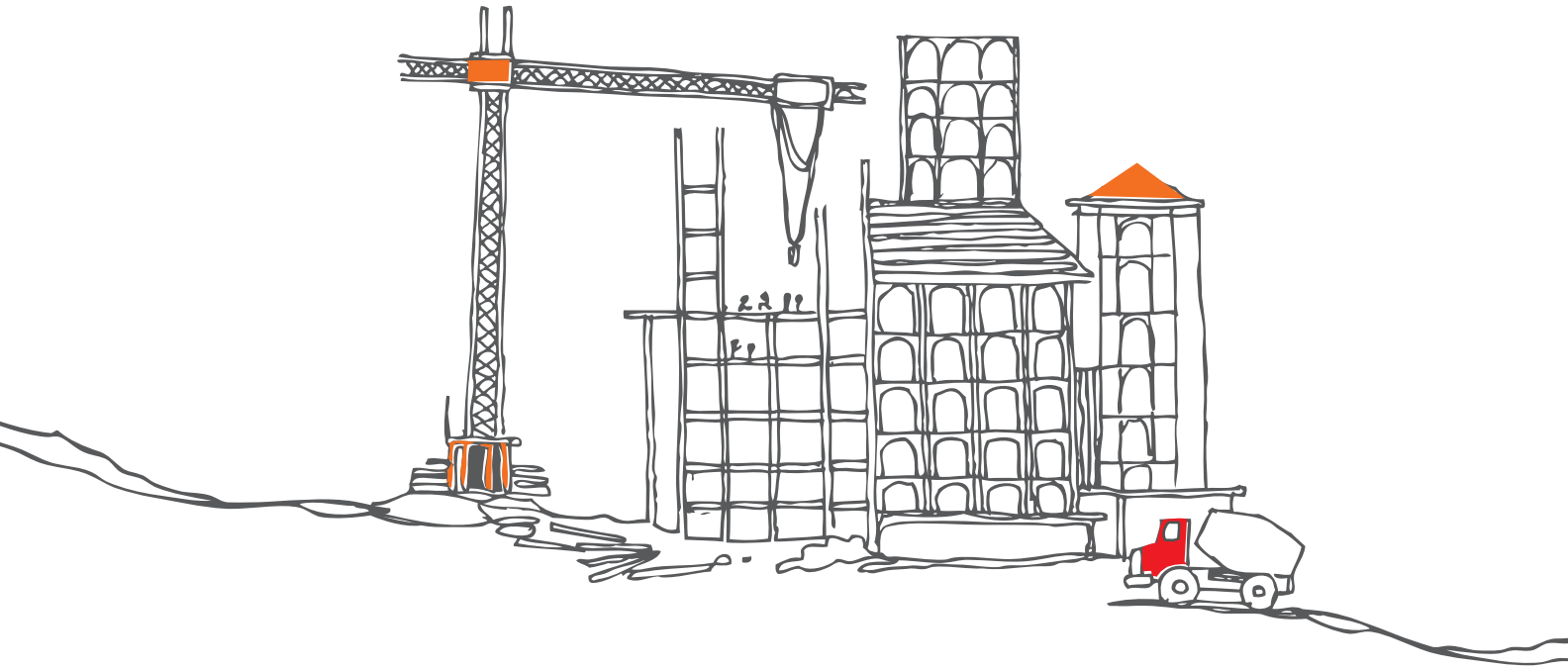


As India exhibits greater drive in domestic and global markets, our citizens follow suit at home – literally. The growing desire for personal mobility and the wide choice of vehicles available locally has fuelled unprecedented growth in vehicle sales. And aspirations. Our focus is on strong dealer relationships, innovative products and schemes and manufacturer tie-ups. We now finance two-wheelers and both new and pre-owned cars, for personal as well as commercial use. We have over 90 branches, more than 400,000 customer accounts and a presence at over 1,400 dealer outlets. Our terms are flexible, our process is speedy. Our goal is to drive happiness into our customers' lives.

Car Loans | Two-Wheeler Loans | Manufacturer Tie-ups | Over 90 Locations | Over 1,400 Dealer Points

More Than 4,00,000 Customers

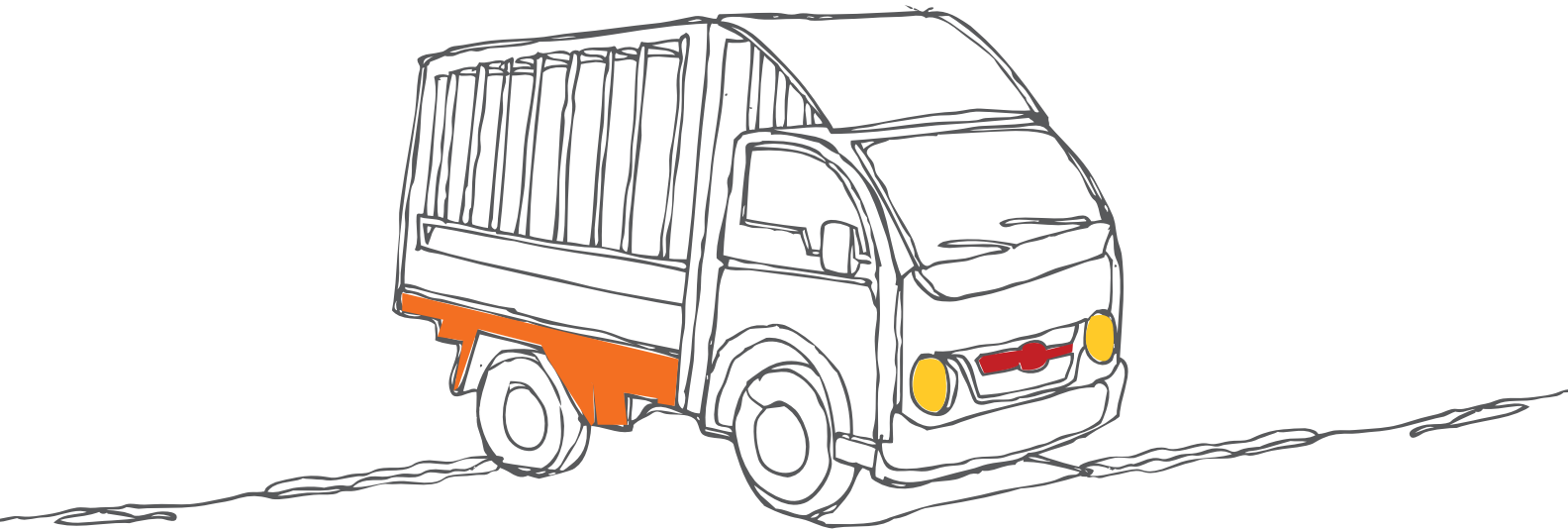
construction equipment finance



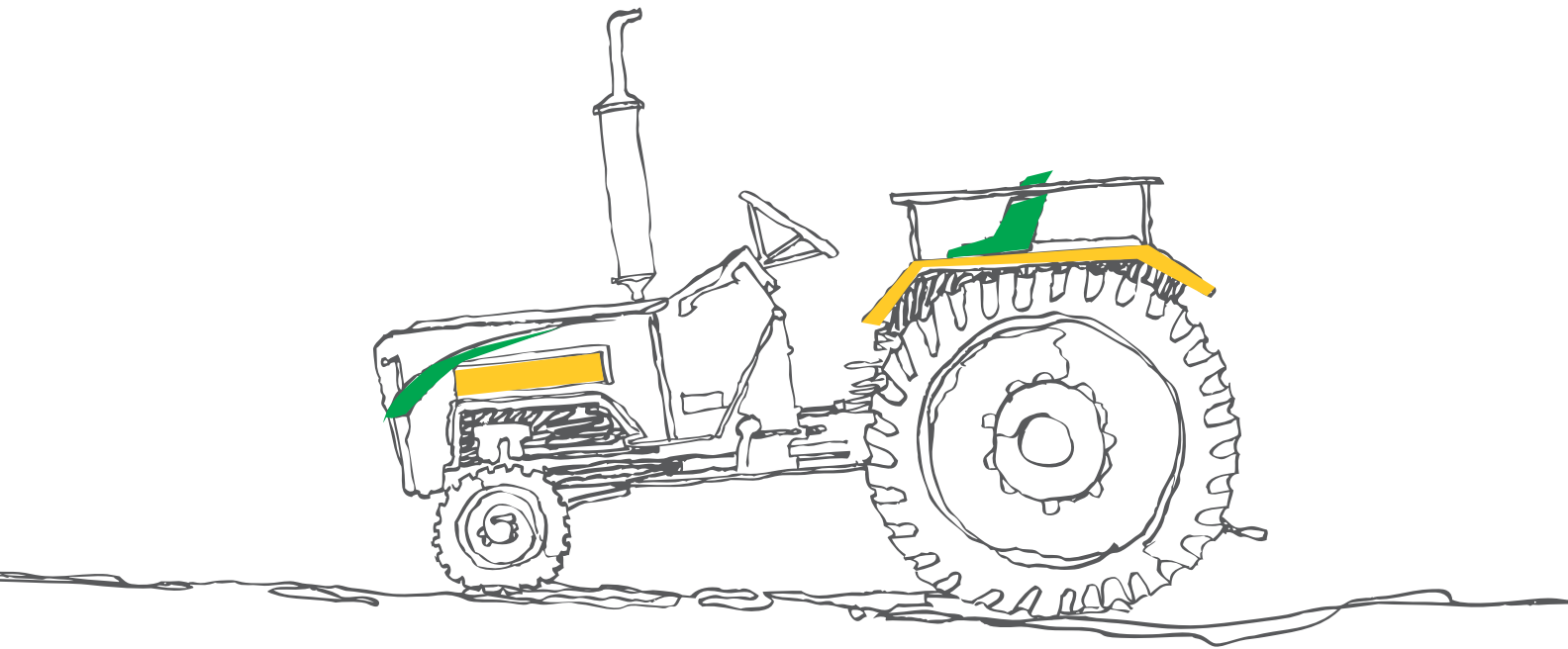
For over seven decades, L&T has been building iconic structures across India and the world. So, who better to guide customers when they seek a loan for construction equipment? Our knowledge base spans industries, projects, assets and customer needs. Our expertise straddles all major sectors - mining to oil exploration, road construction to railways, power to irrigation, real estate to water transportation – and our offerings include equipment finance and working capital finance. Our loans make a difference to our customers' businesses, but it is also our expert advice that they trust and value. We believe, we build happiness.

New and Pre-owned Equipment Finance | Manufacturer Tie-ups | Over 90 Locations
Working Capital Finance

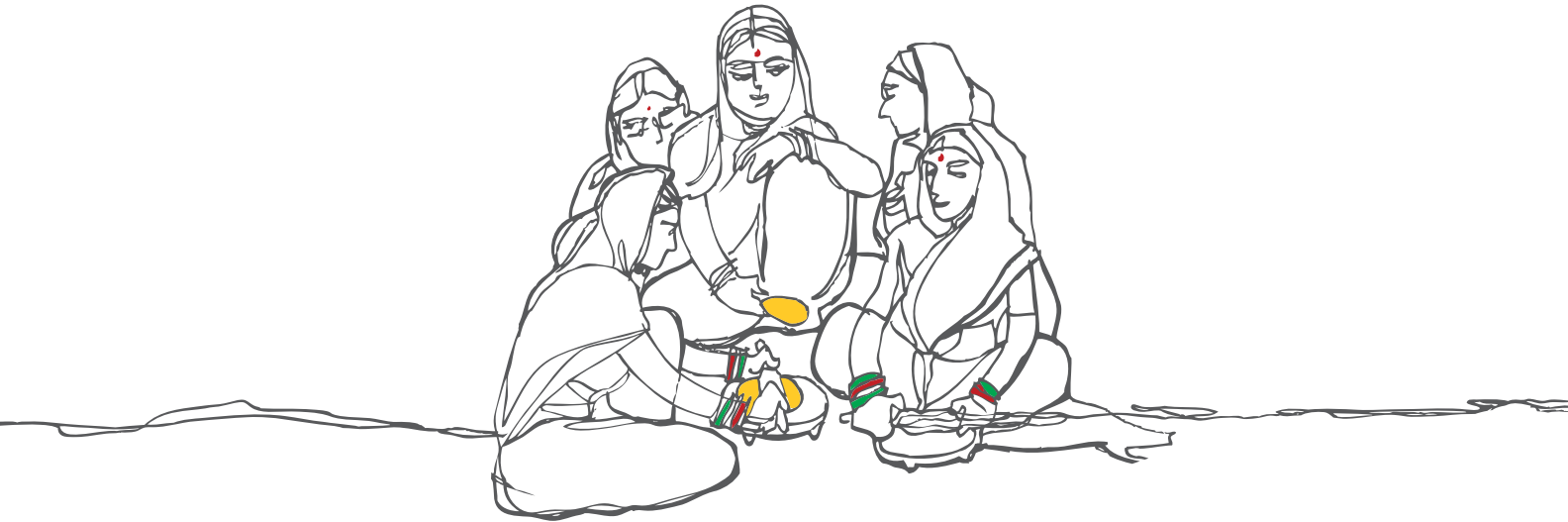
commercial vehicle finance



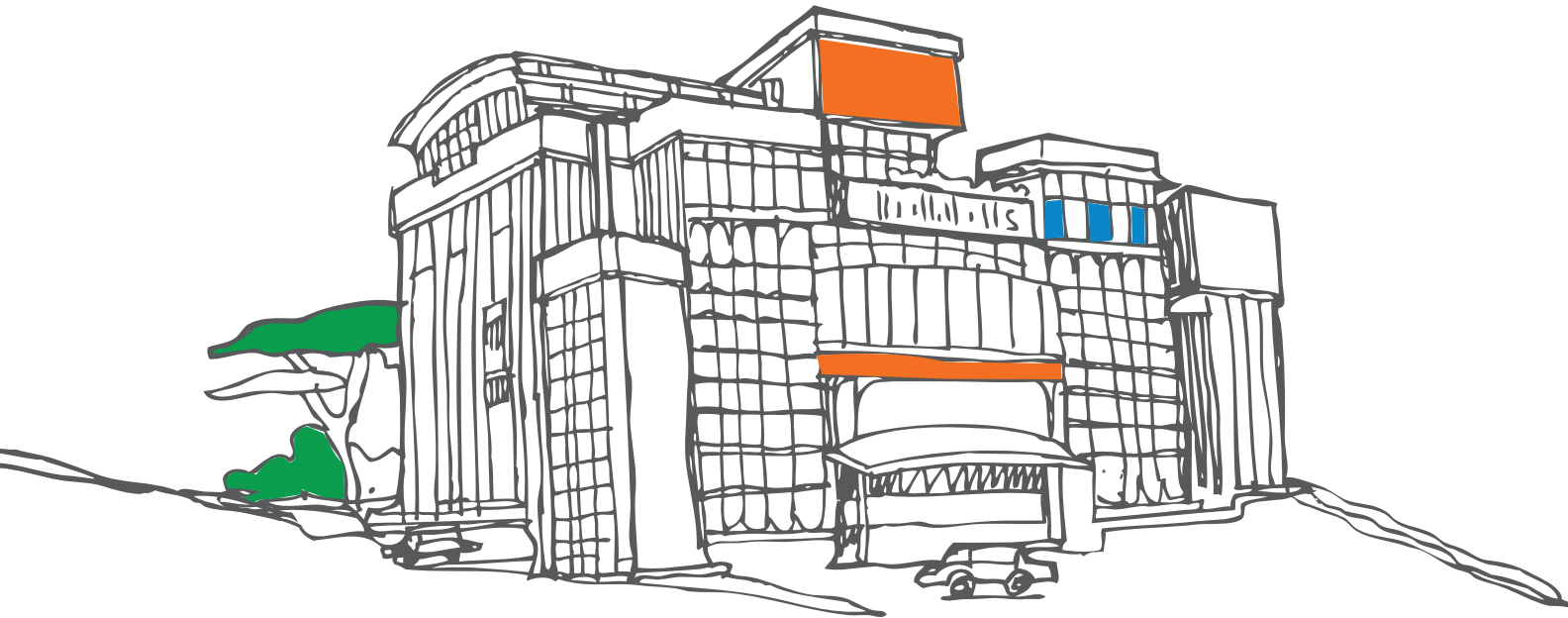
In the world of commercial vehicles, we are trusted across the spectrum - by fleet owners, road transport operators and even single truck owners. We finance small, light, medium and heavy commercial vehicles - both new and pre-owned. Our tie-ups and relationships with manufacturers, flexible terms and quick loan sanctioning are our edge, but our customers value us for our professionalism and approachability. They make for happiness.



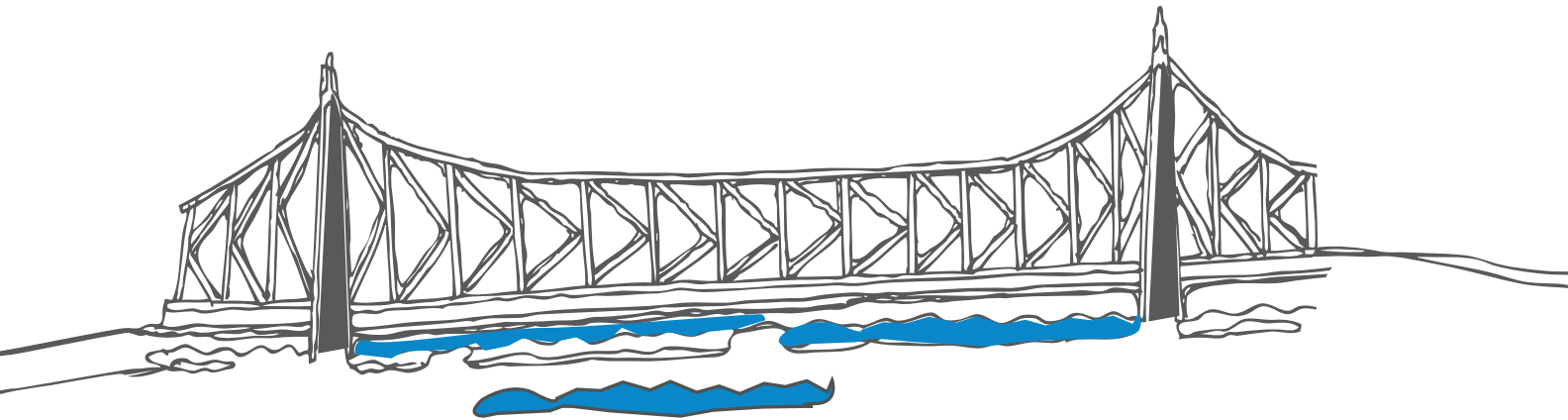
We believe in financial inclusion and actively participate in the government's agenda of meeting the financial needs of rural India. Over the years, we have garnered a deep insight into the divergent rural economy. We participate across income cycles - crop, dairy and warehouse and tailor-make our offerings to be in sync with the cash flows of our customers. We finance tractors and farm equipment and have also initiated dairy and collateralized commodity lending against warehouse receipts through rural enterprise finance. We believe empowering rural India is our way of spreading happiness.



Many hands make light work. However, if the hands are empowered with funds, disbursed collectively, they can also make for good business propositions and prosperous communities. Every day, we help more members of rural communities discover the power of collective entrepreneurship. What makes for our success? Simpler documentation, a better understanding of our customers' needs and approachability. Three little things, but they bring about a lot of happiness.

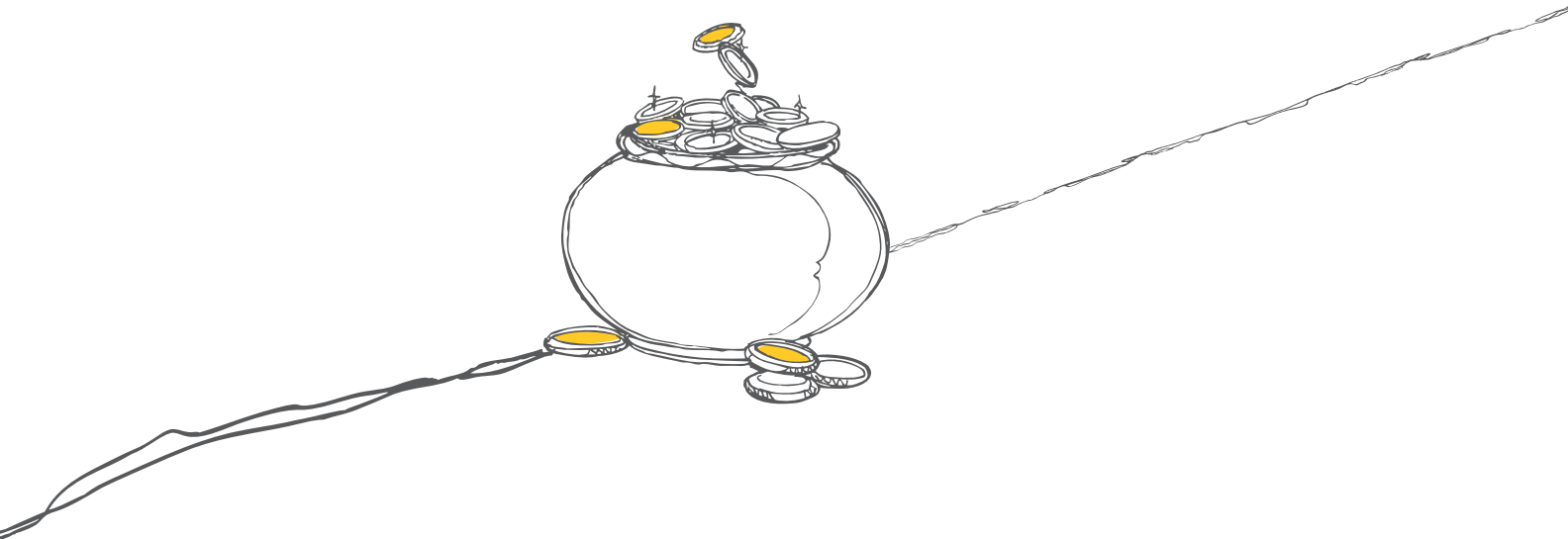


Our approach to corporate finance is sector agnostic and our constant endeavour is to support our clients with quick and efficient service. We structure solutions that span business loans, capital market products and supply chain finance. Timely delivery of funds is one side of our story. The other side goes beyond lending. We listen, we advise, we spread happiness.



The L&T legacy makes for our inherent strength in the infrastructure domain and it is an important reason why emerging infrastructure sector companies choose us as their financing partner. Our parentage equips us with a richer understanding of the infrastructure sector, the knowledge to structure appropriate solutions to mitigate risks and the ability to empathize with a client's needs. Our turnaround is speedy and our products include term loans, debt advisory and arranging, capital raising and corporate and project advisory services. We also deliver financing solutions across all infra sectors including power, telecom, roads, water, oil, gas and ports. In just over six years, we are recognized as both an Infrastructure Finance Company (IFC) and a Public Financial Institution (PFI). We bridge the gap between possibility and delivery. That's funding happiness.

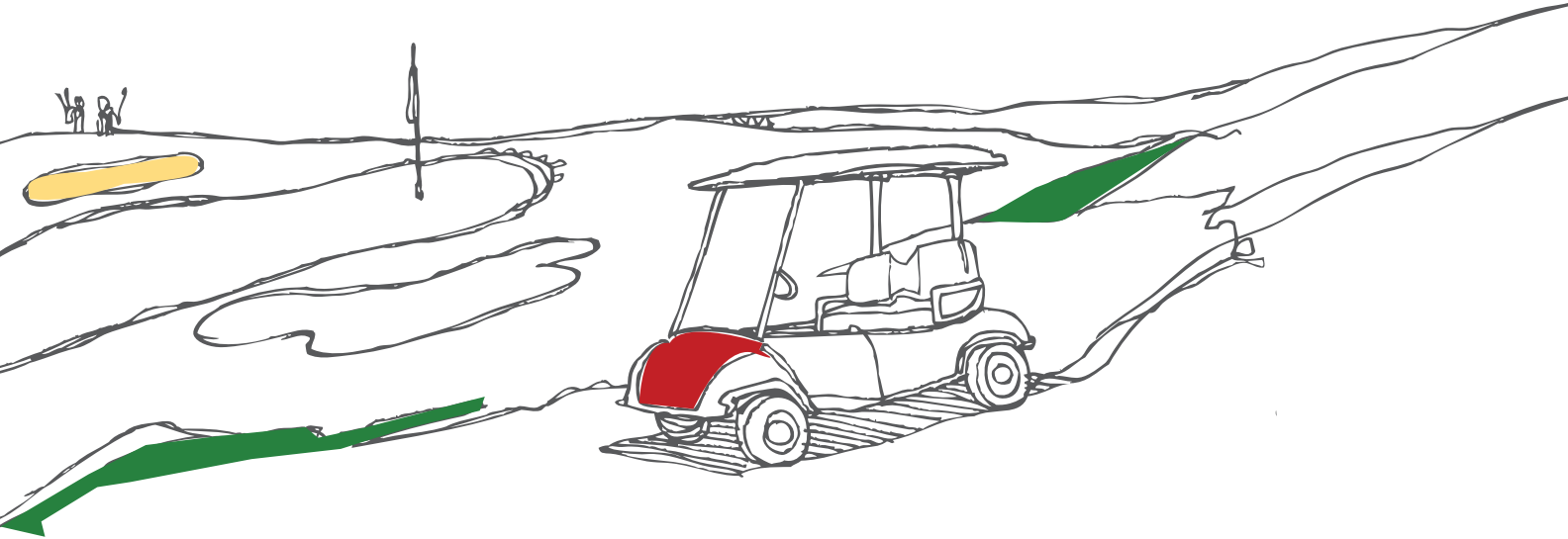
investment management



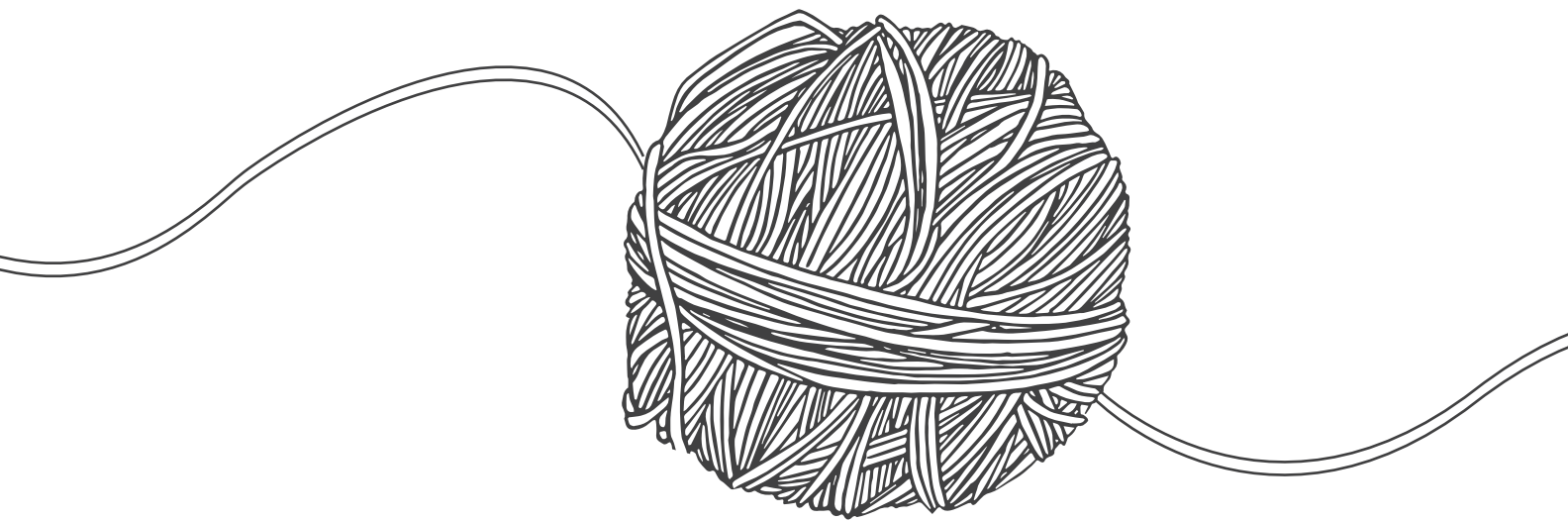
The aim of L&T Mutual Fund is to deliver consistent long term investment performance and become the best value provider of investment solutions. We answer different customer needs with a product suite that spans 25 funds across asset classes, risk profiles and time horizons. We build our investments on a foundation of in-depth research. As a result, most of our funds have a proven track record. For close to 9,00,000 customers across 200 cities and towns, investing with L&T Mutual Fund is investing in happiness.

Mutual fund investments are subject to market risks, read all scheme related documents carefully.

25 Funds	Over 8,90,000 Customer Accounts	Proven Track Record
Investment Management Expertise	56 Branches	



Our wealth management solutions are founded on the aspirations and goals of our customers. The cornerstones of our approach are customer centricity, experience, in-depth research and prompt execution. We believe they are also the reasons why our customers repose their trust in us. Our products and services include financial planning, estate and succession planning, alternate investments, capital market investments and real estate, and our edge lies in identifying investment opportunities that can deliver consistent, risk-adjusted returns. And happiness.



robust processes
best practices

Managing Cost

A combination of better process, automation and improved turnaround times make every interaction more cost effective, while leaving customers smiling.

Reducing Credit Losses (NPAs)

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



It is our strong belief that when you have robust processes in place, enthusiasm will never override sensible planning. Our robust processes provide a safety net for the flexibility of our service offerings. They ensure our customers and stakeholders can sleep well at night – secure in the knowledge that their future is safe in our hands.

Managing growth

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

Managing Margins

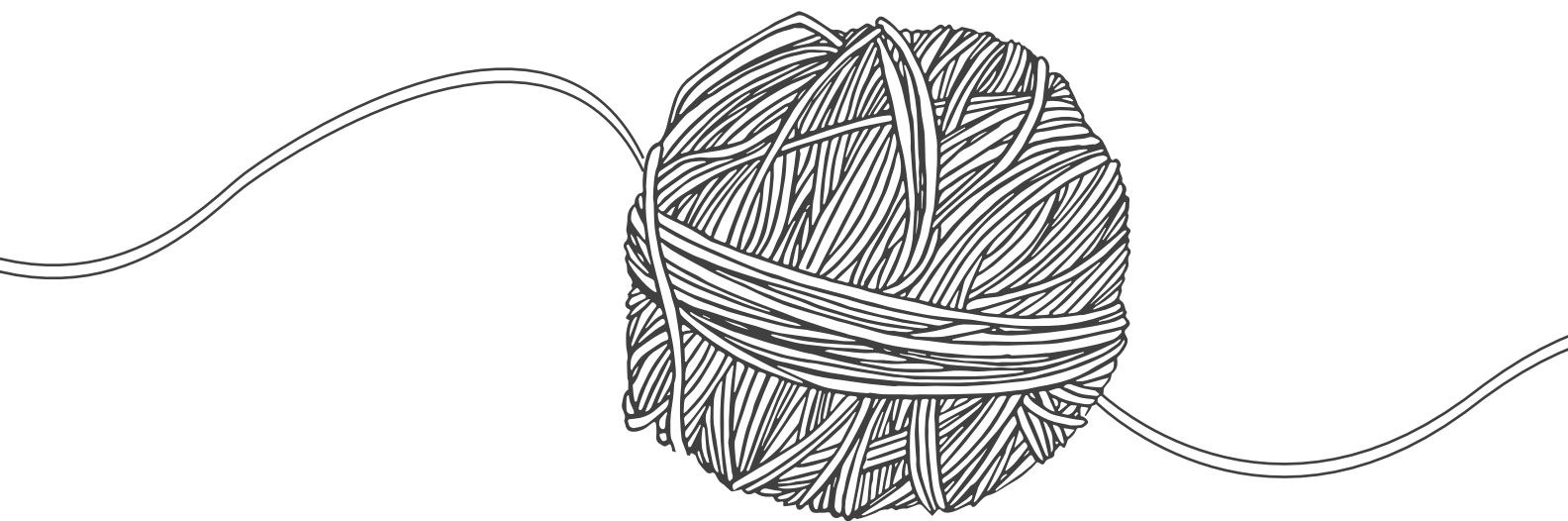
Our financial products landscape encompasses diverse segments, including direct fee earners to naturally hedge us from periodic downturns in certain segments.

Managing 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, which allows us to raise funds at a cheaper cost, and an independent board which ensures impartiality in all dealings is the key to our liability management. The Financial Services Group follows strictest codes of corporate governance, giving it the resilience to weather financial upheavals and provide stability to revenue and earnings.



human resources
the engine that moves us

teams is similar. Both are on their way to building strong business momentum. Cohesiveness underpins our human resources philosophy. And it delivered this year.

'Possibilities Unlimited', the HR brand promise is a manifestation of our vision, values and what we stand for. It focuses on four happiness drivers:

Growth: Knowledge and skill enhancement programmes cut across levels. Focused training - functional and behavioural - steers talent through diverse business needs and allows personal growth while contributing to business growth. Job rotation enables for all-round development and rewards and recognition is based on merit.



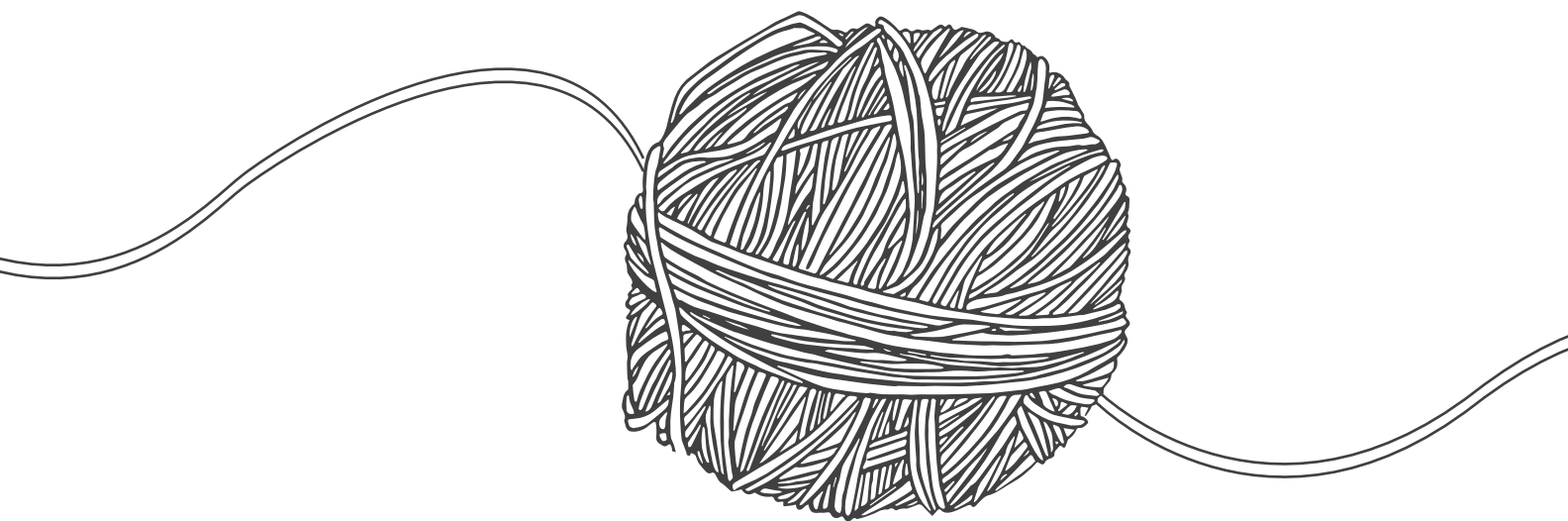
Our goal of becoming a comprehensive financial solutions provider has determined our human resource canvas. We combine the experience and expertise of seasoned professionals with the rich skills of our mid-management team and fresh energetic talent. But whoever we are, our values remain the same: integrity, teamwork, accountability and respect for individual talent. The result is focus, customer centricity and delivery.

In FY13, we welcomed over 700 professionals from three diverse organisations to our fold. The largest M&A in the asset management industry formed the new L&T Mutual Fund. In the corridors of business, it is noted as the smoothest transition yet. To our customers, it is uninterrupted investment performance. To us, it is one achieving team in the market place. The experience with the Family Credit and L&T Housing Finance (erstwhile Indo Paciifc)

Care: A company sponsored health check is one among many services that focuses on employee well-being.

Connect: Dedicated phone lines, open houses, openness and transparency, quarterly newsletters with employee contributions, management messages, business updates and activity reports keep engagement levels high.

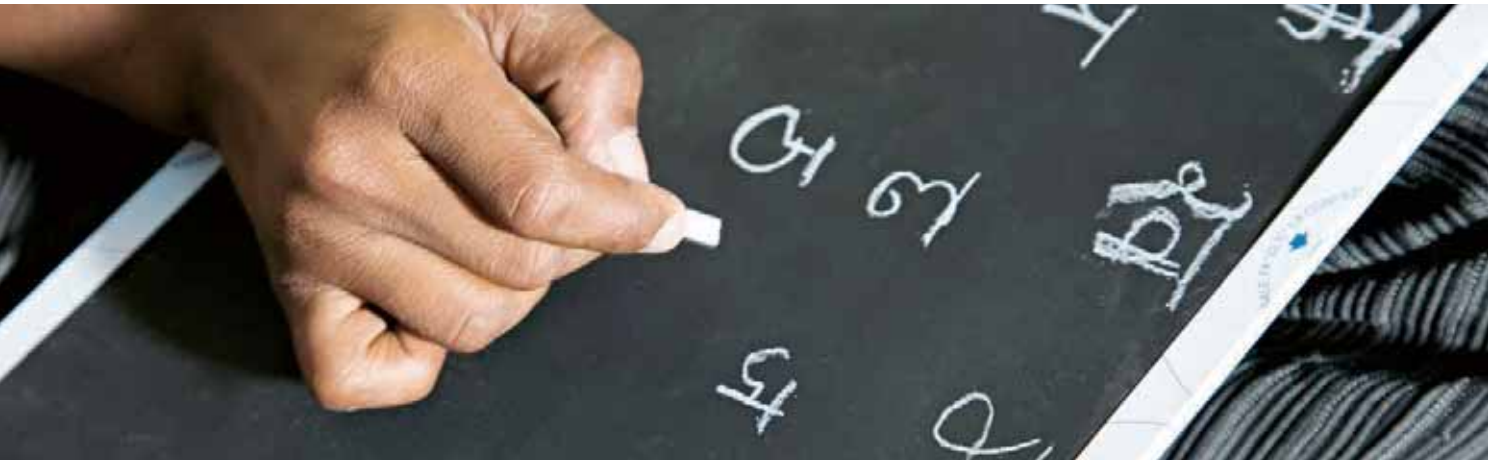
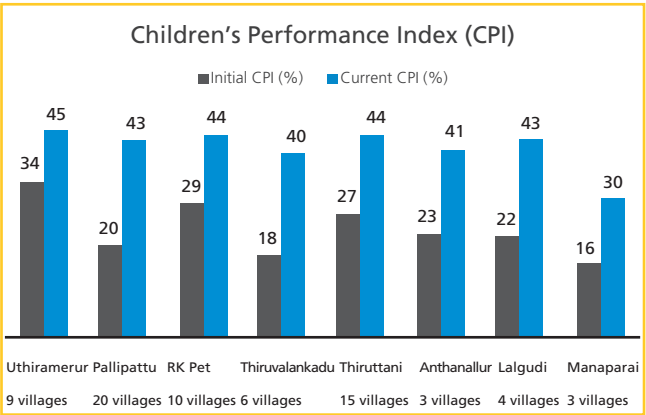
Fun: Celebrating together marks fun at work. This year, we hosted various events and initiatives that focused on entertainment, culture, art and craft, literature and sports, and some events included families as well.



corporate social responsibility

the fabric of social happiness

700 villages. Here is a snapshot of the rise in skill levels among children in Tamil Nadu after the introduction of the programme.



In the last financial year, we enhanced our focus on primary rural education with Dnyanarpan, a programme dedicated to making learning a fun activity. Conducted by two partner NGOs, Pratham and Aid India, the classroom is a learning camp and the curriculum includes languages, mathematics, science fairs and refresher courses. These camps are held primarily in areas where we have a strong micro finance presence and include parents, teachers and the larger community. The intention of engaging them in the learning process is to raise the standard of living among the rural populace.

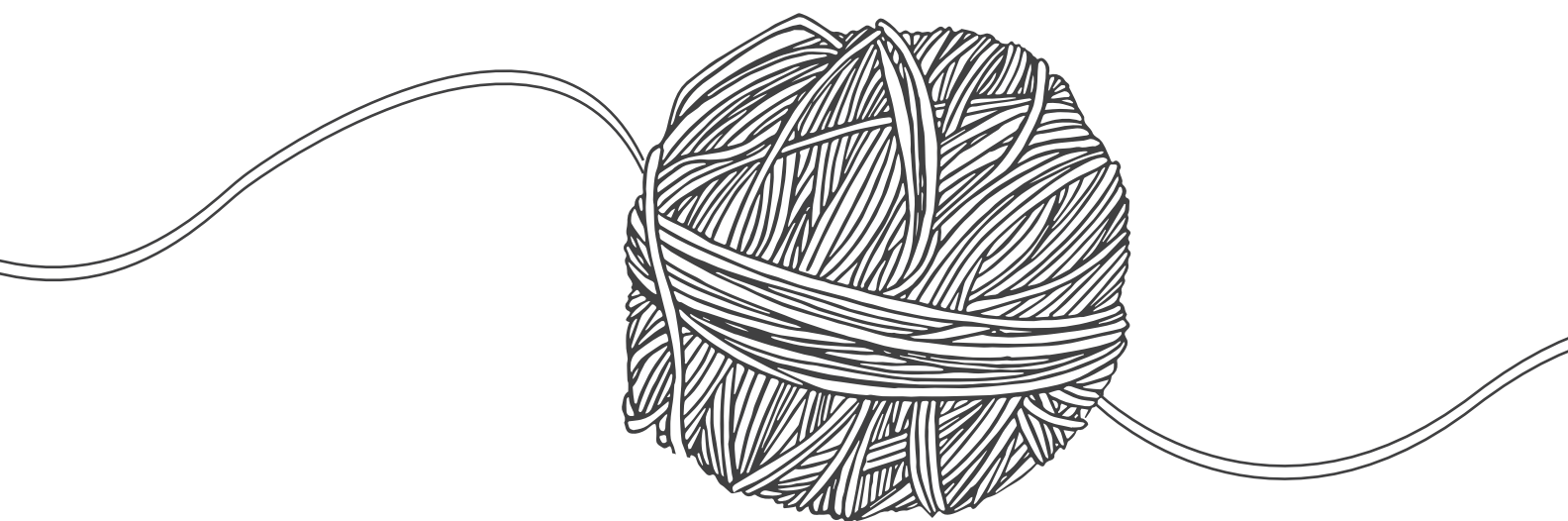
5 states, 698 villages, 68, 285 students - a success story in the making

Dnyanarpan is less than a year old and active in just five key agricultural states, but it has had a considerable impact on education levels in almost

Alongside, in Maharashtra, Madhya Pradesh, Odisha and West Bengal, in just 5 days of the camp, language skills, story reading skills and alphabet recognition improved perceptibly.

What the figures don't tell you

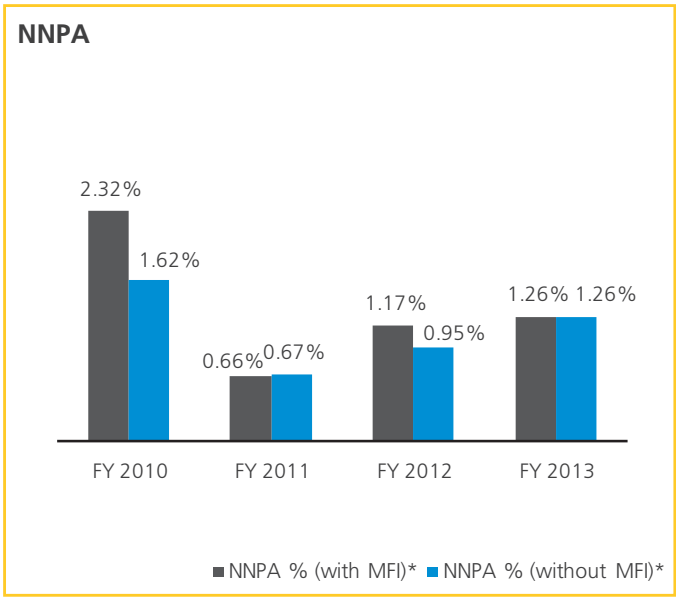
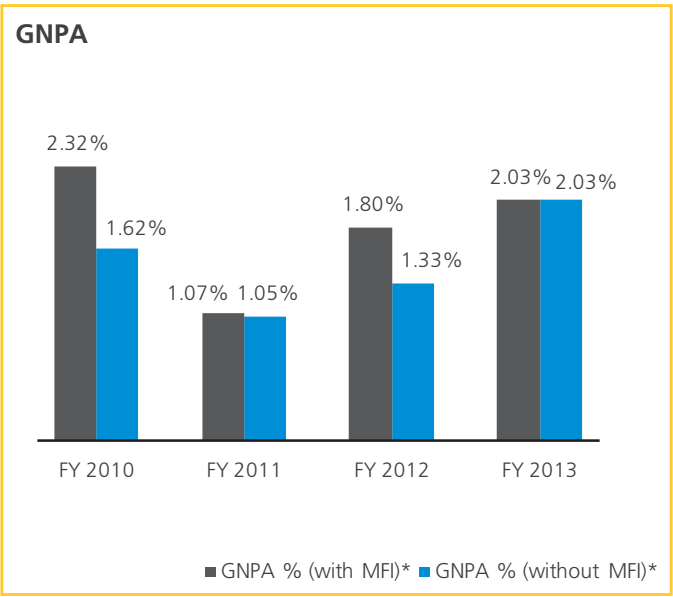
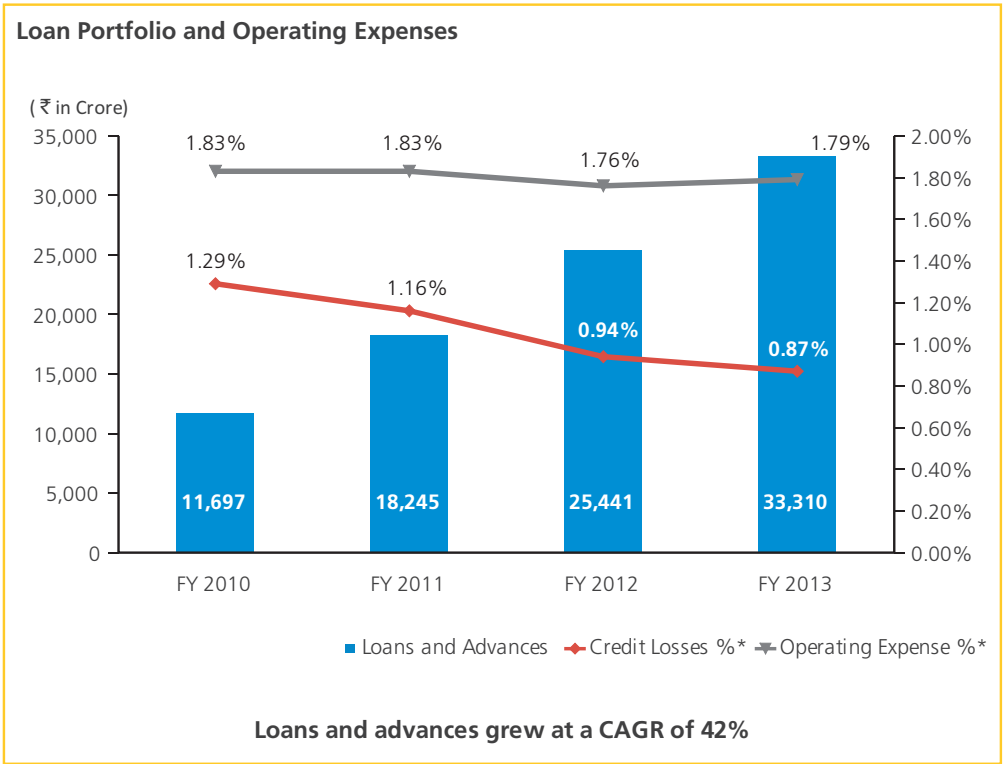
From abandoning superstition to encouraging a spirit of philanthropy, the Dnyanarpan programme is touching the lives of villagers as well as our employees, who have contributed their time to this effort. Literacy is priceless. At L&T Finance, we are doing our bit to ensure that money does not come in the way of learning. Our aim is to continue supporting the key building block of education at the grass-root level to strengthen the fabric of social happiness.



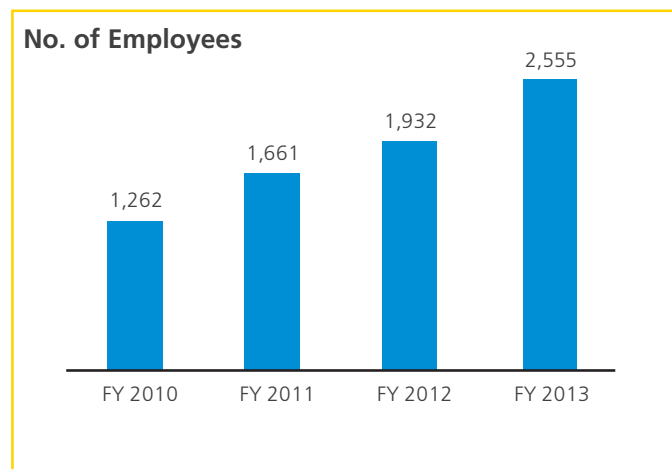
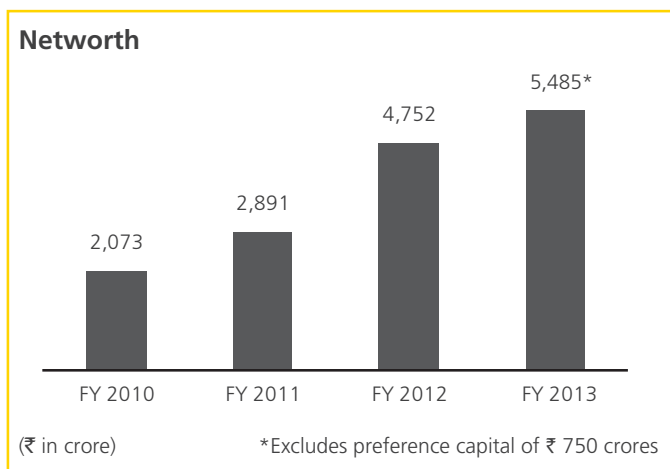
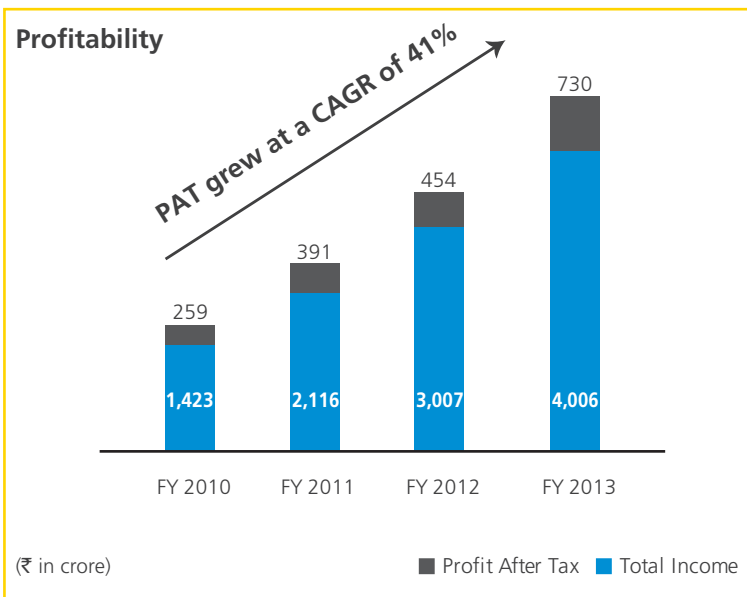
financial highlights

our business in numbers

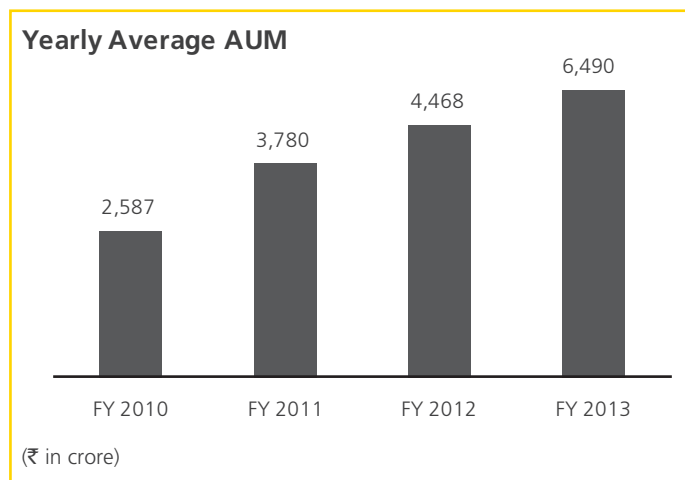
Lending Business

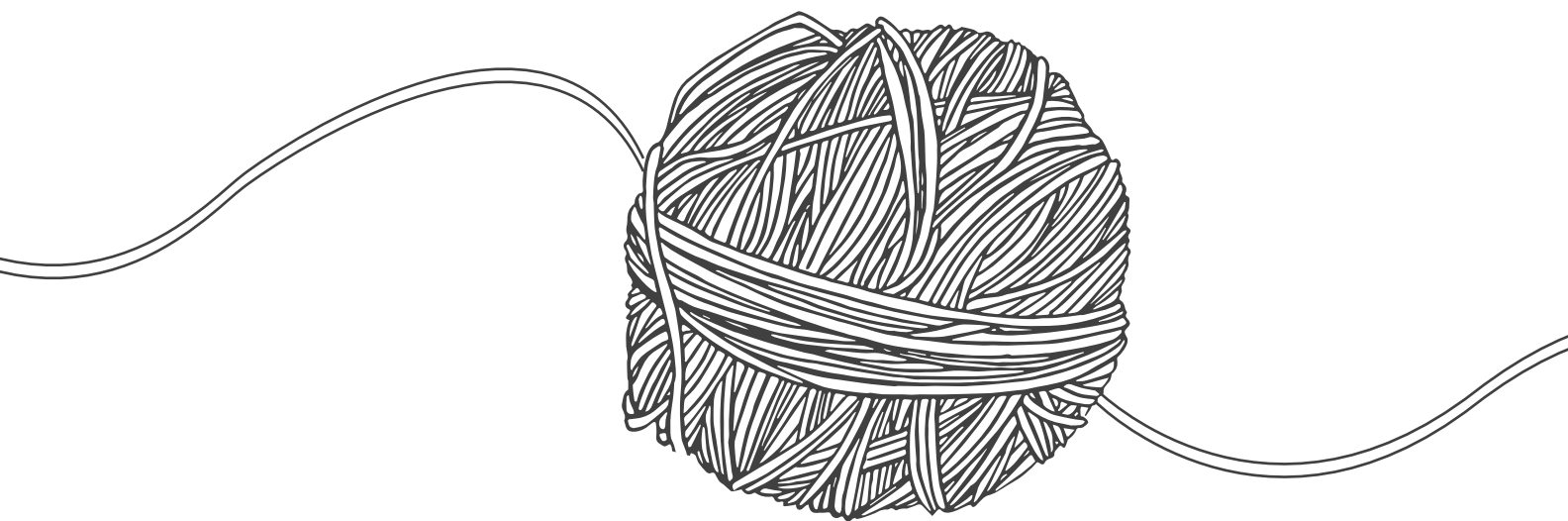


* % of Loans and Advances



Investment Management Business

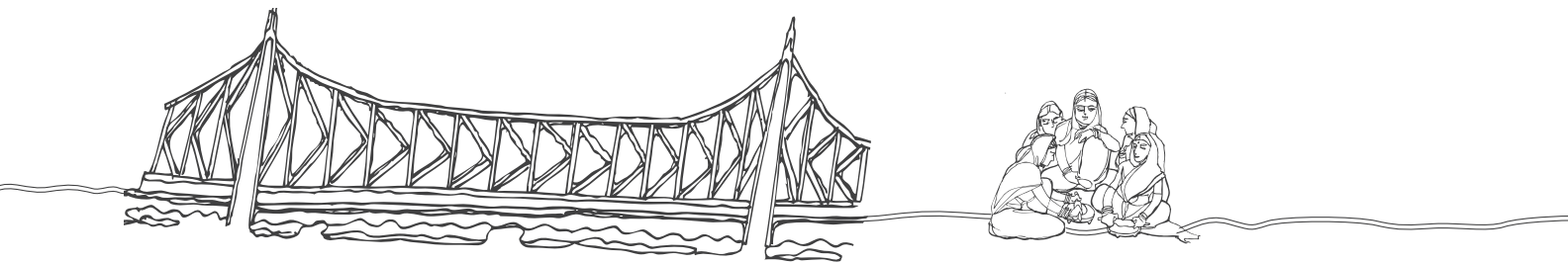




key milestones
the growth record

then and now

1994	2007	2008	2009
		L&T Finance Holdings (LTFH) Total Assets cross ₹ 10,000 Crore	
	LTF started Commercial Vehicle financing	LTF starts distribution of third party products	
Incorporation of L&T Finance Ltd. (LTF)	L&T Infrastructure Finance Company Ltd. (LTIF) was established	LTF forays into Microfinance & Capital Market products	Maiden public issue of NCDs by LTF



■ Diversification across new business opportunities

2010

LTIF gets Infrastructure Finance Company (IFC) status, and launches Infra Bonds

LTF acquires DBS Cholamandalam Asset Management Ltd; forays into mutual fund business

2011

IPO of LTFH; becomes the first listed subsidiary of L&T

LTIF is notified as a Public Financial Institution (PFI)

LTFH's Total Assets cross ₹ 20,000 Crore

2012

LTFH's Total Assets cross ₹ 30,000 Crore

Entry into Housing Finance by acquiring Indo Pacific Housing Finance Limited

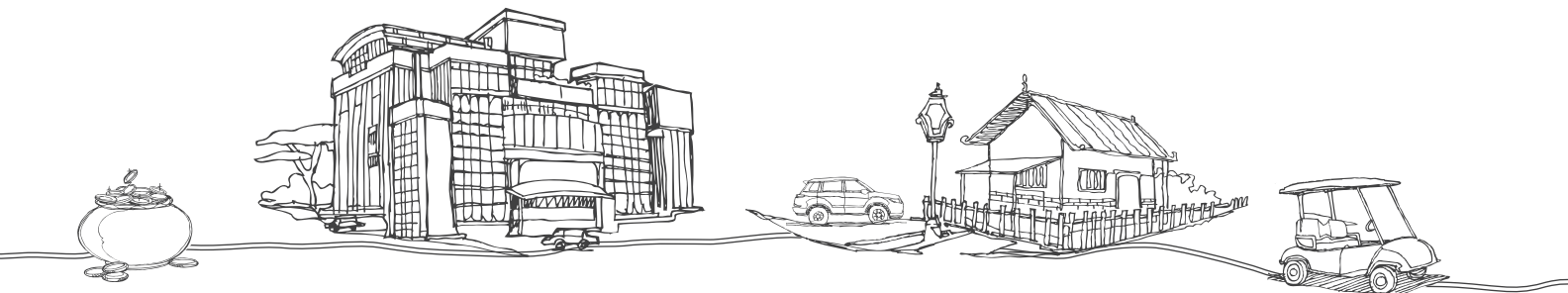
Acquisition of Fidelity's Mutual Fund business in India

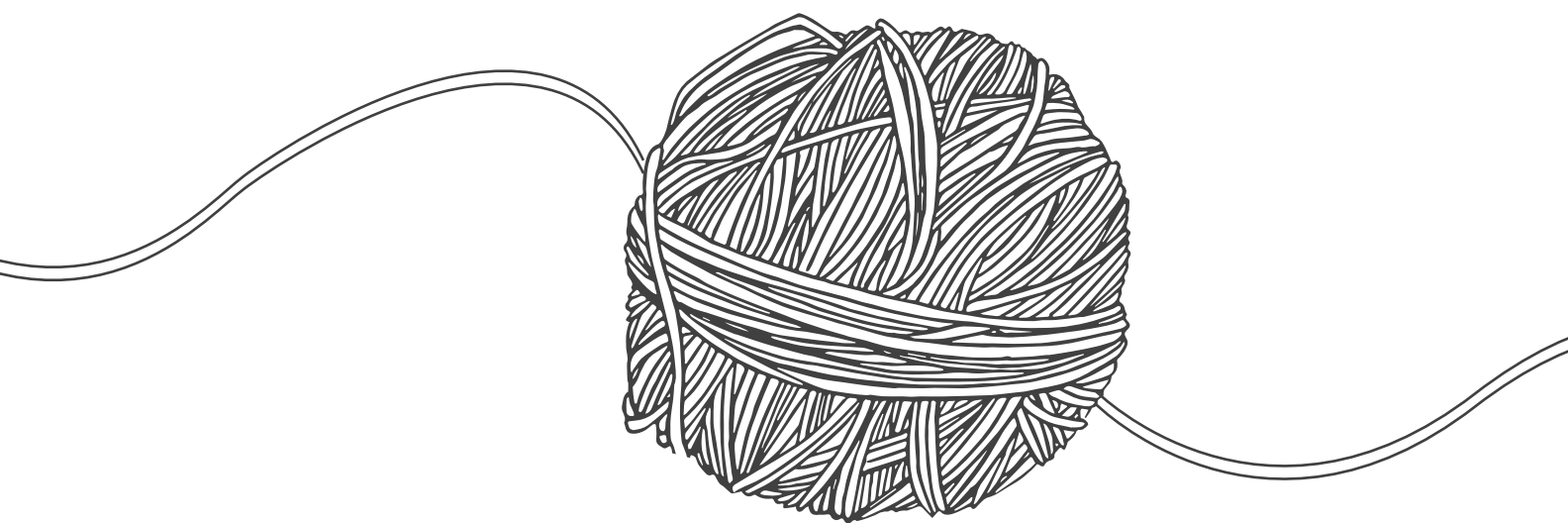
Entry into two-wheeler Finance by acquiring Family Credit

2013

Incorporated L&T Capital Markets-Platform for Wealth Management

Maiden issue of Preference Shares worth ₹ 750 Crore by LTFH





our management
wealth of experience

board of directors



Sitting (L to R) : A.K. Jain, Y.M. Deosthalee, B.V. Bhargava, S.V. Haribhakti
Standing (L to R) : Subramaniam N, R. Shankar Raman, N. Sivaraman, Kamakshi Rao,
P.V. Bhide, M. Venugopalan, R. Gopalakrishnan

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 39 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 31 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, L&T General Insurance Company Limited, L&T Housing Finance Limited and Family Credit 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. R. 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.

Mr. Shankar Raman has a bachelor's degree in commerce from Madras University. He is a Chartered and Cost Accountant by profession & has close to 30 years of experience in the field of finance. He has experience in other varied areas such as audit, accounts, treasury, capital markets, corporate finance, project finance and general management. He joined L&T group in 1994 for setting 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 board of several companies including international subsidiaries within the L&T group. Mr. Shankar Raman has participated and presented papers in several conventions/seminars including international conferences.

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. S. V. Haribhakti is a Chartered and Cost Accountant, and a Certified Internal Auditor, Financial Planner & Fraud Examiner. During a career span of four decades, he has successfully established and led many innovative services. His current passions involves Outsourcing of Knowledge Processes, Engaged Investing, and efficiency & effectiveness enhancement in Social, Commercial and Governmental organisations. He strongly believes in 'shared value' creation, good public and corporate governance and promoting a green environment. He actively promotes these causes, and contributes towards their evolution by participating in the process of framing regulations and 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 with MBA, L.L.B and B.Sc. degrees. 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.

Kamakshi Rao

Ms. Rao is a Chartered Financial Analyst and investment professional with over 16 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.

R. Gopalakrishnan

Mr. R. Gopalakrishnan has been a professional manager for 45 years from 1967 onwards, 31 years in Unilever and 14 years in TATA. He had served in Jeddah as Chairman of Unilever Arabia, in Bangalore as Managing Director of Brooke Bond Lipton India, and finally as Vice Chairman of Hindustan Lever. Currently, he is Director, Tata Sons Ltd. He is the Chairman of Tata Auto-Component Systems and Rallis India, the Vice Chairman of Tata Chemicals, and is a Director of Tata Power and Tata Technologies. He is an Independent Director on the boards of Akzo Nobel India and Castrol India.

Mr. Gopalakrishnan studied physics at St Xavier's Calcutta, engineering at IIT Kharagpur and attended the Advanced Management Program at Harvard Business School. He is a Past President of All India Management Association.

key management personnel



Suneet K. Maheshwari

Managing Director &
Chief Executive, L&T Infrastructure
Finance Company Limited

Mr. Maheshwari has about 32 years of experience in infrastructure and corporate finance, financial advisory, infrastructure and energy sector reform, investment banking and private equity. Mr. Maheshwari has led several start-up and rapid growth situations and has also been closely involved with various infrastructure sector reform/PPP initiatives at the national and state level since 1984. 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. Under his leadership, L&T Infra achieved the status of Infrastructure Finance Company (IFC) under RBI and was notified by Government of India as a Public Financial Institution (PFI) under Section 4A of Companies Act, 1956. He has held several positions at industry bodies and government task force for promoting reforms in Infrastructure sector and financing. Mr. Maheshwari has a Bachelor's degree in Science from Mumbai University and a MBA from Symbiosis Institute of Business Management, Pune.



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. In his position as Chief Executive, L&T Finance, Mr. Dubhashi also oversees the other Retail Finance subsidiaries of the group viz. L&T Housing Finance Ltd and Family Credit Ltd at a strategic level. He has over 23 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.



Ashu Suyash

Chief Executive Officer,
L&T Investment Management
Limited

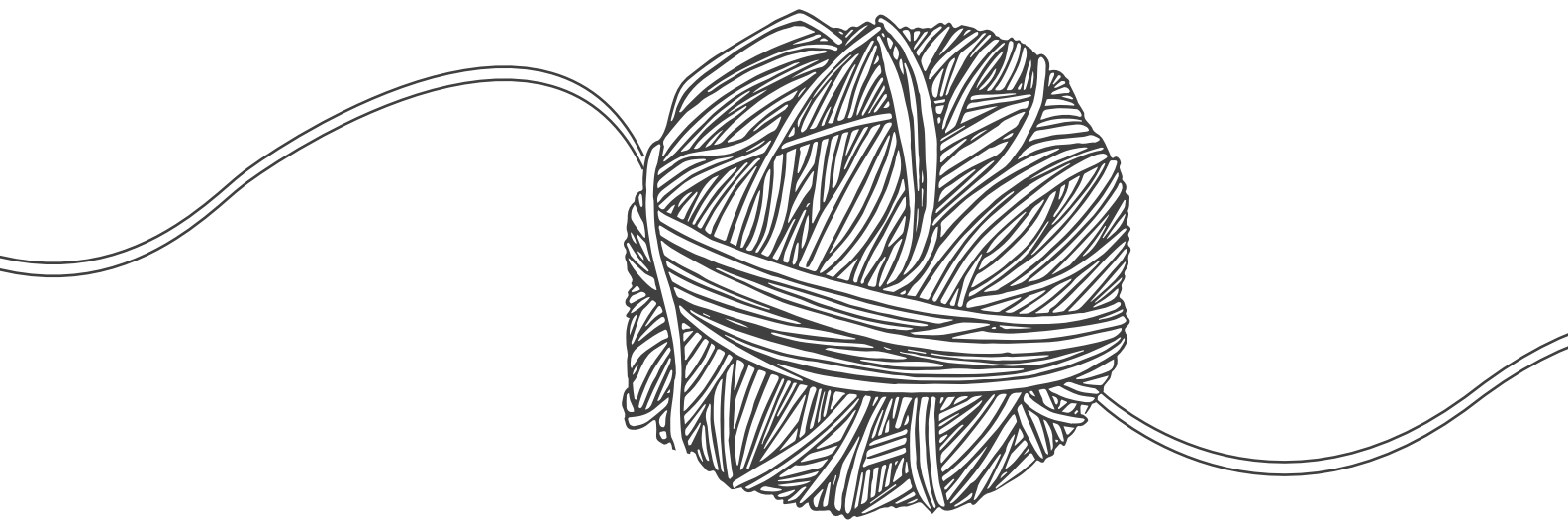
Ashu Suyash is a commerce graduate from Bombay University and a qualified Chartered Accountant. Prior to this she was Country Head and Managing Director, India, for Fidelity's Asset Management Business in India. She is on the board of the Association of Mutual Funds of India and the Advisory Board of the Chartered Institute for Securities and Investment. Ms. Suyash's experience in the financial services industry spans over 25 years. Prior to joining Fidelity, she was the Head of Strategy and Business Development, Citigroup, where she was responsible for evaluating new opportunities and growth strategies. During her tenure of over 15 years with Citibank she held several important positions across operations, investment banking, finance, sales and marketing and general management. In the year 2011, Ms. Suyash was recognized as one of the 25 most influential women in asset management industry by Asian Investor Magazine.



Ved Prakash Chaturvedi

Chief Executive - Capital Markets,
L&T Finance Holdings Limited

Mr. Chaturvedi holds a B.E degree (Electronics & Power Engineering) and is an MBA from IIM Bangalore. He has been associated with various leading names like CRISIL, BNP Paribas and SBI Funds Management in Indian capital markets over the last 24 years. Prior to joining L&T Finance Holdings Ltd, he was Managing Director & Chief Executive Officer of Tata Asset Management Ltd for a period of over eight years. Mr. Chaturvedi has served on the board of various reputed institutions including the Financial Planning Standards Board and the Association of Mutual Funds in India.



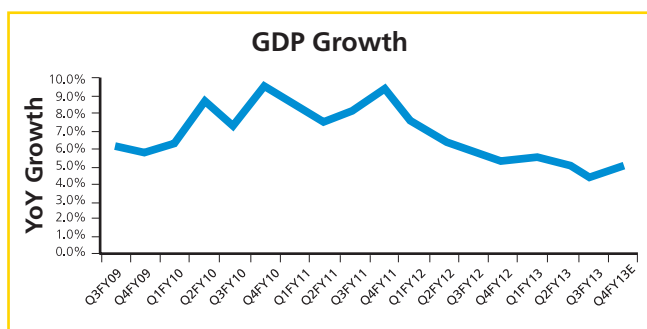
management
discussion and analysis
the year that was

Macro-economic review and outlook

GDP

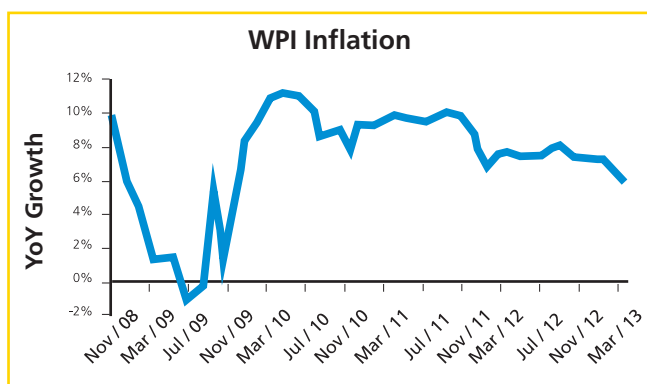
FY13 was a challenging year for the global economy, and in particular, for India. Continuing the downturn, which started in FY12, macro-economic variables further deteriorated and the economy witnessed a broad-based slowdown in FY13, with GDP growing at 5% - the slowest in 10 years.

As per the economic survey conducted by the Ministry of Finance, the economy is projected to grow at an optimistic 6.1 - 6.7% for FY14, signalling that the economy is looking up. The International Monetary Fund has also projected a 6.2% growth for FY14. To achieve this growth, the country would need a normal monsoon ensuring agriculture



growth and lower interest rates, along with improved exports and raised industrial and services activity.

Inflation



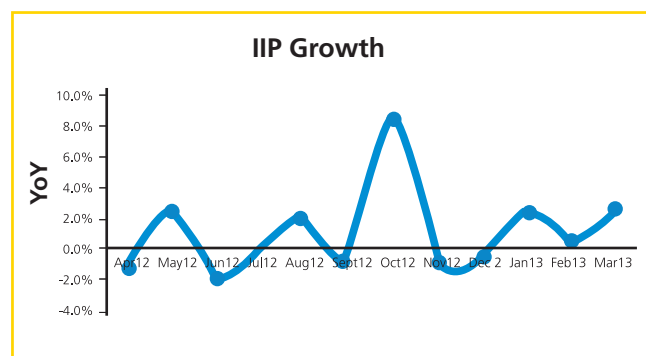
The Wholesale Price Index (WPI)-based inflation fell to 5.96% in March 2013 from 6.84% in the month of February 2013. This was the first instance of WPI going below the 6% mark since November 2009. Core inflation continued its downward momentum and food inflation also fell due to lower inflation in the prices of fruits, vegetables and protein-foods. The easing of core inflation is expected to set the stage for monetary easing going forward.

Interest Rates

Pursuant to the RBI's repo rate cut, government bond yields softened in FY13, despite an increase in government borrowings and lower FII inflows into the debt market. Led by aggressive expenditure cuts since September 2012, government borrowings for 2012-13 also turned out to be lower than envisaged earlier. In the current fiscal, further reduction in the repo rates and decelerating inflationary pressures will help ease the 10-year bond yields from current levels.

Credit

Growth in bank credit remained subdued at 14.0% in FY13, as compared to 17.0% in FY12. Credit disbursement to most industry sectors softened while a few sectors witnessed credit growth - chemical and chemical products, food processing, rubber, plastic and plastic products, petroleum, coal products and nuclear fuels, wood and wood products and leather and leather products. IIP growth during FY13 was 1%, consequent to a host



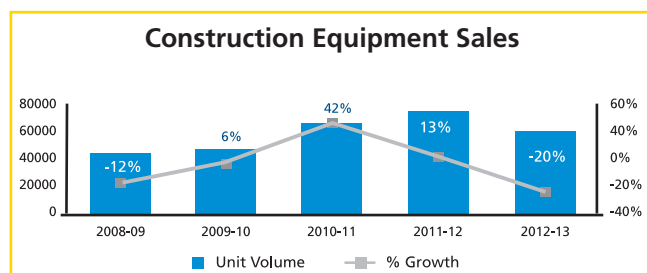
of challenges such as judicial stays on mining, delays in environment clearances, bottlenecks in land acquisition and constrained fuel supply. However, industrial growth bounced back to 2.5% in March 2013 courtesy better performance in the manufacturing and power sectors and higher output of capital goods. This suggests that the investment cycle could be bottoming out and that growth could pick up soon.

Retail, corporate and housing finance

Our retail and corporate finance businesses comprise loans for the purchase of assets - construction equipment, commercial vehicles, farm equipment, cars and two-wheelers - and working capital loans for Small and Medium Enterprises, term loans for medium and large companies and microfinance. These businesses are led by L&T Finance Limited, L&T FinCorp Limited and Family Credit Limited. L&T Housing Finance Limited, earlier known as Indo Pacific Housing Finance Limited, runs our housing finance business. Both these companies, Family Credit Limited and L&T Housing Finance Limited, were acquired during FY13. All the above companies are wholly owned subsidiaries of L&T Finance Holdings.

Business overview

Construction Equipment Industry



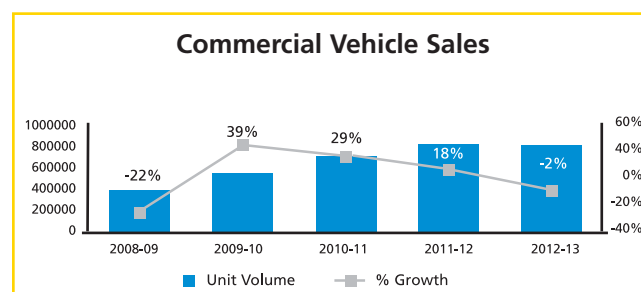
Source: Derived from Off-highway Research Data

The construction equipment (CE) industry witnessed a drop of around 20% in sales volumes, mainly due to the ban on mining and pending environmental clearances in Orissa, Karnataka and Goa. Delays in

capital infusion and development policies also led to negative sentiments. Sales volumes for backhoe loaders - a main constituent of the CE industry - dropped approximately by 7%, excavators by 15%, wheel loaders by 25%, compactors by 15%. The drop in cranes and concrete equipment was over 40%.

In line with the industry's de-growth, our construction equipment business also experienced a 19% dip in the number of units financed.

Commercial Vehicle Industry



Source: SIAM

Medium and Heavy Commercial Vehicles (M&HCV>12T)

Since the M&HCV category draws its demand from the economy, it is prone to cyclicity. The M&HCV segment was hit the hardest by slowing industrial activity, weak investment sentiment and the addition of significant fleet capacity over the past three years. While the buses segment witnessed a healthy off-take by private operators and state transport undertakings, contraction in demand for higher tonnage trucks was the sharpest - over 30%. These factors shrunk overall M&HCV sales by 28% and as a result, we experienced a decrease of 32% in the units financed.

Light commercial vehicles (LCV up to 12T)

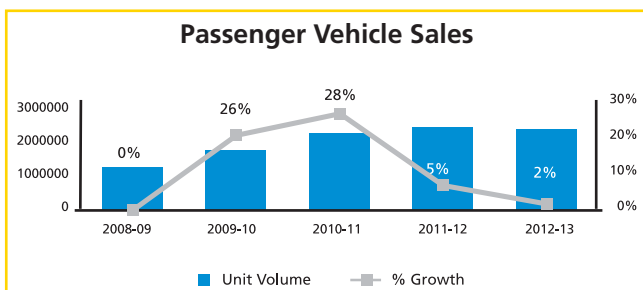
The LCV segment is categorised into up to 3.5T (Small Commercial Vehicles or SCV) and 3.5T to 12T vehicles. Both categories were expected to benefit from the hub and spoke model of the

transportation business, but the slowdown and overall negative sentiment around the CV industry impacted the segment negatively. Sales dropped by close to 14% and LCV goods vehicle sales in particular, dropped by almost 18%.

On the other hand, the SCV category benefitted from the hub and spoke model, new government restrictions banning overloading of cargo vehicles and restricted entry of heavy commercial vehicles into cities. The popularity of early movers in this segment prompted many OEMs from the three-wheeler and LCV segments to foray into the SCV four-wheeler market.

As compared to the previous year, our business witnessed a 24% increase in units financed in the LCV segment and a 13% increase in the SCV four-wheeler segment.

Passenger vehicle industry

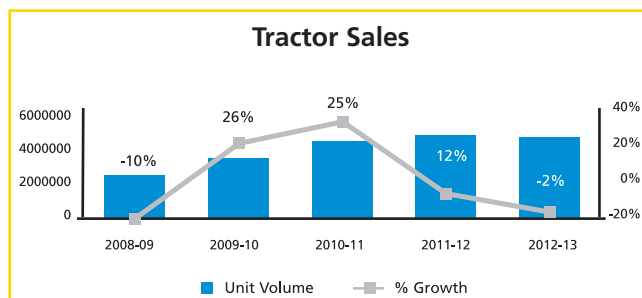


Source: SIAM

The Passenger Vehicle (PV) industry comprises 3 main segments – passenger car, utility vehicles(UV) and vans. During FY13, total PV sales grew by around 2%, driven by a 52% growth in the UV segment. Car sales dropped by 7% while van sales increased by just a percent.

We continued to expand our presence in the Passenger Vehicle segment, which resulted in a 28% growth in the units financed.

Farm equipment industry



Source: TMA

The Indian tractor industry is the largest in the world by volume. Improved agricultural growth, combined with factors such as increasing land holdings, better minimum support price as well as labour shortage, has propelled the demand for farm equipment over the last few years.

In FY13, the Indian tractor industry experienced a 2% de-growth due to delayed monsoon and drought in parts of India. The Southern markets of Andhra Pradesh and Tamil Nadu accounted for a drop of over 30% and the West - Gujarat, Maharashtra and Karnataka - witnessed a drop of around 25%. Alongside, the harvester market took a hard hit of over 50%, with approximately a 75% drop in the South alone. On the other hand, Central India accounted for growth - over 30% in Madhya Pradesh and over 20% in Bihar and Rajasthan. This was due to an increasing need for farm mechanization in these states. L&T Finance outperformed the growth of the market by registering a growth of 3% in tractor volumes.

Two-wheeler financing

Two-wheeler financing business is carried out by Family Credit Limited. The two-wheeler industry is broadly categorised into three segments – motorcycles, scooters and mopeds. The industry witnessed a demand slowdown that was consistent with other segments such as passenger and commercial vehicles. The scooter segment showed healthy growth till February 2013, but slowed down

thereafter, and motorcycles, the largest segment, was almost flat as compared with the last year.

Corporate finance

The Corporate Finance Group within L&T Finance provides financial products and services to a wide array of companies - from small and medium enterprises to large multinational companies and is structured as follows:

Corporate loans and leases:

Our offerings include short term asset-backed term loans, unsecured term loans, receivable discounting, financial and operating leases. In FY13, disbursement growth in corporate lending weakened as borrowers did not undertake new projects due to deterioration in the credit outlook across several sectors. A few borrowers also experienced cash flow issues, which strained the existing portfolio.

Capital market products:

Loans against shares and IPO funding are two key offerings in this segment. As volatile market conditions prevailed during most of FY13, disbursement growth was driven by our capability to structure deals to suit our clients' requirements and the preference for consolidation of debts for the long term by a few promoter groups.

Strategic asset finance:

This segment was formed to primarily target large ticket customers in the construction equipment and commercial vehicles space. Demand was impacted in FY13 due to a slowdown in key infra sectors and so we steadily built a capability in niche asset categories such as trans-shippers and off-shore supply vessels, etc.

Supply chain finance:

This segment provides vendor and dealer finance as working capital loans and facilities to entities in the supply chain for a variety of industries. FY13 saw anchor companies witnessing volatility in order

book positions, which led to re-scheduling of their procurements from suppliers. Several anchors and purchasers, particularly in the construction, power and copper industries experienced repayment stress.

Despite the challenges, L&T Finance was able to maintain disbursement growth as well as portfolio quality.

Housing finance

Our housing finance business is carried out by L&T Housing Finance Limited. In the mortgage industry, housing finance penetration in India (mortgage loans as a percentage of the GDP) increased from 4.5% as on March 2004 to 7% as on March 2007, but has remained at these levels since then. This figure is lower than the penetration rates in developed countries and therefore presents significant scope for growth in the future. The industry is strongly linked to the realty market and due to strong off-take in launches of residential property, mortgage demand is expected to improve across key markets in the short term, though there are concerns over price discounting and rate cuts.

Though institutional financing for housing in India is dominated by commercial banks, trends are increasingly favouring Housing Finance Companies (HFC) and they continue to gain market share. The key growth drivers for HFCs are superior service levels, diversified sourcing channels, focus on niche segment such as the self employed segment, affordable housing and higher ticket size loans.

Post the acquisition of Indo-Pacific Housing Finance Limited in FY13, all structural and regulatory changes involving the post-merger integration and name change were concluded smoothly and key policies were reviewed and aligned with L&T Finance Holdings, setting the stage for business growth.

In a consumer centric business, efficient distribution channels and marketing are essential to reach a wide customer base. Multiple distribution channels

including worksite marketing are being set up and some of these efforts are already contributing to the current business.

Processes

Credit

L&T Finance has a credit policy and credit risk management framework in place, supported by credit guidelines for different products, which are issued from time to time in consultation with the Risk Department. Various aspects of credit risk management are addressed by different processes and teams within L&T Finance, and are designed to manage risks at different stages of the financing process, i.e. both pre- and post-disbursement.

The business and credit review functions operate individually to manage credit risk better. The credit risk team is independently responsible for review of all credit requests, whether they originate from the retail or corporate finance group. The Head of Credit Risk reports to the Chief Executive.

L&T Finance has a centralized credit team, which is responsible for the evaluation and sanctioning of loan proposals across both, our retail and corporate finance groups. All new products developed are vetted by the credit team and approved by senior management.

In the retail business, while scorecards are important, proposals are reviewed by the credit team and all relevant parameters that help determine the credit-worthiness of a prospective borrower are taken into account. The focus of the credit decision is the asset being financed, related cash flows and the risks associated with the asset and the borrower.

The business team prepares the credit proposal, which is designed to capture relevant aspects of the loan proposal that are required for evaluation and authorization of a loan. Approval and deviation parameters have been defined, which assist in

proposals being reviewed by relevant delegation holders.

In the corporate finance business, owing to larger ticket size of loans, detailed appraisal notes are prepared by the business team, which cover the following aspects of a loan proposal relevant to the borrower:

- Industry: nature of industry, regulations, growth potential and entry barriers
- Market Position: size of the company and order book details
- Operational Efficiency: competitiveness and technical expertise
- Management Quality: experience, promoter background and past track record
- Financial strength: balance sheet size, key ratios and financial flexibility

These parameters and their constituent elements are indicative and could vary from deal to deal.

In the case of asset finance loans, the asset being financed forms the basis of security for the loan or advance extended. Further, the asset value and income-generating capability forms an integral component of the credit assessment process. For all cases, due diligence comprises the Know Your Customer (KYC) process, credit references and banking history.

Following the preparation of an appraisal note, a proposal is reviewed by the respective approving authorities (based on the authorization matrix) for a decision. For routine cases, the review of documents is a pre-defined process put together by the legal department; however, documents related to complex deals or a special condition case are reviewed and vetted by the legal team before finalisation and execution.

For housing finance, credit underwriting is done through a hub and spoke model, which ensures efficiency and cost optimization. Credit appraisal

policies facilitate business growth while managing credit risks associated with the loans. The policies also facilitate flexible product design and delivery to meet the needs of our customers.

Risk control unit

During the year, the Company set up a Risk Control unit that reviews credit applications, collection and branch processes to ensure that the business process is in line with the organisational policies and procedures. The findings and observations of the team are used for periodic process improvements.

Information technology

New initiatives undertaken during FY13 are:

- On-field receipt issuance via a mobile phone in order to provide near-instant visibility of collections made on the field. This initiative was rolled out across seven branches on a pilot basis and is expected to roll out to all major branches in FY14
- Deployment of multiple outbound customer communication processes and technology solutions to ensure customer satisfaction

Collection and recovery

The Asset Management Group (AMG) has been formed to handle stressed assets, primarily for the retail business, across lending entities, given the growing book size of the business. This helps the business team to focus on business generation and take care of routine collections, while the expert team handles difficult cases.

Provisioning policy

The provisioning and write-off policies of the retail business entities are more stringent and conservative than regulatory prescriptions. We believe this will ensure that losses in any given year will not have a significant impact on profitability for years of low asset growth.

Operations

The Company's operations are managed out of three locations - Mumbai, Chennai and Hyderabad - and are broadly structured into three units: Loan Acquisitions, Loan Servicing and Business Process and Excellence. A few activities are outsourced to manage operating costs and better utilisation of internal resources.

Infrastructure finance

Our Infrastructure Finance business is carried out through L&T Infrastructure Finance Company Limited (L&T Infra), a wholly owned subsidiary of the Company.

FY13 has been a challenging year for the business and the following factors posed a challenge to infrastructure development:

- Inadequate fuel supplies to power generating plants
- Supply logistics problems, which hampered timely and economical transportation of fuel to power generation plants
- Bottlenecks in regulatory clearance (environmental, forest etc.) and a slowdown in the land acquisition process
- Mounting dues from state electricity boards, which placed a tremendous strain on the working capital of power generating companies
- Reduction in traffic on key road stretches, which placed additional pressure on the cash flows of the developers
- Muted response to the re-auction of spectrum following the Supreme Court's licence cancellation order of February 2012. Nearly half of the spectrum blocks found no takers.

Infrastructure financiers have found it difficult to recover dues from developers and contractors. The situation was the direct result of over-leveraged positions, which developers had resorted to in previous years, riding on optimistic projections of increasing volumes and revenue.

The government envisages an investment of one trillion dollars in developing India's infrastructure in the Twelfth Plan period. It is expected that about 47% of this amount will be from the private sector. Total infrastructure investment is estimated to have increased from 5.7% of GDP in the base year of the Eleventh Plan to about 8% in the last year of the Plan. A large number of Public Private Partnership (PPP) projects have taken off and many are currently operational. The Twelfth Plan is expected to continue catalysing the pace of infrastructure investment as this is critical to sustain and accelerate growth.

To expedite the process of approvals, the Cabinet Committee on Investments (CCI), chaired by the Prime Minister, was formed towards the end of 2012 to focus on projects of ₹ 1,000 crores and above. It is reported to have cleared projects worth ₹ 74,000 crores as at end March 2013.

Sustained efforts to clear bottlenecks and facilitate project completion - e.g. faster land acquisition, easier clearances and fuel supply for completed power projects could alleviate some of the risks at the project level. At the same time, we believe that the revival of the sector's fortunes will not be significant because the process of addressing fundamental challenges through concrete and sustained on-the-ground actions to restore credit quality is likely to be formidable.

Power

During FY13, existing power generation plants experienced coal supply constraints and suffered due to coal shortage. A number of mines were declared no-go areas, which adversely affected utilization of existing generation capacity. Lack of transportation logistics for coal was another inhibiting factor. The problem was further compounded by the reluctance of state distribution companies to sign PPAs (Power Purchase Agreements).

In the Eleventh plan, base load power demand grew

at a CAGR of 6.6%. The demand growth was hampered mainly due to lower capacity addition, inadequate transmission infrastructure and lower off take by state distribution companies.

Roads

NHAI was able to award only about 10% of the targeted 9,500 kilometres of road projects in FY13. As per estimates, many key road stretches are facing a reduction in traffic by about 5-7%, which is going to put additional pressure on developers' cash flows.

These issues notwithstanding, national highways and state roads would attract majority of the total investments followed by roads in rural India. Also, private participation in state roads is expected to gradually increase over the next 5 years. This would be backed by state government initiatives, which are aimed at improving the policy framework and tendering additional projects on the BOT model.

Ports

During FY13, 42 projects (both PPP and non PPP) were awarded by the Ministry of Shipping (MoS). Although there has been an increase in the pace of project awards, a plethora of execution challenges continue to afflict the sector, preventing the translation to available capacity. Improvement of operating standards are still expected to be a challenge though a redeeming feature is the new security clearance policy that has been framed by the MoS to ensure time-bound security clearances for port projects and operators. On the regulatory front, efforts to free major ports from tariff jurisdiction have picked up.

In the recent past, the MoS has been contemplating major policy changes to improve the investment climate and speed up the pace of capacity expansion at major ports. If this comes through, it could be a major regulatory shift for the sector and could bring a significant upside to major port entities and terminals.

In the port services sector, the container train business has come under pressure due to a steep hike in haulage charges by the Indian Railways - a cumulative increase of 31% during December 2012 and February 2013. Further, moderation in EXIM container cargo movement and low competitiveness vis-à-vis road movement has further made the operating conditions tough for container train operators.

Airports

A slower GDP growth did not significantly affect the Indian aviation industry in FY13. Airline carriers slashed fares rapidly in order to gain market share. Growth over the past five years was mainly due to discounts offered by low-cost carriers, coupled with an increase in consumers' disposable incomes. Domestic passenger traffic handled at airports grew at a CAGR of 11% from 2006-07 to 2011-12.

L&T Infra - overview

L&T Infra is positioned as a financial solutions platform catering to the entire value chain of infrastructure development and is committed to providing appropriate financing to its diverse client base. The Company commenced business operations in January 2007 with project financing and has expanded its offerings to cover equity, debt underwriting and syndication and private equity. A broad spectrum of services comprising innovative products and financing structures helps it deliver value propositions to customers. Pursuant to this strategy, the institution has developed expertise along the value chain of infrastructure financing, and over the years, has extended its operating platform from fund-based to fee-based businesses across infra and allied sectors.

In the pursuit of sustainable growth, L&T Infra has been investing in manpower development, upgrading systems, technology and processes. The Company's endeavour is to engage with policy

makers and regulators on an on-going basis in order to make suitable suggestions to the government and regulators on policy matters.

L&T Infra's business proposition is not confined to providing finance, but extends to advising customers on diverse financing structures, business planning, risk mitigation and enhancing sustainability. It has followed a proactive engagement approach with affected borrowers and co-lenders to identify and manage incipient stress, which has helped in containing risks and improving overall asset quality.

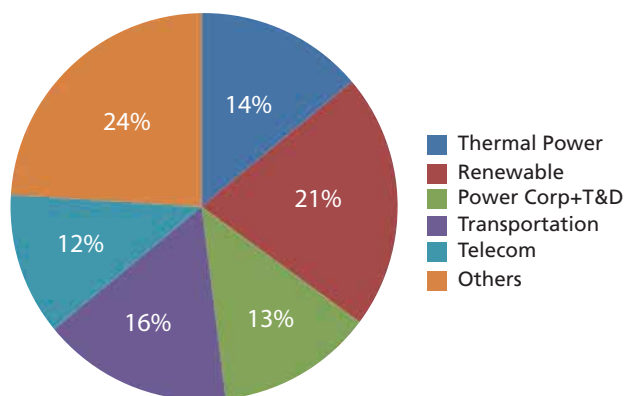
The Company has a qualified and experienced management team and the emphasis is on acquiring talent, skill building, enhancing knowledge and refining it to meet client needs. It has leveraged the experience, expertise and command that the parent L&T Group holds over the complex and technical world of infrastructure and this has helped it to stand apart in the market place.

L&T Infra was classified as an Infrastructure Finance Company (IFC) by RBI in July 2010, and notified by the Government of India as a Public Financial Institution (PFI) later in June 2011. Over time, L&T Infra has witnessed its approvals, disbursements and assets increase at a healthy pace and despite FY13 being a very difficult year, L&T Infra posted appreciable growth, which is a validation of its focused growth strategy.

In FY13, L&T Infra's pioneering leadership in financing solar power projects in India was recognised by Asian Development Bank (ADB). This was by way of the ADB awarding accreditation to L&T Infra as its partner in India for financing solar power plants for the private sector. The ADB's partial credit guarantee facility being made available to L&T Infra will entail ADB sharing 50% of the payment default risk on L&T Infra loans provided to the eligible solar project developers.

In terms of the Loan Assets portfolio, L&T Infra's

Composition of Loans Portfolio
(As of March 31st 2013)



business in FY13 continued its commitment and focus on infrastructure sectors - comprising power, roads, telecom and ports among other segments. Given the continuing deficit in the power sector, it remains to be a priority sector for L&T Infra in terms of exposure.

With challenges in fuel and fuel logistics still continuing, L&T Infra consciously decided to calibrate its growth in the coal thermal sector and focused on emerging sectors like renewable energy as a way to maintain its presence in the power sector. L&T Infra believes that such an effort hedges the portfolio well. The thrust on renewable energy assets, at 21% of total outstanding, forms the single largest part of the power portfolio. Almost all renewable energy projects financed in FY12 and FY13 by L&T Infra have commenced commercial operations, thereby enhancing the overall quality of its portfolio.

L&T Infra has continued its focus on the road sector, with an emphasis on projects with bid prices assessed for their reasonableness. With not many road projects being tendered out in FY13, the focus was to offer competitive financing to operational road projects that were supported by healthy traffic and cash flows. A substantial 60% (percentage share of outstanding) of road projects are

operational and have demonstrated a steady growth in cash flows, backed by both traffic as well as the consequence of inflation linked toll.

In FY13, L&T Infra cautiously and very selectively added telecom projects (including networks and telecom towers) to its portfolio, with a focus on highly rated clients with a sound promoter backing. Further, as a conscious strategy to diversify its customer base and enhance the overall portfolio quality, L&T Infra targeted a few corporate clients with better credit rating - albeit offering relatively lower returns in the near term. Such projects are expected to achieve higher returns on the back of improved operating parameters in the medium term.

L&T Infra's concentration risk with respect to single borrower and single promoter group remains comfortably low, with the top 10 borrowers and promoter groups constituting 19% and 28% of L&T Infra's total exposure respectively, as on March 31, 2013.

New focus areas

Energy efficiency and renewable energy are the twin pillars of a sustainable energy framework. Renewable energy technologies are essential contributors to sustainable energy as they generally contribute to world energy security, reducing dependence on fossil fuel resources, and provide opportunities for mitigating greenhouse gases. L&T Infra has committed to support the harnessing of non-conventional renewable sources of energy. In this pursuit, FY12 marked an entry into two new renewable energy sectors - solar and wind power.

In FY13, L&T Infra reinforced its commitment to the sector by placing a new thrust and by taking fresh exposures on wind power generation. L&T Infra has maintained its leadership in financing of debt for solar power projects. Although this is a sector that has had limited operational, commercial and financing experience in India till recently,

worldwide experience indicates that careful assessment, prudent selection of projects, equipment suppliers and EPC 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.

In India, there is an imperative need to develop power transmission infrastructure in order to facilitate efficiency in power utilization. FY13 marked the entry of L&T Infra in financing power transmission projects. Given inadequate capacity, this sector is expected to offer tremendous growth potential going forward.

The recent revision in the definition of “infrastructure” by RBI - harmonizing it with the master list of infrastructure sub-sectors notified by the Government of India - has added new sectors like fertilisers, education and healthcare amongst others to infrastructure. This provides an opportunity for L&T Infra to explore projects in these sectors depending upon our risk appetite.

Financial advisory services

The Financial Advisory Services (FAS) Group at L&T Infra was started in April 2008 to assist its clients formulate business plans by reviewing critical assumptions, identify and evaluate various options for raising project finance, prepare deal collateral and arrange funds from the financial markets. The group generates fee income to complement the interest income of L&T Infra and enables it to offer total solutions to suit its clients’ needs, improving its visibility in the competitive project finance market.

The service portfolio includes pre-bid advisory, project finance advisory, bank loan syndication, bond placement, structured finance and debt syndication across infrastructure and non-infrastructure sectors, private equity

syndication and M&A advisory. The FAS Group has grown from a three-member team in FY08 to a strength of 20 people with diverse experience and has been focusing largely on project finance transactions. It has successfully raised more than ₹ 30,000 crores from the financial markets to date in various sectors including roads, ports, power, telecom and mining.

In FY13, L&T Infra continued with its policy of evolving innovative financial solutions to suit a client’s requirements. Accordingly, it leveraged its expertise in providing structured and innovative financing solutions and successfully closed its first M&A advisory transaction in wind power assets.

Equity investments

L&T Infra is in the process of setting up a private equity asset management platform by mobilising funds from domestic and overseas investors. The initiative is in consonance with the commitment to provide comprehensive financing solutions to the infrastructure sector under one platform. Further, it would add to the fee income potential of the Company.

Risk and asset management

One of the key contributors to L&T Infra’s growth has been its ability to better manage risk in an uncertain and volatile market environment. Project financing is subjected to asset quality tests and meticulous evaluation processes - borrowers profile, their track record, order book and execution competence – and stringent provisioning norms for affected assets have enabled us to exercise tighter credit controls. We have followed the approach of committee-based decision making - with representation from independent directors, senior management and advisors - to obviate judgmental errors emanating from individual decision making, and have benefited by tapping the vast experience of our independent directors.

The Risk and Asset Management Group (RAMG) in

L&T Infra works independently of Business under the framework set by the Company's Risk Management Committee (RMC). The RAMG aims to establish and enhance L&T Infra's operating policies, systems and processes in order to align them to international best practices and changing organisational and regulatory requirements.

The Group is also a knowledge centre for the organisation and disseminates information with respect to various policies and regulations, sectors as well as the portfolio's performance to stakeholders within the organisation.

With the current market scenario becoming more challenging, the focus on asset quality and portfolio management has taken centre stage. The risk management process has five critical features: establishing a systematic culture of understanding risk within the organisation, having a disciplined approach to risk assessment, using scientific techniques for risk measurement, establishing standards for optimal risk mitigation and close monitoring of all assets throughout their life cycle. The group has consistently leveraged its parent, L&T's operational expertise in evaluating and mitigating risks in infrastructure projects.

L&T Infra's investment and credit policy and risk management framework together determine types of products, approval limits, credit approval processes, due diligence, credit appraisal and internal credit rating methodologies.

The RAMG also ensures close monitoring of the portfolio through the tenor of the loan. L&T Infra's prudent credit risk management framework encapsulates specific measures to limit concentration risk including inter alia to borrowers, promoter groups, sector, sub-sector or geographical and state electricity boards.

L&T Infra has been following a conservative provisioning policy for affected assets, over and above the RBI guidelines, and it has enabled it to exercise stringent control on the asset quality.

Infrastructure debt fund: a strategic initiative

In order to accelerate and enhance the flow of long term funds to infrastructure projects in India, the Government of India (GoI) announced the setting up of Infrastructure Debt Funds (IDFs) in 2011-2012, broadly in line with the recommendations of the Deepak Parekh Committee. IDF, in the proposed format, is a new business model globally. The regulatory framework for this niche business is expected to enable:

- lower cost refinancing of projects
- reduction in the Asset Liability Management ALM related issues of banks
- freeing-up of exposure of banks to large/medium sized business groups/borrowers.

The Government has also taken the initiative to promote the IDF concept in international markets by conducting road shows in several countries. The importance of the IDFs has been reiterated in the Union Budget speech in February 2013.

L&T Infra has been proactively engaging with the government, regulators and industry associations for providing policy inputs on infrastructure sector issues. In this regard, concerted efforts were made to share its operating experience with the Ministry of Finance, RBI and SEBI in order to facilitate evolution of the Infrastructure Debt Fund (IDF) concept and policy framework. L&T Infra continues to actively engage with industry bodies such as CII, IMC and FICCI etc. by providing practical insights and recommendations to foster a favourable environment for accelerated development of infrastructure in the country.

IDFs could be set up either through the mutual fund or NBFC route and L&T Infra is in an advanced stage of setting up an IDF under the NBFC route. IDF would complement L&T Infra's existing business by creating financing opportunities during the entire life cycle of an infrastructure project.

Treasury Management

The economic situation in FY13 was volatile and fraught with uncertainties. It was indeed a tight-rope walk to ensure availability of optimum and timely liquidity and also achieve growth in the overall size of the liability book at competitive cost of funds. Treasury was able to achieve and maintain well-diversified sources of borrowings, across investor classes and innovative structures, creating a debt composition which resulted in relatively low weighted cost of borrowings.

The Company raised capital through the issue of competitively priced redeemable preference shares in two tranches of an aggregate amount of ₹ 750 crores in March 2013 in order to meet the capital requirements of operating subsidiaries. Both tranches received a very good response, demonstrating the favourable perception of your Company amongst investors.

In L&T Finance, with the gap between bank rates and market rates widening, the focus was to shift from dependence on bank loans to raising market instruments. With the yield curve easing at the shorter end, there was an attempt to benefit from this movement by raising commercial paper.

Since L&T Infra is into project lending where the funding done is for longer periods, it is imperative that duration mismatches are monitored diligently and a suitable equilibrium is maintained between the duration of assets and liabilities. In FY13, L&T Infra was able to capitalise on the opportunities afforded by the market - by successfully raising funds through debentures of long tenor with Foreign Financial Institutions (FIs) and Domestic Financial Institution (FIs) – apart from accessing loans from the banking system. L&T Infra was also able to raise External Commercial Borrowings (ECB) in FY13 at competitive rates reaffirming the faith of foreign investors. Timely issuance of Tier II bonds enabled improvement in CRAR.

After the acquisition of the new companies, L&T Housing Finance and Family Credit, most of the old loans were pre-paid and replaced with fresh borrowings at lower costs. L&T Housing Finance

adopted a combination strategy of bank loans and market borrowings, which was aimed at reducing costs and maintaining ALM stability.

Investment Management Business

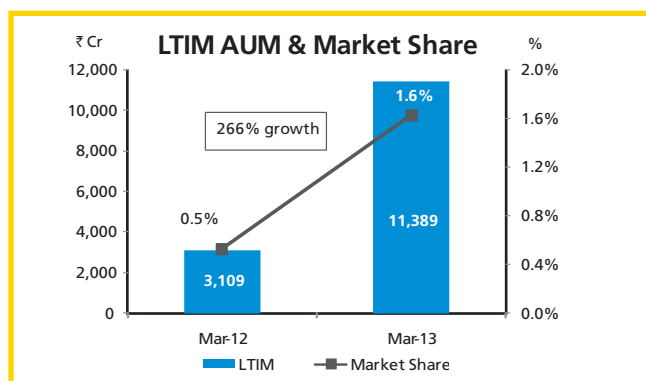
L&T Investment Management Limited acquired the Indian mutual fund business of Fidelity Worldwide Investment during the year. The transfer of schemes of Fidelity Mutual Fund was successfully completed on November 23, 2012. Several months of elaborate planning for each functional stream ensured that the transition was seamless. This business merger is the largest in the asset management industry with the transfer of nearly 2 million folios and large volumes of other data.

The transaction was unique as business and scheme mergers were done simultaneously. With this acquisition, L&T Mutual Fund achieved size and scale: a comprehensive product range of 25 schemes across equity, fixed income and hybrid funds; proven track record, a high quality team, branch network spanning 56 cities and clients from more than 200 towns and cities.

Performance

Despite high market volatility and poor investor sentiment, the Indian mutual fund industry grew by 19% with overall assets under management closing at ₹ 701,443 crores as at March 2013 versus ₹ 587,217 crores for March 2012. (Source: Association of Mutual Fund of India website).

Against this backdrop, aided by the acquired business and subsequent new business momentum, L&T Mutual Fund's assets grew rapidly and stood at ₹ 11,389 crores as at March 31, 2013 versus ₹ 3,109 crores last year - an increase of 266%. The market share of the business grew from 0.5% to 1.6% based on the closing assets from March 2012 to March 2013. The number of investor folios increased to 895,475 as of March 31, 2013 from 145,712 as of March 31, 2012 - a six-fold increase in the customer base. Further, the Portfolio Management Services (PMS) business remained steady with around ₹ 100 crores in assets from over 1000 customers as at end March 2013.



Consolidated performance

Income

L&T Finance Holding's income increased by 33% from ₹ 3,007.30 crores in FY12 to ₹ 4,006.46 crores in FY13. Operating income increased by 33% from ₹ 2,980.90 crores in FY12 to ₹ 3,956.76 crores in FY13 and the interest income on loans and advances increased by 33% from ₹ 2,811.69 crores in FY12 to ₹ 3,732.79 crores in FY13. This increase was primarily the result of a 30% increase in the business assets of L&T Finance Holdings from ₹ 25,670.60 crores as on March 31, 2012 to ₹ 33,309.90 crores as on March 31, 2013. Fee income from various activities, mainly advisory and investment management increased by 85% from ₹ 42.15 crores in FY12 to ₹ 78.10 crores in FY13.

Expenditure

Total expenditure increased by 39% from ₹ 2,323.06 crores in FY12 to ₹ 3,235.84 crores in FY13. Finance cost increased by 37% from ₹ 1,702.64 crores in FY12 to ₹ 2,332.41 crores in FY13 primarily as a result of increase in borrowings due to higher volumes of business. Operating expenses increased by 59% from ₹ 225.75 crores in FY12 to ₹ 360.01 crores in FY13 substantially on account of brand campaigns, professional fees, bank charges and brand license fees. Allowances and write-offs increased by 49% from ₹ 83.44 crores in FY12 to ₹ 273.44 crores in FY13 mainly on account of voluntary provisioning and write-offs.

Profit

For the reasons stated above, L&T Finance Holding's profit before tax increased by 44% from ₹ 684.25 crores in FY12 to ₹ 988.61 crores (includes profit from exceptional items of ₹ 217.99 crores) in FY13. During the year, the Company sold its investments in Federal Bank Limited for a consideration of ₹ 361.69 crores, earning a profit before tax of ₹ 237.93 crores. Profit after tax increased by 60% from ₹ 454.80 crores FY12 to ₹ 729.19 crore in FY13.

Standalone Performance

On a standalone basis, L&T Finance Holding's income increased from ₹ 129.42 crores in FY12 to ₹ 200.67 crores in FY13, primarily as a result of increased dividend income from subsidiaries. Operating income increased from ₹ 111.84 crores in FY12 to ₹ 171.98 crores in FY13. Total expenditure increased from ₹ 40.52 crores in FY12 to ₹ 68.94 crores in FY13 substantially on account of finance cost for funding the Company's operations and expenses on branding. PAT consequently increased from ₹ 71.25 crores in FY12 to ₹ 311.33 crores (includes profit from exceptional items of ₹ 235.73 crores) in FY13.

Performance of material subsidiaries

L&T Finance Limited

Income

Total income increased by 17% from ₹ 1,783.46 crores in FY12 to ₹ 2,079.40 crores in FY13 while interest income on loans and advances increased by 18% from ₹ 1,663.00 crores in FY12 to ₹ 1,956.25 crores in FY13. This increase was primarily the result of a 12% increase in the net loans and advances made by L&T Finance from ₹ 12,510.99 crores as on March 31, 2012 to ₹ 14,024.34 crores as on March 31, 2013. The general growth in L&T Finance's business was primarily due to robust business in the rural products segment and capital market products.

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 18% from ₹ 11,250.49 crores as on March 31, 2012 to ₹ 13,267.66 crores as on March 31, 2013.

Expenditure

Total expenditure increased by 19% from ₹ 1,488.49 crores in FY12 to ₹ 1,765.99 crores in FY13, primarily due to an increase in finance cost. Interest and other finance charges related to L&T Finance's borrowings increased by 19% from ₹ 1,010.06 crores in FY12 to ₹ 1,206.22 crores in FY13 primarily as a result of increased borrowings due to higher level of activity.

Operating expenses increased by 19% from ₹ 176.92 crores in FY12 to ₹ 209.71 crores in FY13, primarily due to an increase in professional fees and bank charges. Credit losses have increased by 28% from ₹ 146.22 crores in FY12 to ₹ 187.65 crores in FY13 due to foreclosures and write-offs.

Profit

For the reasons stated above, L&T Finance's profit before tax increased by 6% from ₹ 294.97 crores in FY12 to ₹ 313.41 crores in FY13. Profit after tax increased by 6% from ₹ 199.01 crores in FY12 to ₹ 211.03 crores in FY13.

L&T Infrastructure Finance Company Limited

Income

Total income increased by 35% from ₹ 1,183.90 crores in FY12 to ₹ 1,599.78 crores in FY13. This increase was primarily the result of a 35% increase in the net loans and advances made by L&T Infra from ₹ 10,456.72 crores as on March 31, 2012 to ₹ 14,113.80 crores as on March 31, 2013, which resulted in an increase in interest income on loans and advances by 35% from ₹ 1,127.79 crores in FY12 to ₹ 1,523.56 crores in FY13. In addition, fee income increased by 50% from ₹ 29.96 crores in FY12 to ₹ 44.99 crores in FY13. 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 40% from ₹ 8,838.58 crores as on March 31, 2012 to ₹ 12,364.95 crores as on March 31, 2013.

Expenditure

L&T Infra's total expenditure increased from ₹ 805.75 crores in FY12 to ₹ 1,129.83 crores in FY13, primarily due an increase in interest and finance charges and voluntary provisions. Finance cost increased from ₹ 717.44 crores in FY12 to ₹ 978.38 crores in FY13, primarily as a result of higher borrowing on account of enhanced business volumes and enhanced gearing.

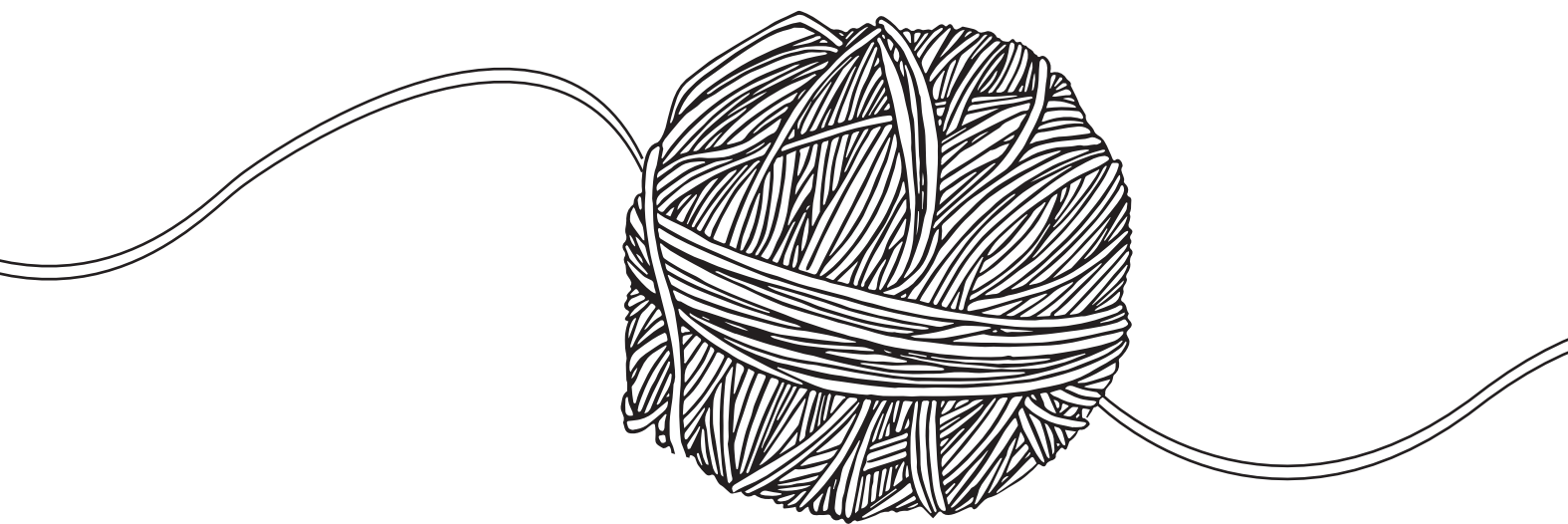
Operating expenses increased from ₹ 34.56 crores in FY12 to ₹ 49.51 crores in FY13, primarily due to an increase in brand license fees, rent, IT expenses and professional fees. Provisions and contingencies increased from ₹ 33.23 crores in FY12 to ₹ 72.39 crores in FY13, primarily on account of an increase in voluntary provisions.

Profit

For the reasons stated above, L&T Infra's profit before tax increased by 24% from ₹ 378.16 crores in FY12 to ₹ 469.94 crores in FY13. Profit after tax increased by 30% from ₹ 263.95 crores in FY12 to ₹ 344.21 crores in FY13.

Cautionary Statement

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



directors' report
and financial statements

Directors' Report

Dear Members,

Your Directors have pleasure in presenting their Fifth Annual Report together with the Accounts of your Company for the financial year ended March 31, 2013.

Financial Results

The summarized financial results of the Company are given hereunder:

	(₹ Lakhs)	
Particulars	2012-13	2011-12
Total Income	20,067.22	12,942.14
Less: Total Expenses	6,894.06	4,052.15
Profit before Exceptional Items	13,173.16	8,889.99
Exceptional Item*	23,572.92	-
Profit before Tax	36,746.08	8,889.99
Less: Provision for Tax	5,613.56	1,764.96
Profit after Tax	31,132.52	7,125.03
Add: Balance brought forward from previous year	5,933.84	233.81
Balance available for appropriation which Directors appropriate as follows:	37,066.36	7,358.84
Statutory Reserve	6,250.00	1,425.01
Proposed Dividend on Preference Shares	150.00	-
Proposed Dividend on Equity Shares	12,875.70	-
Dividend Distribution Tax on Proposed Dividend	92.15	-
Surplus carried forward to Balance Sheet	17,698.51	5,933.83

*exceptional item represents profit on sale of investments net of costs related to integration of acquired entities.

Appropriations

The Company proposes to transfer ₹ 6,250.00 lakhs (Previous year ₹ 1,425.01 lakhs) to Special Reserve created u/s 45-IC of Reserve Bank of India Act, 1934 and retain ₹ 17,698.51 lakhs (Previous year ₹ 5,933.83 lakhs) in the Statement of Profit and Loss of the Company.

Further, the Company proposes to transfer ₹ 13,025.70 lakhs (Previous year ₹ Nil) to Dividend Account towards payment of proposed dividend on Equity Shares & Preference Shares and ₹ 92.15 lakhs (Previous year

₹ Nil) towards payment of Dividend Distribution Tax on proposed dividend.

Dividend

Your Directors recommend a final dividend of ₹ 8.75 on pro-rata basis per Cumulative Compulsorily Redeemable Preference Share of face value ₹ 100/- each for the financial year 2012-13, entailing an outflow of ₹ 150.00 lakhs (excluding Dividend Distribution Tax).

Your Directors are also pleased to recommend a final dividend of ₹ 0.75 per Equity Share of face value ₹ 10/- each for the financial year 2012-13, entailing an outflow of ₹ 12,875.70 lakhs (excluding Dividend Distribution Tax).

The dividends, if approved at the ensuing Annual General Meeting, would be paid to those members whose names appear in the Register of Members/Beneficial Holders as on Monday, July 29, 2013.

Completion of acquisitions initiated in the previous financial year and new initiatives

During the year, pursuant to regulatory approvals, your Company has successfully completed on October 09, 2012, the acquisition of Indo Pacific Housing Finance Limited, a housing finance company registered with the National Housing Bank. The said subsidiary has been subsequently re-named as L&T Housing Finance Limited. The said subsidiary offers a wide range of housing finance products like home loans, loans for construction/repair of property and loan against property.

During the year, your Company also acquired Family Credit Limited, a well established Non Banking Financial Company (NBFC) with presence across two wheeler and four wheeler financing, from Société Générale Consumer Finance. This acquisition would consolidate your Company's presence in auto financing business in India. The acquisition was completed on December 31, 2012, pursuant to receipt of regulatory approvals.

Pursuant to approvals received from Securities and Exchange Board of India (SEBI), the acquisition of FIL Fund Management Private Limited and FIL Trustee Company Private Limited, the companies carrying on the mutual funds business of Fidelity in India, was successfully completed on November 23, 2012, and subsequently transfer of schemes managed by FIL Fund Management Limited was completed successfully. On further approvals received from SEBI, the sponsorship of L&T Mutual Fund has also been transferred to your Company from its subsidiary, L&T Finance Limited, by acquisition of

the entire shareholding of L&T Investment Management Limited and L&T Mutual Fund Trustee Limited, the Asset Management and Trustee Company respectively of L&T Mutual Fund from L&T Finance Limited.

During the year, L&T Infrastructure Finance Company Limited, a subsidiary of the Company, has incorporated L&T Infra Debt Fund Limited in its capacity as sponsor, along with the Company and a few of its other subsidiaries with a view to carry on the business of an Infrastructure Debt Fund – Non Banking Financial Company post application & receipt of the requisite regulatory approvals.

The Company has incorporated a wholly owned subsidiary, L&T Capital Markets Limited, on February 07, 2013, for the purpose of carrying on the business of Wealth Management.

During the year, most of the office premises owned by L&T Finance Limited, a subsidiary of the Company, have been transferred to L&T Unnati Finance Limited, another subsidiary of the Company to align the balance sheet of L&T Finance Limited in line with its core business.

The above acquisitions and initiatives are intended to broad base the Company's offerings to its clientele through various subsidiaries and de-risk the Company's business from exposure to a single business, or concentration in one or more sectors as well as enhance the understanding of the performance and balance sheet of the various subsidiaries.

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 thereupon does not contain any qualification.

- Total Income grew by 33% from ₹ 300,730.14 lakhs in FY 2011-12 to ₹ 400,645.79 lakhs in FY 2012-13.
- Profit Before Tax (PBT) grew by 44% from ₹ 68,424.64 lakhs in FY 2011-12 to ₹ 98,860.87 lakhs in FY 2012-13.
- Profit After Tax (PAT) grew by 61% from ₹ 45,479.51 lakhs in FY 2011-12 to ₹ 72,918.71 lakhs in FY 2012-13.

During the year, the net loan portfolio grew from ₹ 2,485,080.87 lakhs to ₹ 3,216,025.74 lakhs reflecting a healthy growth of 29%.

Assets under management of the Mutual Fund grew by 266% from ₹ 310,856.85 lakhs as at March 31, 2012 to ₹ 1,138,849.67 lakhs as at March 31, 2013.

Raising of Capital

In order to fund the acquisitions and the capital requirements of the subsidiaries from time to time, the Company has issued 4,490 Unsecured, Redeemable, Non-Convertible Debentures aggregating to ₹ 44,900.00 lakhs and 7,50,00,000 Unlisted 8.75% Cumulative Compulsorily Redeemable Preference Shares aggregating to ₹ 75,000.00 lakhs.

The issue of Cumulative Compulsorily Redeemable Preference Shares aggregating to ₹ 100,000.00 lakhs was earlier approved by the Shareholders through Postal Ballot, the results whereof were published on March 12, 2013.

During the year, the Company has issued in total 1,998,920 Equity Shares to the employees of the subsidiary companies pursuant to their exercise of stock options under ESOP Scheme - 2010.

Pursuant to the above issue of Preference Shares and allotment of Equity Shares pursuant to exercise of employee stock options, the paid-up capital of your Company increased to ₹ 246,676.05 lakhs (including Preference Share Capital of ₹ 75,000.00 lakhs) as at March 31, 2013 from ₹ 171,476.16 lakhs as at March 31, 2012.

Credit Rating

During the year, Credit Analysis and Research Limited (CARE) has accorded a rating of 'CARE AA+' [Double A Plus] for the issue of Non-Convertible Debentures (NCDs) for an aggregate amount of ₹ 75,000.00 lakhs. The aforesaid NCDs were also rated by ICRA Limited (ICRA) as 'ICRA AA+' [ICRA Double A Plus]. The rating indicates that the NCDs carry very low credit risk and are considered to have high degree of safety regarding timely servicing of financial obligations and further indicating "Stable" outlook.

Further, Credit Analysis and Research Limited (CARE) has accorded a rating of 'CARE AA+' [Double A Plus] for the issue of Cumulative Compulsorily Redeemable Preference Shares for an aggregate amount of ₹ 75,000.00 lakhs during the year. The rating indicates that the aforementioned instrument carry very low credit risk and are considered to have high degree of safety regarding timely servicing of financial obligations.

Divestment of Investments

During the year, in order to raise funds for its operations, the Company has divested 7,995,619 Equity Shares held by it in Federal Bank Limited, by means of a block deal on the BSE Limited. It has also divested 24,712,337 Equity Shares held by it in City Union Bank Limited to a subsidiary.

Fixed Deposits

The Company being a Non Deposit Accepting NBFC, has not accepted any deposits from the public during the year under review and shall not accept any deposits from the public without obtaining prior approval of the Reserve Bank of India.

Directors

During the year, the Company has appointed Mr. R. Gopalakrishnan as an Additional Director of the Company. Mr. Gopalakrishnan holds office up to the date of the ensuing Annual General Meeting of the Company and notice under Section 257 of the Companies Act, 1956 as been received from a member proposing his appointment as Director of the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R. Shankar Raman retires by rotation at the ensuing Annual General Meeting 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. Subramaniam N. and Mr. M. Venugopalan, retire by rotation at the ensuing Annual General Meeting. The Company has received intimation from them that due to prior commitments, they do not offer themselves for re-appointment. Considering that the business of the Company is being carried out substantially through its subsidiaries and the Company being a holding company, it is proposed that the vacancies arising from Mr. Subramaniam and Mr. Venugopalan not seeking re-appointment be not filled up at the current juncture.

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, as ammended from time to time, 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 and Analysis

Management Discussion and Analysis Report is given in an earlier part of the 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 Companies Act, 1956, 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 ₹ 168.11 lakhs (Previous year ₹ 527.69 lakhs) towards professional fees, Directors' sitting fees and travelling expenses.

Depository System

As the Members are aware, the Company's equity shares are compulsorily tradable in electronic form. As on March 31, 2013, 0.013% of the Company's total equity paid-up capital representing 220,613 shares is in physical form and the remaining capital is in electronic form. In view of the numerous advantages offered by the Depository system, the Members holding shares in physical form are advised to avail of the facility of dematerialization.

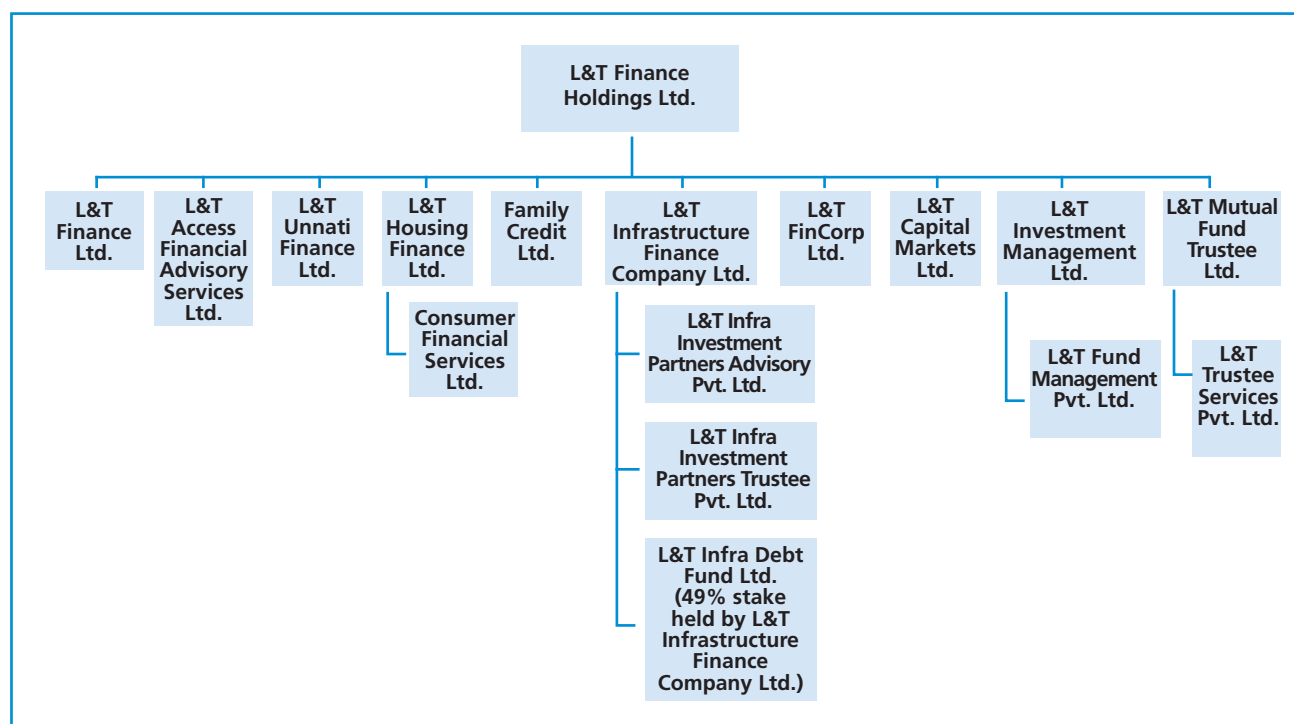
Subsidiary Companies

During the year, the Company has made strategic investments amounting to ₹ 54,575 lakhs in its wholly owned subsidiaries, to provide capital to these companies for their continued business growth.

The Ministry of Corporate Affairs, vide its Circular No. 2/2011 dated February 08, 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 said circular, the Board of Directors has, at its meeting held on April 25, 2013, 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 and will also be available for inspection by any shareholder at the Registered Office of the Company, on any working day during business hours.

The group structure is shown in the diagram below, indicating the direct and indirect subsidiaries of the Company.



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 departures;
- 2) the Directors have selected such accounting policies and applied them consistently and made judgements 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, 2013 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, 2013.

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

Place : Mumbai
Date : April 25, 2013

Information required to be disclosed under SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) 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.

This scheme was subsequently ratified by the Shareholders pursuant to Clause 22.2A and all other applicable provisions of SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time. Relevant disclosures are as follows:

Summary of ESOP Disclosure

A	Options Granted	16,365,500
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 (ESOP & ESPS) guidelines where the grant is made after listing on such terms & conditions as the Board/Nomination & Remuneration Committee may decide.
C	Options vested	3,717,996
D	Options exercised	2,030,745
E	Total no. of shares arising as a result of exercise of option	2,030,745
F	Options lapsed and/or withdrawn	3,208,800
G	Variation of terms of options	The pricing formula was modified as above and the variations made to the scheme were approved by the Shareholders on June 14, 2012 through Postal Ballot.
H	Money realised by exercise of options	₹ 89,758,929/-
I	Total number of options in force:	
	Vested	1,498,419
	Unvested	9,627,536
	Total	11,125,955
J	Employee-wise details of options granted to:	
	i. Senior Managerial Personnel	None
	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.	None
	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
K	Diluted Earning Per Share (EPS) pursuant to issue of shares on exercise of option	₹ 1.81

L	Disclosure Regarding the 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, 2013 would have been lower by ₹ Nil (excluding ₹ 459.26 lakh on account of grants to employees of subsidiary companies) (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 values	Weighted average exercise prices of the options outstanding as at the year end ₹ 44.20. Weighted average fair value of options outstanding as at the year end ₹ 15.37.
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>

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.

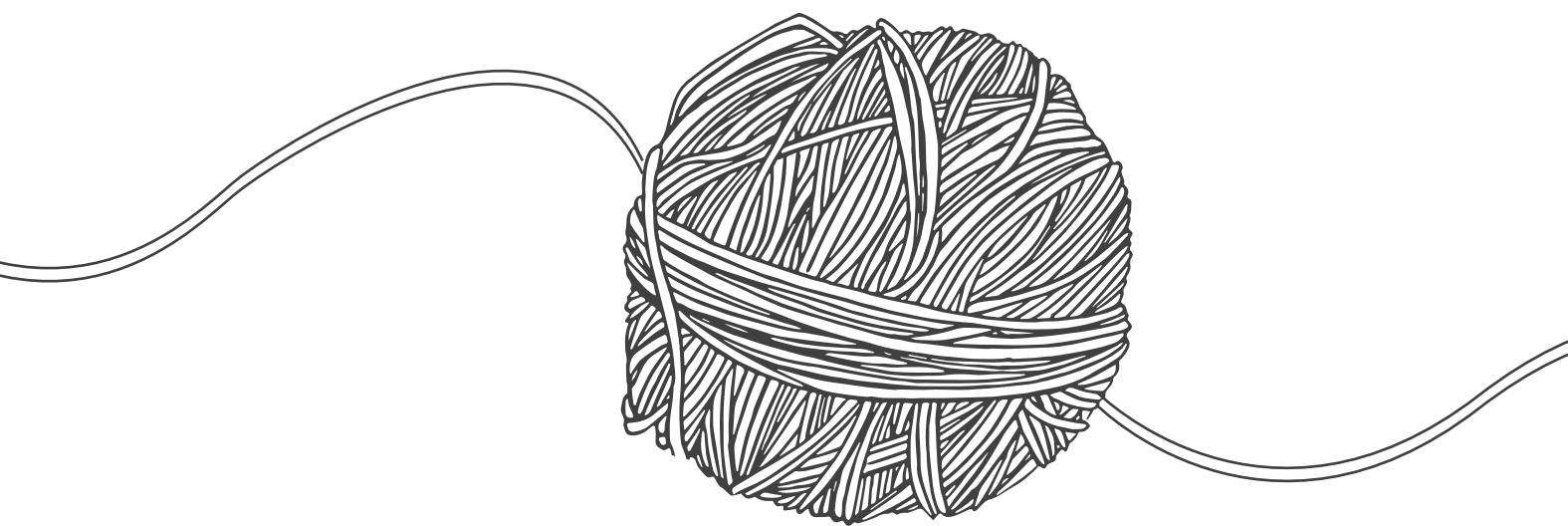
Further, the Scheme was ratified by the shareholders of the Company through Postal Ballot on June 14, 2012.

SHARP & TANNAN

Chartered Accountants
Registration No: 109982W
by the hand of

Milind P. Phadke

Partner
Membership No: 033013
Mumbai, April 25, 2013



corporate governance

our framework

Annexure 'B' to Directors' Report

Report on Corporate Governance

A. Company's Corporate Governance Philosophy

Fair, ethical and transparent governance practices instituted by the Company shape the Company's Corporate Governance Philosophy.

The Company's policy on Corporate Governance is shaped by the twin objectives of transparency and fairness in its business dealings and an adequate system of checks and controls to ensure that executive decisions benefit all stakeholders. The Company has established systems and procedures to ensure that its Board of Directors is well informed and well equipped to fulfill 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.

The Company believes that Corporate Governance is an ongoing process and there is a need to view Corporate Governance as more than just a regulatory requirement as good governance, apart from business results, leads to enhanced shareholder value.

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 nine Non-Executive Directors, of whom eight are Independent Directors.

Mr. R. Shankar Raman, a Non-Executive Director, is the Chief Financial Officer and a member of the Board of Directors of Larsen & Toubro Limited. Mr. A. K. Jain, Mr. S. V. Haribhakti, Mr. B. V. Bhargava, Mr. Subramaniam N.,

Mr. M. Venugopalan, Mr. P. V. Bhide, Ms. Kamakshi Rao and Mr. R. Gopalakrishnan are Independent Directors as defined in Clause 49 of the Listing Agreement.

With eight 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 City-2, Plot No. 177, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098. The Board met eight times during the year on April 26, 2012, July 19, 2012, October 01, 2012, October 19, 2012, November 06, 2012, December 14, 2012, January 29, 2013 and March 21, 2013.

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, whenever there are strategic items needing discussions at the Board level. Senior Management Personnel are invited to provide additional inputs for the items being discussed by the Board of Directors as and 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 prior to the next meeting and noted therein.

With a view to conserve natural resources, provide better operational convenience to the Board members and to ensure security of sensitive information, the Company has, during the year, moved to an electronic system of Board agenda/minutes dissemination through individual devices.

The attendance of the members of the Board at the meetings held during the year and at the last Annual General Meeting (AGM) and also the number of other Directorships & Memberships/Chairmanships of Committees as on March 31, 2013 is as follows:

Name of the Director	Nature of Directorship	Meetings held during the year	No. of Board Meetings attended	Attendance at last AGM	No. of Directorships in other Public companies#	No. of Committee Memberships (Including in Company)##	
						Member	Chairman
Mr. Y. M. Deosthalee	CMD	8	8	Present	9	4	2
Mr. N. Sivaraman	WTD	8	8	Present	10	5	1
Mr. R. Shankar Raman	NED	8	5	Present	6	4	-
Mr. A. K. Jain	ID	8	8	Present	2	2	1
Mr. S. V. Haribhakti	ID	8	6	Present	13	10	5
Mr. B. V. Bhargava	ID	8	8	Present	7	8	5
Mr. Subramaniam N.	ID	8	7	Present	2	2	-
Mr. M. Venugopalan	ID	8	8	Present	7	6	-
Mr. P. V. Bhide	ID	8	8	Present	7	6	2
Ms. Kamakshi Rao	ID	8	5	Present	-	-	-
Mr. R. Gopalakrishnan*	ID	8	Nil	NA	11	4	1

Directorships in Foreign companies, Private Limited companies, companies under Section 25 of the Companies Act, 1956 and companies in which the Director holds office as an Alternate Director are excluded for the above purpose.

Memberships include Chairmanships. Only memberships of Audit Committee and Shareholders'/Investors' Grievance Committee are considered.

* Appointed as an Additional Director w.e.f. January 29, 2013.

CMD – Chairman & Managing Director

WTD – Whole-time Director

NED – Non-Executive Director

ID – Independent Director

- None of the above Directors is related inter-se.
- The Committee Chairmanships/Memberships are within the limits laid down in Clause 49 of the Listing Agreement.

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 and its subsidiaries.
- Quarterly results and results of operations of subsidiaries.
- Financing plans of the Company.
- Minutes of meetings of the Board of Directors, Audit Committee, Shareholders'/Investors' Grievance Committee, Nomination & Remuneration Committee, Asset Liability Management Committee, Risk Management Committee and Committee of Directors.
- Minutes of the Board Meetings of material subsidiaries.
- Details of potential acquisitions 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 Judgement 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;
- Committee of Directors;
- Asset Liability Management 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 with internal control systems;
- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are 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 other services of non-routine and material nature 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 sub-section (2AA) of Section 217 of the Companies Act, 1956; changes, if any, in accounting policies and practices and reasons for the same; major accounting entries

involving estimates based on the exercise of judgement by the 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 and qualifications, if any, 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, monitoring the utilisation of proceeds of a public or rights issue, reviewing the report submitted by the monitoring agency, and making appropriate recommendations to the Board;
- 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; and
- 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, 2013, 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, 2012, July 19, 2012, October 19, 2012 and January 28, 2013. 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	4
Mr. R. Shankar Raman	4	3

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, 2013 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 April 26, 2012, July 19, 2012, October 19, 2012 and January 29, 2013. 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	4
Mr. R. Shankar Raman	4	3

(iv) Details of Shareholders' Requests/Complaints:

During the year under review, the Company has resolved investor grievances expeditiously. 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 timeframe laid down by SEBI.

Particulars	Opening Balance	Received	Resolved	Pending
Complaints:				
SEBI/Stock Exchanges	Nil	7	7	Nil
Queries:				
Transmission/Transfer	Nil	Nil	Nil	Nil
Demat/Remat	Nil	52	52	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 nine meetings during the year for conducting the business delegated to it.

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, 2013 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 seven times during the year on June 27, 2012, July 18, 2012, September 19, 2012, October 19, 2012, December 14, 2012, January 28, 2013 and March 21, 2013. 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	7	7
Mr. Subramaniam N.	7	6*
Mr. M. Venugopalan	7	5
Mr. Y. M. Deosthalee	7	7

**excluding one meeting attended through Audio Conferencing*

(iv) Board Membership Criteria:

While screening, selecting and recommending to the Board new members, the Committee ensures that the Board is objective in its selection, there is absence of conflict of interest and the Board composition 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.

The Independent Directors comply with the definition as given under Clause 49 of the Listing Agreement. While appointing/re-appointing any Non-Executive Directors 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 and compensation paid by peer companies. 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 commission, or 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 the recommendations of the Nomination & Remuneration Committee, approval of the Board and the Shareholders.

The Non-Executive Directors are paid remuneration by way of commission & sitting fees. The Company pays sitting fees of ₹ 20,000 per meeting to the Non-Executive Directors 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 Non-Executive Directors is made available on the investor page of the corporate website i.e. www.ltfinanceholdings.com.

(vi) Details of remuneration paid/payable to Directors for the year ended March 31, 2013:

(a) Executive Directors:

The details of remuneration paid / payable to the Executive Directors are as follows:

(₹ Lakhs)

Name of the Director	Salary & Perquisites	Variable Remuneration* (up to)	Retirement Benefits	Total
Mr. Y. M. Deosthalee	177.35	Nil #	16.68	194.03
Mr. N. Sivaraman	160.49	454.67@	10.44	625.60

* based on guidelines formulated by the Nomination & Remuneration Committee and approved by the Board.

Pursuant to voluntary waiver of the same by the CMD for FY 13. The CMD had earlier waived the same for FY 12 also.

@ Represents provision for FY 13 excluding the reversal of provision of ₹ 47.52 lakhs for FY 12.

- Notice period for termination of appointment of Chairman & Managing Director and the 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:

(₹ Lakhs)

Name of the Director	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	1.60	0.80	9.00	11.40
Mr. S. V. Haribhakti	1.20	2.20	9.00	12.40
Mr. B. V. Bhargava	1.60	0.80	11.00	13.40
Mr. Subramaniam N.	1.40	2.00	9.00	12.40
Mr. M. Venugopalan	1.60	1.00	9.00	11.60
Mr. P. V. Bhide	1.60	Nil	9.00	10.60
Ms. Kamakshi Rao	0.80	Nil	9.00	9.80
Mr. R. Gopalakrishnan	0	Nil	1.53	1.53

* to be decided by the Board based on the recommendations of the Nomination & Remuneration Committee.

Details of shares held by the Non-Executive Directors as on March 31, 2013 are as follows:

Name of the Director	No. of Shares
Mr. R. Shankar Raman	24,461
Mr. A. K. Jain	Nil
Mr. S. V. Haribhakti	Nil
Mr. B. V. Bhargava	Nil
Mr. Subramaniam N.	Nil
Mr. M. Venugopalan	1,522
Mr. P. V. Bhide	Nil
Ms. Kamakshi Rao	Nil
Mr. R. Gopalakrishnan	Nil

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 fifteen times during the year on May 28, 2012, August 06, 2012, October 09, 2012, October 31, 2012, November 09, 2012, November 15, 2012, November 27, 2012, December 03, 2012, December 19, 2012, January 02, 2013, February 20, 2013, March 05, 2013, March 20, 2013, March 21, 2013 and March 31, 2013. 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	15	12
Mr. N. Sivaraman	15	15
Mr. R. Shankar Raman	15	12

4. 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, etc.

(ii) Composition:

The Committee of Directors was formed in 2011 and as on March 31, 2013 the Committee comprises of:

5. Asset Liability Management Committee & Risk Management Committee

The aforesaid special purpose committees have been constituted for effective risk management in various portfolios and in compliance with Master Circular of RBI on Corporate Governance.

(a) Asset Liability Management Committee

(i) Terms of reference:

The role of the Asset Liability Management Committee includes the following:

- Formalizing the ALM system in the Company;
- Monitoring market risk management systems, compliance with the asset liability management policy and prudent gaps and tolerance limits and reporting systems set out by the Board of Directors and ensuring adherence to the RBI Guidelines issued in this behalf from time to time;
- Monitoring the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
- Reviewing the effects of various possible changes in the market conditions related to the Balance Sheet and recommend the action needed to adhere to the Company's internal limits; and
- Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks.

(ii) Composition:

The Asset Liability Management Committee was formed in 2012 and as on March 31, 2013 the Committee comprises of:

Name of the Member	Designation in the Committee
Mr. N. Sivaraman	Chairman
Mr. R. Govindan	Member
Mr. Suneet Maheshwari	Member
Mr. Dinanath Dubhashi	Member
Mr. N. Suryanarayanan	Member
Mr. G. K. Shettigar	Member
Mr. V. V. Subramanian	Member

(iii) Meetings:

During the year, one Meeting was convened on March 28, 2013.

(b) Risk Management Committee

(i) Terms of reference:

The role of the Risk Management Committee includes the following:

- To manage the integrated risk which would include Liquidity Risk, Interest Rate Risk, Currency Risk, etc.; and
- To devise policies and guidelines for identification, measurement, monitoring and controlling all major risk categories.

(ii) Composition:

The Risk Management Committee was formed in 2012 and as on March 31, 2013 the Committee comprises of:

Name of the Member	Designation in the Committee
Mr. N. Sivaraman	Chairman
Mr. R. Shankar Raman	Member
Mr. R. Govindan	Member
Mr. Dinanath Dubhashi	Member
Mr. Suneet Maheshwari	Member

(iii) Meetings:

During the year, one Meeting was convened on March 28, 2013.

D. Directors on Boards of Material Subsidiaries

The Company has ensured that at least one Independent Director of the Company is a Director on the Board of each Material Subsidiary of the Company. As at March 31, 2013, Mr. P. V. Bhide and Mr. Subramaniam N. are Directors on the Board of L&T Finance Limited; Mr. A. K. Jain and Mr. B. V. Bhargava are Directors on the Board 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 the management. Independent Directors have the freedom to interact with the Company's management. Interactions happen during Board/ Committee Meetings, when Senior Management 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 and 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 2012-13 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 i.e. 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 of the Company as adopted by the Board of Directors.

Y. M. Deosthalee

Chairman & Managing Director

Date: April 25, 2013

Place: Mumbai

General Body Meetings:

The Annual General Meetings of the Company for financial years 2009-10 and 2010-11 were held at L&T House, Ballard Estate, Mumbai – 400 001, the Registered Office of the Company and Annual General Meeting of the Company for financial year 2011-12 was held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai - 400 020, as under:

Year	Date	Time
2009-10	August 23, 2010	10.30 A.M.
2010-11	June 30, 2011	11.00 A.M.
2011-12	August 09, 2012	03.00 P.M.

The following Special Resolutions were passed by the Shareholders during the past three Annual General Meetings:

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

Postal Ballot:

Following Special Resolutions were passed through Postal Ballot in Financial Year 2012-13.

Date of Declaration of Results	Subject matter of the Resolution	Voting Pattern				
		No. of Votes cast / %	Assent	Dissent	Abstained	Total
June 14, 2012	Payment of remuneration to Non-Executive Directors of the Company	Votes	1,528,554,877	305,152	6,984,904	1,535,844,933
		%	99.53	0.02	0.45	100

Date of Declaration of Results	Subject matter of the Resolution	Voting Pattern				
		No. of Votes cast / %	Assent	Dissent	Abstained	Total
June 14, 2012	Ratification of Employee Stock Option Scheme - 2010 instituted by the Company prior to its Initial Public Offer (IPO)	Votes	1,525,950,441	2,909,775	6,984,767	1,535,844,983
		%	99.36	0.19	0.45	100
June 14, 2012	Extension of Employee Stock Option Scheme - 2010 instituted by the Company prior to its Initial Public Offer (IPO) to the eligible employees of the holding company, subsidiary & associate companies, if permitted by law.	Votes	1,525,913,667	2,947,878	6,983,288	1,535,844,833
		%	99.36	0.19	0.45	100
March 12, 2013	Issue of Preference Shares	Votes	1,519,357,259	382,673	209,345	1,519,949,277
		%	99.96	0.03	0.01	100

The Company had appointed Mr. S. N. Ananthasubramanian, Practising Company Secretary, as the Scrutinizer for conducting the Postal Ballot process to ensure carrying out the Postal Ballot process in a fair and transparent manner. The results of Postal Ballot were also displayed on the Notice board at the Registered Office of the Company and hosted on the website of the Company i.e. www.ltfinanceholdings.com, besides being communicated to the Stock Exchanges where the shares of the Company are listed.

Procedure for Postal Ballot:

For conducting a Postal Ballot, notice specifying the resolutions proposed to be passed through Postal Ballot as also the relevant explanatory statement and the postal ballot forms are dispatched to all the Shareholders along with self addressed postage prepaid envelope. The Shareholders are requested to send back the postal ballot forms duly filled up and signed in the postage prepaid envelopes provided to them by the Company, so as to reach the scrutinizer (in whose name the envelopes are made) on or before the 30th day from the date of issue of notice by the Company.

The scrutinizer compiles the Postal Ballot Result out of the postal ballot forms found valid and hands over the results to the Chairman. The Chairman thereupon

declares Result of the Postal Ballot and the same are also displayed on a notice at the Registered Office of the Company.

The Company also offers the facility of e-voting.

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.

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, Hindu Business Line, DNA Money, Free Press Journal, Navbharat and Navshakti.

- The financial results, official news releases and presentations are also displayed on the website of the Company i.e. www.ltfinanceholdings.com.
- The Annual Report is circulated to all the Shareholders and all others like auditors, equity analysts, etc.
- Management Discussion and Analysis forms a part of the Annual Report which is mailed to the shareholders of the Company.

General Shareholders' Information:

Annual General Meeting	Thursday, August 01, 2013 at 3.00 P.M. Birla Matushri Sabhagar, 19, Marine Lines, Mumbai - 400 020.
Financial Year	April 01, 2012 to March 31, 2013
Date of Book Closure	Tuesday, July 30, 2013 to Thursday, August 01, 2013 (both days inclusive)
Dividend Payment	The dividend of ₹ 0.75 per Equity Share of face value ₹ 10/- each and ₹ 8.75 on pro-rata basis per Cumulative Compulsorily Redeemable Preference Share of face value ₹ 100/- each, if approved by the Shareholders at the ensuing Annual General Meeting, will be credited/dispatched before August 30, 2013.
Listing on Stock Exchanges	1. BSE Limited 2. National Stock Exchange of India Limited The Company has paid the listing fees to the Stock Exchanges.
Stock Code	BSE : 533519 NSE : L&TFH
Listing of Debt Securities	The Unsecured, Redeemable, Non-Convertible Debentures issued by the Company are listed on the Wholesale Debt Market (WDM) of National Stock Exchange of India Limited (NSE).
Debenture Trustees	GDA Trusteeship Limited GDA House, S.No.94/95, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune - 411 038.

Financial Calendar

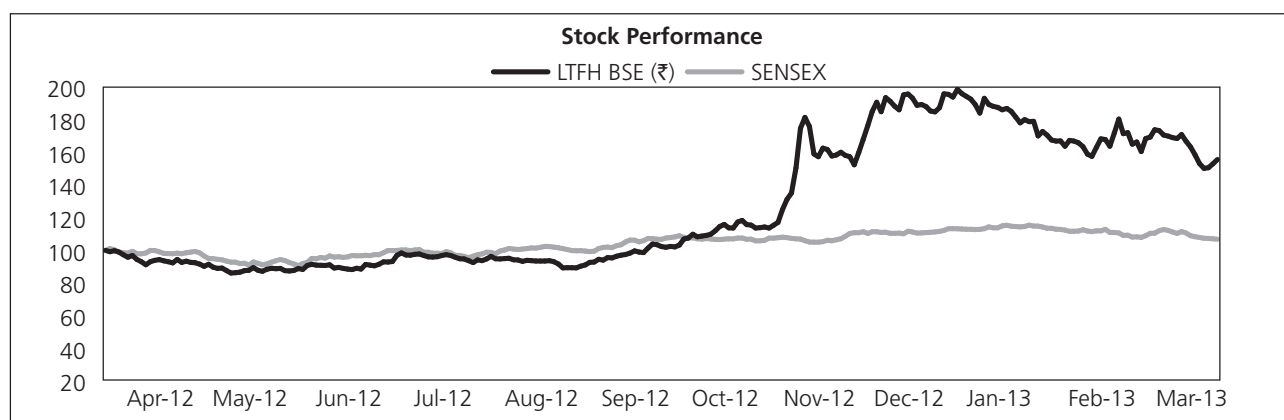
First quarter*	During 4 th week of July, 2013
Second quarter*	During 4 th week of October, 2013
Third quarter*	During 4 th week of January, 2014

* Tentative date of Meeting

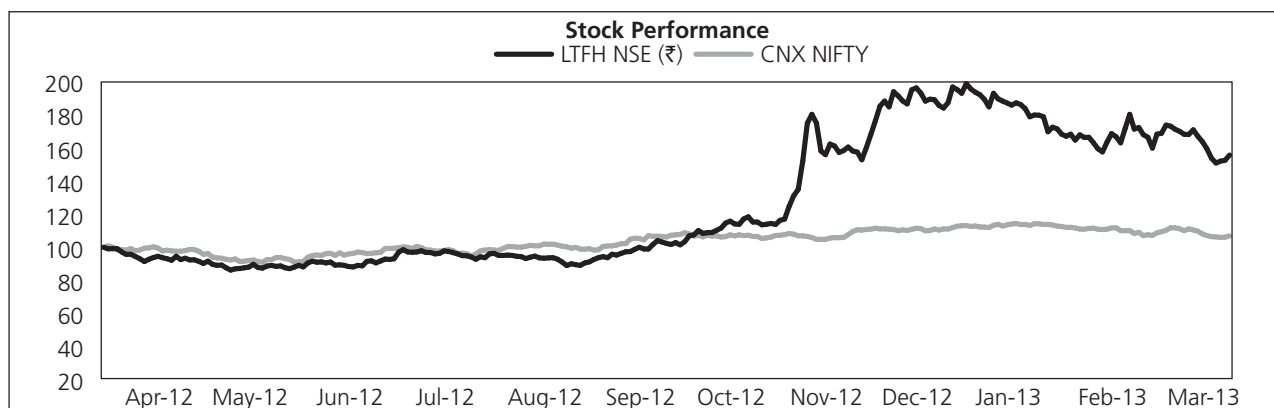
Market Price Data and Performance in comparison to broad based indices

Month	LTFH BSE Price (₹)			BSE SENSEX		
	High	Low	Month Close	High	Low	Month Close
Apr-2012	47.50	43.30	44.00	17,597.42	17,094.51	17,318.81
May-2012	43.90	40.90	41.50	17,301.91	15,948.10	16,218.53
Jun-2012	44.15	41.65	44.15	17,429.98	15,965.16	17,429.98
Jul-2012	46.75	43.95	44.50	17,618.35	16,639.82	17,236.18
Aug-2012	45.75	42.40	42.40	17,885.26	17,197.93	17,429.56

Month	LTFH BSE Price (₹)			BSE SENSEX		
	High	Low	Month Close	High	Low	Month Close
Sep-2012	49.35	42.90	48.40	18,762.74	17,313.34	18,762.74
Oct-2012	56.20	48.50	54.10	19,058.15	18,430.85	18,505.38
Nov-2012	86.20	54.00	74.75	19,339.90	18,309.37	19,339.90
Dec-2012	93.00	72.40	89.00	19,486.80	19,229.26	19,426.71
Jan-2013	94.35	80.80	82.10	20,103.53	19,580.81	19,894.98
Feb-2013	85.70	74.85	78.40	19,781.19	18,861.54	18,861.54
Mar-2013	82.60	71.35	73.95	19,683.23	18,681.42	18,835.77



Month	LTFH NSE Price (₹)			CNX-NIFTY		
	High	Low	Month Close	High	Low	Month Close
Apr-2012	47.40	43.30	43.85	5,358.50	5,189.00	5,248.15
May-2012	43.80	40.95	41.40	5,239.15	4,835.65	4,924.25
Jun-2012	44.05	41.65	44.05	5,278.90	4,841.60	5,278.90
Jul-2012	46.80	43.95	44.55	5,345.35	5,043.00	5,229.00
Aug-2012	45.65	42.30	42.35	5,421.00	5,215.70	5,258.50
Sep-2012	49.25	42.95	48.30	5,703.30	5,225.70	5,703.30
Oct-2012	56.25	48.35	54.15	5,787.60	5,597.90	5,619.70
Nov-2012	86.05	54.00	74.85	5,879.85	5,571.40	5,879.85
Dec-2012	92.90	72.55	89.10	5,930.90	5,847.70	5,905.10
Jan-2013	94.35	80.70	82.15	6,082.30	5,950.85	6,034.75
Feb-2013	85.70	74.70	78.55	5,998.90	5,693.05	5,693.05
Mar-2013	82.60	71.45	73.80	5,945.70	5,633.85	5,682.55



Registrar and Share Transfer Agent	Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex, 2 nd 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
Share Transfer System	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, 2013:

Category (Shares)	Shareholders		Shareholding	
	Number	%	Number	%
Up to 500	338,039	87.45	60,618,197	3.53
501-1000	25,160	6.51	19,488,095	1.14
1001-2000	14,362	3.72	19,945,704	1.16
2001-3000	3,604	0.93	9,147,834	0.53
3001-4000	1,467	0.38	5,258,352	0.31
4001-5000	1,098	0.28	5,167,863	0.30
5001-10000	1,613	0.42	11,824,123	0.69
10001 and above	1,217	0.31	1,585,310,364	92.34
TOTAL	386,560	100.00	1,716,760,532	100.00

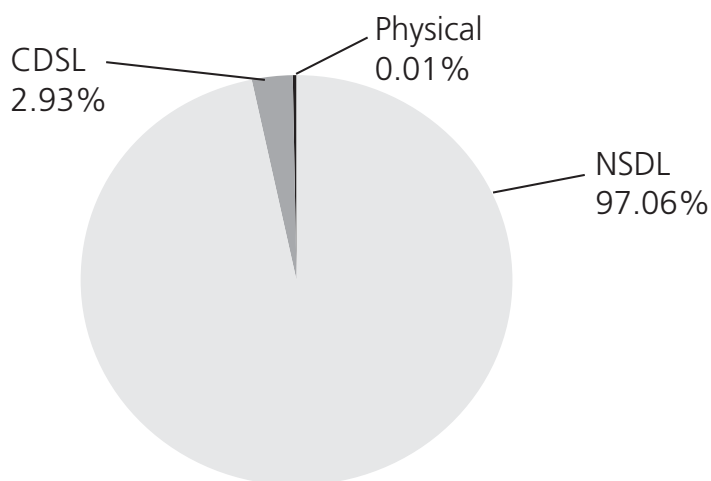
Categories of the Shareholders as on March 31, 2013:

Category	Total Shares	% to Equity
Promoters	1,417,024,221	82.54%
Financial Institutions	7,877,710	0.46%
Foreign Institutional Investors	98,827,119	5.75%
Mutual Funds	1,496,228	0.09%
Bodies Corporate	23,062,144	1.34%
Directors & Relatives	804,096	0.05%
Resident Individuals & Trusts	157,817,377	9.19%
Banks	6,146,608	0.36%
Non Resident Indians	3,705,029	0.22%
TOTAL	1,716,760,532	100.00%

Dematerialization of Shares:

The Company's shares are required to be compulsorily traded on the Stock Exchanges in dematerialized form. The number of shares held in dematerialized and physical mode are as under:

	No. of Shares	% of Total Capital Issued
NSDL	1,666,215,657	97.06%
CDSL	50,324,262	2.93%
Physical	220,613	0.01%
TOTAL	1,716,760,532	100.00%

Shares held in Demat/Physical Form


Dematerialization of shares and liquidity	As on March 31, 2013 almost the entire equity capital was held in the dematerialized form with NSDL and CDSL. Out of 220,613 shares held in physical form, 206,413 shares allotted on March 21, 2013 upon exercise of ESOPs, have been subsequently credited to the demat accounts of the respective employees.
Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity	The Company does not have any Outstanding GDRs/ADRs/ Warrants or any other Convertible instrument as on date.
Plant Locations	As the Company is engaged in the business of Non Banking Financial Services, this section is not applicable.
Address for correspondence	Sharepro Services (India) Private Limited 13 AB, Samhita Warehousing Complex, 2 nd 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
Address of the Compliance Officer	Mr. N. Suryanarayanan, Company Secretary L&T Finance Holdings Limited City - 2, Plot No. 177, C.S.T. Road, Vidyanagari Marg, Kalina, Santacruz (East), Mumbai – 400 098. Phone No.: 022 - 6621 7300 Fax No.: 022 - 6621 7302 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 and 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 a Compliance Officer for monitoring compliances with this Code.

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.

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, 2013 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) there have been no instances of significant fraud of which we have become aware.

Yours sincerely,

V. V. Subramanian

Financial Controller

Y. M. Deosthalee

Chairman & Managing Director

Place: Mumbai

Date : April 25, 2013

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, 2013 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.

Place: Mumbai
Date : April 25, 2013

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

Independent Auditors' Report

TO THE MEMBERS OF L&T FINANCE HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of L&T Finance Holdings Limited ('the Company'), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ('the Act'). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by

the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order') issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, 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 it 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 comply with the Accounting Standards referred to in Section 211(3C) of the Act; and
 - (e) On the basis of the written representations received from the directors as on March 31, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Act.

SHARP & TANNAN

Chartered Accountants
Registration No. 109982W
by the hand of

MILIND P. PHADKE

Partner
Membership No. 033013
Mumbai, April 25, 2013

Annexure to the Auditors' Report

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of all fixed assets.
- (b) As explained to us, all the fixed assets have been physically verified by the management during the year, 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.
- (ii) The Company is a non-banking finance company and does not hold any inventories. Accordingly, the Paragraph 4 (ii) (a), (b) and (c) of the Order is not applicable.
- (iii) (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, the Paragraph 4(iii) (b), (c) and (d) of the Order, is not applicable.
- (e) 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, the Paragraph 4 (iii) (f) and (g) of the Order is not applicable.
- (iv) 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. During the course of audit, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the 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 Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) 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.
- (ix) (a) According to the information and explanations given to us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income 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 applicable.
- (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.
- (x) The Company was incorporated on May 1, 2008 and commenced its business on May 15, 2008. Accordingly, the 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 the repayment of dues to any financial institutions or bank as at the Balance Sheet date.

- (xii) According to the information and explanations given to us, 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, the Paragraph 4 (xii) of the Order is not applicable.
- (xiii) The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/society are not applicable to the Company. Accordingly, the Paragraph 4 (xiii) of the Order is not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. The Company has invested surplus fund in the schemes of mutual fund and other investments. According to the information and explanations given to us, proper records have been made of the transactions and contracts and timely entries have been made therein.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, the Paragraph 4 (xv) of the Order is not applicable.
- (xvi) In our opinion and according to the information and explanations given to us, the Company has not obtained any term loans from banks and financial institutions. Accordingly, the Paragraph 4 (xvi) of the Order is not applicable.
- (xvii) According to the information and explanations given to us and on 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) According to the information and explanations given to us and the records examined by us, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year. Accordingly, the Paragraph 4 (xviii) of the Order is not applicable.
- (xix) According to information and explanations given to us and the records examined by us, the Company has not issued any secured debentures during the year. Accordingly, the Paragraph 4 (xix) of the Order is not applicable to the Company.
- (xx) According to the information and explanations given to us and the records examined by us, the Company has not raised any money by public issues during the year. Accordingly, Paragraph 4 (xx) of the Order is not applicable to the Company.
- (xxi) During the course of our examination of 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 the management.

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

MILIND P. PHADKE
Partner
Membership No. 033013
Mumbai, April 25, 2013

Balance Sheet as at March 31, 2013

(₹ Lakhs)

	Note No	As at March 31, 2013	As at March 31, 2012
EQUITY AND LIABILITIES:			
Shareholders' funds			
Share capital	2	246,676.05	171,476.16
Reserves and surplus	3	181,378.87	163,889.47
		428,054.92	335,365.63
Non-current liabilities			
Long-term borrowings	4	10,000.00	-
Other long-term liabilities	5	13.58	13.58
Long-term provisions	6	828.56	86.89
		10,842.14	100.47
Current liabilities			
Short-term borrowings	7	29,561.33	-
Current maturity of long-term borrowings	4	34,900.00	-
Other current liabilities	8	34,037.97	868.32
Short-term provisions	9	13,660.17	311.36
		112,159.47	1,179.68
TOTAL		551,056.53	336,645.78
ASSETS:			
Non-Current assets			
Fixed assets	10		
- Tangible assets		49.83	49.48
- Intangible assets		2.71	4.34
		52.54	53.82
Non-current investments	11	412,256.11	304,677.79
Deferred tax assets (net)	12	176.49	55.04
Long-term loans and advances	13	49,059.92	-
		461,545.06	304,786.65
Current assets			
Current Investments	14	75,291.61	-
Cash and bank balances	15	4,893.89	393.98
Short-term loans and advances	16	8,403.00	29,453.49
Other current assets	17	922.97	2,011.66
		89,511.47	31,859.13
TOTAL		551,056.53	336,645.78
Significant accounting policies	1		
Notes forming part of financial statements	24		

As per our report attached

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 25, 2013

Y.M. Deosthalee

Chairman & Managing Director

N. Suryanarayanan

Company Secretary

Mumbai, April 25, 2013

N. Sivaraman

President & Whole-time Director

V.V. Subramanian

Financial Controller

Statement of Profit and Loss for the year ended March 31, 2013

(₹ Lakhs)

	Note No	2012-13	2011-12
Income			
Revenue from operations	18	17,197.61	11,183.50
Other Income	19	2,869.61	1,758.64
Total Income		20,067.22	12,942.14
Expenses			
Employee benefits expense	20	1,509.01	1,115.89
Finance costs	21	2,777.18	1,454.67
Administration and other expenses	22	2,528.31	1,406.42
Provisions and contingencies	23	70.00	74.00
Depreciation and amortisation		9.56	1.17
Total Expenses		6,894.06	4,052.15
Profit before exceptional and extraordinary items and taxes		13,173.16	8,889.99
Exceptional items		23,572.92	-
Profit before extraordinary items and taxes		36,746.08	8,889.99
Extraordinary Items		-	-
Profit before tax		36,746.08	8,889.99
Tax expense:			
- Current tax		5,735.00	1,820.00
- Deferred tax		(121.44)	(55.04)
		5,613.56	1,764.96
Profit for the year		31,132.52	7,125.03
Earnings Per Equity Share:			
Basic earnings per equity share	24.6	1.81	0.44
Diluted earnings per equity share	24.6	1.80	0.44
Face value per equity share (₹)		10.00	10.00
Significant accounting policies	1		
Notes forming part of financial statements	24		

As per our report attached

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 25, 2013

Y.M. Deosthalee

Chairman & Managing Director

N. Suryanarayanan

Company Secretary

Mumbai, April 25, 2013

N. Sivaraman

President & Whole-time Director

V.V. Subramanian

Financial Controller

Cash Flow Statement for the year ended March 31, 2013

(₹ Lakhs)

	2012-13	2011-12
A. Cash flow from operating activities		
Profit before tax as per Statement of Profit and Loss	36,746.08	8,889.99
Adjustment for:		
Provision on Standard Assets	70.00	74.00
Provision for employee benefits	871.20	154.40
Depreciation and amortisation	9.56	1.17
Profit on sale of investment in perpetual debt	(646.42)	-
Profit on sale of investment in equity shares	(23,792.09)	-
Operating profit before working capital changes	13,258.33	9,119.56
Changes in working capital		
(Increase)/Decrease in current and non-current loans and advances	(26,820.78)	(30,936.80)
Increase/(Decrease) in current and non-current liabilities and provisions	33,409.41	955.05
Cash generated from operations	19,846.96	(20,862.19)
Direct taxes paid	(5,921.81)	(1,727.25)
Net cash generated from operating activities (A)	13,925.15	(22,589.44)
B. Cash flows from investing activities		
Add: Inflows from investing activities		
Proceeds from sale of investment in equity shares	38,955.72	-
Proceeds from sale of investment in perpetual debt	20,646.42	-
	59,602.14	-
Less : Outflow for investing activities		
Purchase of shares of subsidiary companies	134,341.95	72,800.00
Purchase of current investments (net)	75,291.62	-
Purchase of Tier II debt of subsidiary company	8,400.00	-
Purchases of Fixed Assets	8.28	54.99
Purchase of NCD of Subsidiary companies	-	20,000.00
	218,041.85	92,854.99
Net cash used in investing activities (B)	(158,439.71)	(92,854.99)

Cash Flow Statement for the year ended March 31, 2013

(₹ Lakhs)

	2012-13	2011-12
C. Cash flows from financing activities		
Add: Inflows from financing activities		
Proceeds from issue of share capital including securities premium	76,064.51	157,539.01
Proceeds from long-term borrowings	44,900.00	-
Proceeds from other borrowings (net)	29,561.33	-
	150,525.84	157,539.01
Less: Outflows for financing activities		
Share/Debenture issue expenses	1,511.37	6,130.37
Repayment of other borrowings (net)	-	35,600.00
	1,511.37	41,730.37
Net cash generated from financing activities (C)	149,014.47	115,808.64
Net cash increase/(decrease) in cash and cash equivalents (A+B+C)	4,499.91	364.21
Cash and cash equivalents as at beginning of the year	393.98	29.77
Cash and cash equivalents as at end of the year	4,893.89	393.98

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.
- Previous year figures have been regrouped/reclassified wherever applicable.

As per our report attached

For and on behalf of the Board

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

Y.M. Deosthalee
Chairman & Managing Director

N. Sivaraman
President & Whole-time Director

Milind P. Phadke
Partner
Membership No. 033013

N. Suryanarayanan
Company Secretary

V.V. Subramanian
Financial Controller

Mumbai, April 25, 2013

Mumbai, April 25, 2013

Notes forming part of Financial Statements - March 31, 2013

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

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 of 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%.
Computers 20%
- Specialized software amortized 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'.

'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 the 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 recognized as an expense in the Statement of Profit and Loss on a straight-line basis over the lease term.

Notes forming part of Financial Statements - March 31, 2013

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.

Post employment benefits:

(a) Defined contribution plans:

The Company's provident fund, pension and superannuation 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 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

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

Deferred tax is recognised on timing differences between the income accounted in financial

statements and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation/ business losses / losses under the head "capital gains" are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Other deferred tax assets are recognised 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 realised.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the Guidance Note issued by the ICAI, the said assets are created by way of a credit to the Statement of Profit and Loss.

1.11 Provisions, contingent liabilities and contingent assets

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 assets 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 and Debenture issue expense

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

Notes forming part of Financial Statements - March 31, 2013

1.14 Cash and bank balances

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-20.

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.

1.16 Impairment of Assets

Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's net selling price or its value in use.

1.17 Commitments

Commitments are future liabilities for contracted expenditure. Commitments are classified and disclosed as follows:-

- a. Estimated amount of contracts remaining to be executed on capital account are not provided for.
- b. Other non-cancellable commitments, if any to the extent they are considered material and relevant in the opinion of the Management.

1.18 Extraordinary and exceptional items

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such.

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes forming part of financial statements.

Notes forming part of Financial Statements - March 31, 2013

2) Share Capital

(I) Share capital authorised, issued and subscribed

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	(₹ Lakhs)	No. of Shares	(₹ Lakhs)
Authorised				
Equity Share of ₹ 10 each	5,000,000,000	500,000.00	5,000,000,000	500,000.00
Preference Shares of ₹ 100 each	100,000,000	100,000.00	-	-
Issued, Subscribed & Paid up				
Equity Share of ₹ 10 each fully paid	1,716,760,532	171,676.05	1,714,761,612	171,476.16
8.75% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid	75,000,000	75,000.00	-	-
Total Issued, Subscribed & Paid up capital		246,676.05		171,476.16

(II) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Members of the Company holding equity shares 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. The Company declares dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting.

(III) Terms/rights attached to preference shares

The CRPS will not have voting rights other than in respect of matters directly affecting it. In the event any due and payable dividends remain unpaid for aggregate period of at least 2 years prior to the start of any general meeting of the equity shareholders, CRPS holders shall have voting rights in line with their voting rights of the equity shareholders. The CRPS will be redeemed at the end of 3 years from the date of allotment. Provided that the tenure may be extended by a further period, not exceeding 5 days from the Proposed Tenure, which shall be notified to the Investors at the time of allotment.

(IV) Reconciliation of the shares outstanding at the beginning and at the end of the year

Equity Shares	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	(₹ Lakhs)	No. of Shares	(₹ Lakhs)
At the beginning of the year	1,714,761,612	171,476.16	1,417,024,426	141,702.44
Issued during the year				
- Pre-IPO Placement	-	-	60,000,000	6,000.00
- Issued under IPO	-	-	237,705,361	23,770.54
- Issued under ESOP	1,998,920	199.89	31,825	3.18
Outstanding at the end of the year	1,716,760,532	171,676.05	1,714,761,612	171,476.16

8.75% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	(₹ Lakhs)	No. of Shares	(₹ Lakhs)
At the beginning of the year	-	-	-	-
Issued during the year	75,000,000	75,000.00	-	-
Outstanding at the end of the year	75,000,000	75,000.00	-	-

Notes forming part of Financial Statements - March 31, 2013

(V) Equity shares in the Company held by the Holding Company

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	(₹ Lakhs)	No. of Shares	(₹ Lakhs)
Larsen & Toubro Limited and its nominees	1,417,024,221	141,702.42	1,417,024,221	141,702.42
	1,417,024,221	141,702.42	1,417,024,221	141,702.42

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

Equity Shares	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	% holding	No. of Shares	% holding
Larsen & Toubro Limited and its nominees	1,417,024,221	82.54%	1,417,024,221	82.64%
	1,417,024,221		1,417,024,221	

8.75% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	% holding	No. of Shares	% holding
Azim H. Premji	9,131,304	12.18%	-	-
ICICI Securities Primary Dealership Limited	7,913,796	10.55%	-	-
Azim Premji Trust	6,087,536	8.12%	-	-

(VII) Details of shares reserved to be issued under ESOP

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	(₹ Lakhs)	No. of Shares	(₹ Lakhs)
Equity Shares of ₹ 10 each	11,125,955	1,112.60	13,572,440	1,357.24
	11,125,955	1,112.60	13,572,440	1,357.24

3) Reserves and Surplus

			(₹ Lakhs)
		As at March 31, 2013	As at March 31, 2012
a. Securities Premium Account			
As per last Balance sheet		155,904.62	36,156.72
Add: Premium on issue of equity shares		864.62	127,765.29
Less: Share issue expenses adjusted during the year		1,498.12	8,017.39
Less: Debenture issue expenses adjusted during the year (net of tax)		13.25	-
Closing Balance		155,257.87	155,904.62
b. Employee Stock Option Outstanding Account			
As per last Balance sheet		554.56	122.59
Add: Addition during the year		302.61	434.85
Less: Stock options exercised		181.14	2.88
Closing Balance		676.03	554.56
c. Reserve u/s 45-IC of Reserve Bank of India Act, 1934			
As per last Balance sheet		1,484.26	59.25
Add: Transferred from surplus in the Statement of Profit and Loss		6,250.00	1,425.01
Closing Balance		7,734.26	1,484.26

Notes forming part of Financial Statements - March 31, 2013

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
d. General Reserve		
As per last Balance sheet	12.20	12.20
Add: Transferred from surplus in the Statement of Profit and Loss	-	-
Closing Balance	12.20	12.20
e. Surplus in the Statement of Profit and Loss		
As per last Balance sheet	5,933.84	233.81
Add: Profit for the year	31,132.52	7,125.03
Less : Appropriations		
Proposed Dividend on equity shares	12,875.70	-
Proposed Dividend on Cumulative Compulsorily Redeemable Preference Shares	150.00	-
Tax on proposed equity dividend	92.15	-
Transfer to reserve u/s. 45-IC of Reserve Bank of India Act, 1934	6,250.00	1,425.01
Closing Balance	17,698.51	5,933.83
Total reserves and surplus	181,378.87	163,889.47

4) Long-Term Borrowings

(₹ Lakhs)

	As at March 31, 2013		As at March 31, 2012	
Unsecured	Non-Current	Current Maturity	Non-Current	Current Maturity
Redeemable non-convertible debentures (Refer Note A)	10,000.00	34,900.00	-	-
Total Long-term Borrowings	10,000.00	34,900.00	-	-

Note A :- Unsecured Redeemable non-convertible debentures : Private Placement

Series	Face value per Debentures	Date of allotment	Amount (₹ Lakhs)	Non Current Portion (₹ Lakhs)	Current Maturities (₹ Lakhs)	Interest rate % Pa.	Date of Redemption	Redeemable term
Series A	₹ 10 Lakhs each	15/11/2012	10,000.00	10,000.00	-	10.07%	May 16, 2014	Redeemable at par on maturity
Series A	₹ 10 Lakhs each	15/11/2012	22,500.00	-	22,500.00	10.01%	March 26, 2014	Redeemable at par on maturity
Series B	₹ 10 Lakhs each	3/12/2012	7,500.00	-	7,500.00	9.78%	Jun 3, 2014 with an Call Option on Dec 3, 2013	Redeemable at par on maturity
Series B	₹ 10 Lakhs each	3/12/2012	4,900.00	-	4,900.00	9.78%	Jun 3, 2014 with an Call Option on Dec 3, 2013	Redeemable at par on maturity
Total			44,900.00	10,000.00	34,900.00			

5) Other Long-term liabilities

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Security Deposit	13.58	13.58
Total other Long-term liabilities	13.58	13.58

Notes forming part of Financial Statements - March 31, 2013

6) Long-term provision

	(₹ Lakhs)	
	As at March 31, 2013	As at March 31, 2012
Provision for tax (net of advance tax)	-	86.89
For employee benefits		
- Gratuity	706.16	-
For contingent provisions against standard assets	122.40	-
Total long-term provision	828.56	86.89

7) Short-term borrowings

	(₹ Lakhs)	
	As at March 31, 2013	As at March 31, 2012
Unsecured		
Commercial Papers		
Face Value	30,000.00	-
Less: Unexpired discount	438.67	-
Total short-term borrowings	29,561.33	-

8) Other current liabilities

	(₹ Lakhs)	
	As at March 31, 2013	As at March 31, 2012
Interest accrued but not due on borrowings	1,619.09	-
Statutory dues	261.18	48.33
Accrued expenses	1,957.95	644.16
Refundable for excess application for CRPS	30,041.00	-
Interest payable on CRPS Application Refund / Allotment	62.41	-
Brand license fees payable	-	12.12
Other liabilities	96.34	163.71
Total Other current liabilities	34,037.97	868.32

9) Short-term provisions

	(₹ Lakhs)	
	As at March 31, 2013	As at March 31, 2012
For employee benefits		
- Gratuity	0.18	93.88
- Leave Encashment	432.70	143.48
- Super annuation Fund	87.84	-
	520.72	237.36
Proposed dividend on equity shares	12,875.70	-
Proposed Dividend on Cumulative Compulsorily Redeemable Preference Shares	150.00	-
Tax on proposed equity dividend	92.15	-
Contingent provisions against standard assets	21.60	74.00
Total short-term provisions	13,660.17	311.36

Notes forming part of Financial Statements - March 31, 2013

10) Fixed assets (at Cost less Depreciation)

(₹ Lakhs)

Particulars	Gross Block			Accumulated Depreciation				Net Block	
	As at March 31, 2012	Additions	Deductions	As at March 31, 2013	Upto March 31, 2012	For the year	Deductions/ Adjustments Upto March 31, 2013	As at March 31, 2013	As at March 31, 2012
Tangible Assets									
Motor Car	50.11	-	-	50.11	0.63	7.52	-	8.15	41.96
Computers	-	8.28	-	8.28	-	0.41	-	0.41	7.87
Intangible Assets									
Computer Software	4.88	-	-	4.88	0.54	1.63	-	2.17	2.71
Total	54.99	8.28	-	63.27	1.17	9.56	-	10.73	52.54
Previous year	-	54.99	-	54.99	-	1.17	-	1.17	53.82

11) Non-current investments

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares / Debentures	₹ Lakhs	No. of Shares / Debentures	₹ Lakhs
Trade Investments (valued at cost unless stated otherwise)				
A. Unquoted equity instruments				
(I) Investment in subsidiaries				
L&T Finance Limited (Equity Shares of ₹ 10 each fully paid)	238,422,269	116,598.16	238,422,269	116,598.16
L&T Infrastructure Finance Company Limited (Equity Shares of ₹ 10 each fully paid)	829,233,000	137,509.85	795,900,000	122,510.00
L&T Fincorp Limited (Formerly : India Infrastructure Developers Limited) (Equity Shares of ₹ 10 each fully paid)	199,437,017	40,105.91	170,025,517	30,106.00
L&T Unnati Finance Limited (Equity Shares of ₹ 10 each fully paid)	4,500,000	450.00	2,000,000	200.00
L&T Access Financial Advisory Services Limited (Equity Shares of ₹ 10 each fully paid)	6,000,000	600.00	1,000,000	100.00
L&T Housing Finance Limited (Formerly Indo Pacific Housing Finance Limited) (Equity Shares of ₹ 10 each fully paid)	43,923,072	11,799.38		-
Family Credit Limited (Equity Shares of ₹ 10 each fully paid)	154,309,610	15,205.89		-
L&T Capital Markets Limited (Equity Shares of ₹ 10 each fully paid)	2,550,000	255.00		-
L&T Investment Management Limited (Equity Shares of ₹ 10 each fully paid)	235,857,200	81,326.92		-
L&T Mutual Fund Trustee Company Limited (Equity Shares of ₹ 10 each fully paid)	50,000	5.00		-

Notes forming part of Financial Statements - March 31, 2013

11) Non-current investments (Contd.)

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares / Debentures	₹ Lakhs	No. of Shares / Debentures	₹ Lakhs
(II) Investment in associate:				
NAC Infrastructure Equipment Limited (Equity Shares of ₹ 10 each fully paid)	4,500,000	450.00	4,500,000	450.00
B. Quoted equity instruments				
Federal Bank Limited (Equity Shares of Rs. 10 ₹ each fully paid)	-	-	7,995,619	12,376.48
City Union Bank Limited (Equity Shares of Rs. ₹ 10 each fully paid)	-	-	19,195,012	2,787.15
C. Quoted investment in debentures				
Investment in Tier II debt				
L & T Finance Limited (Debentures of ₹ 1,000,000 each)	840	8,400.00		-
Investment in perpetual debt				
L & T Finance Limited (Debentures of ₹ 1,000,000 each)	-	-	2,000	20,000.00
Total		412,706.11		305,127.79
Less: Provision for diminution in the value of Investments		450.00		450.00
Total Non-current investments		412,256.11		304,677.79

(₹ Lakhs)

Particulars	As at March 31, 2013	As at March 31, 2012
Aggregate amount of quoted investments [Market value of ₹ 8,400.00 Lakhs (Previous Year ₹ 63,737.11 Lakhs)]	8,400.00	35,163.64
Aggregate amount of unquoted investments	404,306.11	269,964.16

12) Deferred tax assets (net)

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Deferred tax assets		
For contingent provisions against standard assets	48.95	24.01
Other items giving rise to timing difference	129.57	32.35
Total	178.52	56.36
Less: Deferred tax liabilities		
Difference between book and tax depreciation	2.03	1.32
Total	2.03	1.32
Total deferred tax assets (net)	176.49	55.04

13) Long-term loans and advances

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Advance taxes (net)	99.92	-
Loan to a subsidiary company	48,960.00	-
Total Long-term loans and advances	49,059.92	-

Notes forming part of Financial Statements - March 31, 2013

14) Current Investments

	As at March 31, 2013		As at March 31, 2012	
	No. of Units	₹ Lakhs	No. of Units	₹ Lakhs
Non-Trade Investments (valued at cost unless stated otherwise)				
Investment in Mutual Funds				
L&T Ultra STF - Daily Dividend Reinvestment Plan	100,547,830	10,214.45	-	-
L&T Liquid Fund - Daily Dividend Reinvestment Plan	3,215,170	32,525.78	-	-
L&T Cash Fund - Daily Dividend Plan	2,932,282	30,006.04	-	-
L&T Flexi Bond Fund - Dividend Option Plan	25,302,304	2,545.34	-	-
Total current Investments		75,291.61		-

15) Cash and bank balances

	As at March 31, 2013		As at March 31, 2012	
				(₹ Lakhs)
Cash and cash equivalents				
Balances with Banks:				
In Current Accounts		4,893.68		393.98
Cash on hand		0.21		-
Total cash and bank balances		4,893.89		393.98

16) Short-term loans and advances

	As at March 31, 2013		As at March 31, 2012	
				(₹ Lakhs)
Inter corporate deposits		8,393.00		29,453.49
Advance to subsidiary company		10.00		-
Total short-term loans and advances		8,403.00		29,453.49

17) Other current assets

	As at March 31, 2013		As at March 31, 2012	
				(₹ Lakhs)
Receivable from Group companies		174.33		984.19
Other receivables		69.67		-
Interest accrued but not due		274.88		573.00
Security deposits		295.63		403.90
Advances recoverable in cash or in kind		108.46		50.57
Total other current assets		922.97		2,011.66

18) Revenue from operations

	2012-13		2011-12	
				(₹ Lakhs)
Dividend Income:				
From subsidiaries companies		12,003.89		5,342.67
From other companies		911.56		864.59
		12,915.45		6,207.26
Interest income		4,282.16		4,976.24
Total revenue from operations		17,197.61		11,183.50

Notes forming part of Financial Statements - March 31, 2013

19) Other Income

	2012-13	2011-12
		(₹ Lakhs)
Profit on sale of current investments	-	91.60
Profit on sale of investment in perpetual debt	646.42	-
Dividend income on current investments	867.19	-
Management fees	1,264.00	1,529.31
Overhead charges recovered from subsidiaries	92.00	137.73
Total other income	2,869.61	1,758.64

20) Employee benefits expense

	2012-13	2011-12
		(₹ Lakhs)
Salaries	597.64	806.77
Contribution to and provision for:		
Provident fund	58.73	15.51
Gratuity	581.98	54.69
Leave Encashment	289.22	99.70
Pension Fund	(109.06)	132.92
Superannuation Fund	87.84	6.30
	908.71	309.12
Staff welfare	2.66	-
Total employee benefits expense	1,509.01	1,115.89

21) Finance costs

	2012-13	2011-12
		(₹ Lakhs)
Interest on debentures	1,619.09	-
Commercial paper discounting charges	871.69	-
Interest on short-term borrowing	97.67	1,454.67
Interest on CRPS Application Refund / Allotment	174.23	-
Others	14.50	-
Total finance costs	2,777.18	1,454.67

Notes forming part of Financial Statements - March 31, 2013

22) Administration and other expenses

	(₹ Lakhs)	
	2012-13	2011-12
Professional fees	664.92	775.92
Rent	98.59	138.91
Travelling and conveyance	125.69	47.97
Printing and stationery	111.67	0.94
Telephone and Postage	157.23	2.26
Advertising and publicity	1,093.99	83.32
Filing fees	0.23	0.36
Directors' sitting fees	17.42	14.00
Non-Executive Directors' Remuneration	66.53	60.50
Auditors' remuneration:		
Audit fees	2.00	2.00
Tax Audit Fees	0.75	0.75
Limited Review Fees	4.50	4.50
Other Services	5.92	1.67
Rates & Taxes	57.95	0.09
Overhead charged by a subsidiary company	-	240.04
Brand License Fees	-	13.47
Repairs & Maintenance	11.64	0.52
Listing and Custodian fees	58.50	-
Miscellaneous expenses	50.78	19.20
Total administration and other expenses	2,528.31	1,406.42

23) Provisions and contingencies

	(₹ Lakhs)	
	2012-13	2011-12
Provision for standard assets	70.00	74.00
Total provisions and contingencies	70.00	74.00

Note No. 24 : Notes on Financial Statements

24.1 Stock option scheme

- In respect of stock options granted pursuant to 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.
- 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 fulfillment of certain conditions.
- 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.
- The details of the grants under the aforesaid schemes are summarised below:

Notes forming part of Financial Statements - March 31, 2013

Sr. No.	Series reference	2010		2010-A	
		2012-13	2011-12	2012-13	2011-12
1.	Grant price – ₹	44.20		44.20	
2.	Grant date	November 30, 2010 onwards		July 4, 2012 onwards	
3.	Vesting commenced on	November 30, 2011		July 4, 2013	
4.	Options granted and outstanding at the beginning of the year	13,572,440	10,615,400	-	-
5.	Options granted during the year	-	47,10,500	905,000	-
6.	Options cancelled/ lapsed during the year	1,352,565	1,721,635	-	-
7.	Options exercised during the year	1,998,920	31,825	-	-
8.	Options granted and outstanding at the end of the year of which –				-
	- Options vested	1,498,419	1,350,666	-	-
	- Options yet to vest	8,722,536	12,221,774	905,000	-
9.	Weighted average remaining contractual life of options (in years)	1.67	2.67	3.33	-

- e) During the year, the Company has recovered ₹ 302.61 lakhs (previous year ₹ 434.85 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, 2013 is ₹ 927.23 lakhs (previous year: ₹ 1,230.07 lakhs), including ₹ 135.80 lakhs (previous year : ₹ 122.41 lakhs) for which the options have vested to employees as on March 31, 2013.
- g) Weighted average fair values of options granted during the year is ₹ 15.37 (previous year: ₹ 28.18) 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	2012-2013	2011-2012
a)	Weighted average risk-free interest rate	8.17%	8.30%
b)	Weighted average expected life of options	3.68 years	3.63 years
c)	Weighted average expected volatility	33.82%	41.81%
d)	Weighted average expected dividends	₹ 1.84 per option	₹ 0.75 per option
e)	Weighted average share price	₹ 44.30 per option	₹ 60.42 per option
f)	Weighted average exercise price	₹ 44.20 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.	

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

i) Defined Contribution Plans :

Notes forming part of Financial Statements - March 31, 2013

Amount of ₹ 37.51 lakhs (previous year ₹154.73 lakhs) is recognised as an expense and included in employee benefit 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 complied by the Management upon which auditors have relied:

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
A. Amount recognised in the Balance Sheet:		
Present value of defined benefit obligation		
- Unfunded obligations	706.34	93.88
Net liability	706.34	93.88
B. Expenses recognised in the Statement of Profit and Loss:		
Current service cost	48.93	54.69
Interest on Defined Benefit Obligation	8.96	-
Actuarial loss	524.09	-
Amount included in "Employee benefit expenses"	581.98	54.69
C. Change in the Defined Benefit Obligations:		
Liability at the beginning of the year	93.88	-
Transferred from holding company	30.48	39.19
Current Service Cost	581.98	54.69
Liability at the end of the year	706.34	93.88
D. Reconciliation of the Liability Recognised in Balance Sheet:		
Opening Liability/ (Assets)	93.88	-
Current Service Cost	581.98	54.69
Transferred from holding company	30.48	39.19
Amount recognised in the Balance Sheet under "Provision for Employee Benefits"	706.34	93.88
Expected employers' contribution next year	30.00	10.00

Since the Company is under 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:

Particular	As at March 31, 2013	As at March 31, 2012
Discount rate	7.90%	8.65%
Salary growth rate	6.00%	6.00%

24.3 Segment Reporting : Accounting Standard – 17

The Company operates mainly in the business segment of investment activity. Further, all activities are carried

Notes forming part of Financial Statements - March 31, 2013

out within India. As such, there are no separate reportable segments as per the provisions of Accounting Standard (AS) 17 on 'Segment Reporting'.

24.4 Related Party Disclosures: Accounting Standard – 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
4. L&T Unnati Finance Limited
5. L&T Access Financial Advisory Services Limited
6. L&T Investment Management Limited
7. L&T Mutual Fund Trustee Limited
8. L&T Infra Investment Partners Advisory Private Limited
9. L &T Infra Investment Partners Trustee Private Limited
10. L&T Housing Finance Limited (Formerly Indo Pacific Housing Finance Limited) (w.e.f. October 9, 2012)
11. Family Credit Limited (w.e.f. December 31, 2012)
12. L&T Capital Markets Limited (w.e.f. February 7, 2013)
13. L&T Fund Management Limited (Formerly FIL Fund Management Private Limited) (w.e.f. November 23, 2012)
14. L&T Trustee Services Private Limited (FIL Trustee Company Private Limited (w.e.f. November 23, 2012)
15. Consumer Financial Services Limited (w.e.f. October 9, 2012)

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

1. L&T Capital Company Limited
2. Larsen & Toubro Infotech Limited

D. Associate Company

1. NAC Infrastructure Equipment Limited
2. Feedback Infrastructure Services Private Limited (w.e.f. September 28, 2012)

E. Key Management Personnel

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

Notes forming part of Financial Statements - March 31, 2013

b. Related Party Transactions:

		(Inclusive of service tax)	
		₹ Lakhs	
Sr. No.	Nature of Transactions	2012-13	2011-12
1.	Subscription to Equity shares of		
	• L&T Finance Limited	-	15,000.00
	• L&T Infrastructure Finance Company Limited	14,999.85	37,500.00
	• L&T Fincorp Limited	9,999.91	20,000.00
	• L&T Access Financial Advisory Services Limited	500.00	100.00.00
	• L&T Unnati Finance Limited	250.00	200.00.00
	• L&T Capital Markets Limited	255.00	-
	• L&T Investment Management Limited	64,643.00	-
	• Family Credit Limited	15,205.89	-
	• L&T Housing Finance Limited	11,799.38	-
2.	Purchase of Investments		
	• L&T Finance Limited	16,688.92	-
3.	Sale of Investments to		
	• L&T Unnati Finance Limited	3,338.88	-
4.	Inter Corporate Borrowings taken		
	• Larsen & Toubro Limited	-	10,000.00
	• L&T Fincorp Limited	-	1,450.00
	• L&T Finance Limited	-	66.00
5.	Interest paid on Inter Corporate Borrowings		
	• Larsen & Toubro Limited	-	1,436.52
	• L&T Fincorp Limited	-	17.07
	• L&T Finance Limited	-	1.08
6.	Inter Corporate Deposits given		
	• L&T Finance Limited	278,651.36	94,542.79
	• L&T Infrastructure Finance Company Limited	166,400.00	101,114.52
	• L&T Fincorp Limited	100,056.00	43,342.67
	• L&T Access Financial Advisory Services Limited	568.00	-
	• Family Credit Limited	32,500.00	-
7.	Reimbursement of expenses		
	• L&T Finance Limited	0.32	-
	• L&T Infrastructure Finance Company Limited	4.35	1.44
	• Larsen & Toubro Limited	18.25	-
	• L&T Investment Management Limited	0.32	-
	• Larsen & Toubro Infotech Limited	2.02	-
8.	ESOP charges recovered		
	• L&T Finance Limited	212.22	353.99
	• L&T Infrastructure Finance Company Limited	63.42	80.86
	• L&T Access Financial Advisory Services Limited	12.29	-
	• L&T Infra Investment Partners Advisory Pvt. Ltd.	11.17	-
	• L&T Fincorp Limited	3.49	-
	• L&T Investment Management Limited	0.02	-

Notes forming part of Financial Statements - March 31, 2013

		(₹ Lakhs)	
Sr. No.	Nature of Transactions	2012-13	2011-12
9.	Interest Income on Inter Corporate Deposits		
	• L&T Finance Limited	531.67	2,031.67
	• L&T Infrastructure Finance Company Limited	485.17	2,287.12
	• L&T Fincorp Limited	1,002.14	71.42
	• L&T Access Financial Advisory Services Limited	32.56	-
	• Family Credit Limited	192.98	-
	• L&T Unnati Finance Limited	64.37	-
10.	Interest received on Perpetual Debt		
	• L&T Finance Limited	1,713.97	586.03
11.	Rent recovered		
	• L&T Finance Limited	62.02	108.51
	• L&T Infrastructure Finance Company Limited	20.67	22.83
	• L&T Capital Company Limited	20.67	13.80
12.	Management fees income		
	• L&T Finance Limited	710.12	843.40
	• L&T Infrastructure Finance Company Limited	694.38	826.54
	• L&T Fincorp Limited	15.73	16.86
13.	Dividend income		
	• L&T Finance Limited	1,0013.74	2,622.64
	• L&T Infrastructure Finance Company Limited	1,990.16	2,720.03
14.	Professional Fees paid		
	• Larsen & Toubro Limited	2.02	-
15.	Deputation charges paid to		
	• Larsen & Toubro Limited	-	1.13
16.	Brand License fees		
	• Larsen & Toubro Limited	-	13.47
17.	Repayment of Inter Corporate Borrowing taken		
	• Larsen & Toubro Limited	-	45,600.00
	• L&T Fincorp Limited	-	1,450.00
	• L&T Finance Limited	-	66.00
18.	Corporate support charges paid to		
	• L&T Finance Limited	-	250.61
19.	Investment in perpetual debt		
	• L&T Finance Limited	-	20,000.00
20.	Investment in Tier II debt		
	• L&T Finance Limited	8,400.00	-
21.	Managerial remuneration #		
	• Y.M. Deosthalee	194.03	95.84
	• N. Sivaraman	625.60	278.32

Managerial Remuneration excludes provision for gratuity, pension and leave encashment, since it is provided on actuarial basis for the Company as a whole.

The variable remuneration for previous year has been reversed in the current year on account of waiver of variable remuneration by the Chairman & Managing Director /actual payment to President & Whole-time Director. Accordingly, previous year figures have been restated.

Notes forming part of Financial Statements - March 31, 2013

The Chairman & Managing Director has waived his variable remuneration in the current year as well. Hence, no provision has been made there-against.

c. Amount due to/from related parties:

		(₹ Lakhs)	
Sr. No.	Nature of Transactions	As at March 31, 2013	As at March 31, 2012
1.	Receivable from		
	• Larsen & Toubro Limited	107.89	-
	• L&T Finance Limited	39.35	98.43
	• L&T Infrastructure Finance Company Limited	11.57	827.48
	• L&T Fincorp Limited	0.26	60.75
	• L&T Access Financial Advisory Services Limited	12.29	1.82
	• L&T Investment Management Limited	0.34	-
	• L&T Infra Partners Advisory Private Limited	1.29	-
	• Larsen & Toubro Infotech Limited	2.02	-
	• L&T Unnati Finance Limited	-	2.08
2.	Interest accrued but not due on perpetual debt		
	• L&T Finance Limited	-	586.03
3.	Interest accrued but not due on Inter Corporate Deposits		
	• L&T Finance Limited	6.50	-
	• L&T Access Financial Advisory Services Limited	29.30	-
	• L&T Unnati Finance Limited	11.29	-
4.	Payable to		
	• Larsen & Toubro Limited	-	150.31
5.	Interest accrued but not due on Tier II Debt		
	• L&T Finance Limited	227.79	
6.	Outstanding Balance of Inter-Corporate Deposits		
	• L&T Finance Limited	7,825.00	576.29
	• L&T Access Financial Advisory Services Limited	568.00	-
	• L&T Fincorp Limited	-	27,442.67
	• L&T Infrastructure Finance Company Limited	-	1,434.52
7.	Outstanding Balance of Loans and Advances given to		
	• L&T Mutual Fund Trustee Limited	10.00	-
	• L&T Unnati Finance Limited	48,960.00	-

Notes forming part of Financial Statements - March 31, 2013

24.5 Operating Lease:

Assets taken on lease:

Lease Payments of ₹ NIL (previous year ₹ 137.45 lakhs) 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, 2013	As at March 31, 2012
- Within one year	-	77.43
- Later than one year and not later than five years	-	-
Total	-	77.43

24.6 Earnings Per Share

		2012-13	2011-12
Basic			
Profit after tax (₹ lakhs)		31,132.55	7,125.03
Less: Dividend on 8.75% Cumulative Compulsorily Redeemable Preference Shares (₹ lakhs)		150.00	-
Profit attributable to equity shareholders (₹ lakhs)	A	30,982.55	7,125.03
Number of equity shares			
Weighted average number of equity shares outstanding	B	1,715,261,068	1,616,351,512
Basic EPS before and after extraordinary items (₹)	A/B	1.81	0.44
Diluted			
Profit after tax (after deducting proposed preference dividend) (₹ lakhs)	A	30,982.55	7,125.03
Add: Weighted average number of equity shares outstanding	B	1,715,261,068	1,616,351,512
Add: Weighted average number of potential equity shares on account of employee stock options	C	1,353,606	-
Weighted average number of shares outstanding for diluted EPS	D = B + C	1,716,614,674	1,616,351,512
Diluted EPS before and after extraordinary items (₹)	A/D	1.80	0.44
Face value of shares (₹)		10.00	10.00

24.7 The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2013.

24.8 Expenditure in foreign currency:

For Professional Fees ₹ 163.42 lakhs (previous year ₹ 527.09 lakhs)

For Directors Sitting Fees and commission ₹ 4.69 lakhs (previous year ₹ 0.60 lakhs)

24.9 The Company does not have contingent liability as at March 31, 2013 except performance guarantee of ₹ 945.00 lakhs (previous year ₹ 945.00 lakhs).

Notes forming part of Financial Statements - March 31, 2013

- 24.10** Exceptional items represent profit on sale of investment in Federal Bank Limited amounting to ₹ 23,792.92 lakhs and expenditure of ₹ 220.00 lakhs incurred towards employee cost in connection with acquisition of L&T Fund Management Private Limited (formerly: FIL Fund Management Private Limited).
- 24.11** During the year, the Company has acquired 100% shareholding in L&T Investment Management Limited and L&T Mutual Fund Trustee Limited from L&T Finance Limited (wholly owned subsidiary) in order to simplify the holding structure and to bring the operational entities directly under L&T Finance Holdings Limited. Consequently, the Company became the sponsor of L&T Mutual Fund.
- 24.12** During the year, the Company has allotted 1,998,920 equity shares of ₹ 10 each, fully paid up, on exercise of options by employees, in accordance with the Company's stock option schemes.
- 24.13** The directors recommend payment of final dividend of ₹ 0.75 per equity share of ₹ 10 each on the number of shares outstanding on the record date. Provision for final dividend has been made in the books of account for the 1,716,760,532 equity shares outstanding as at March 31, 2013 amounting to ₹ 128,75.70 lakhs.
- 24.14** In terms of provision of sub-section 1A of Section 115O of the Income Tax Act, 1961, dividend distribution tax payable by the Company is net of dividend distribution tax paid by its subsidiary companies amounting to ₹ 2,121.57 lakhs, relating to dividend of ₹ 13,029.11 lakhs declared by them.
- 24.15** The Company, during the current year has issued 75,000,000, 8.75% Cumulative Compulsorily Redeemable Preference Shares (CRPS) of ₹ 100 each fully paid up.
- 24.16** The Company had made initial public offer (IPO) during 2011-12. The utilisation of IPO proceeds are as follows:

(₹ Lakhs)

Particulars	Amount
Amount received from IPO - (A)	124,500.00
Deployment of IPO proceeds:	
(1) Repayment of Inter Corporate Deposits, issued by our promoter company and subsidiary company (Including Interest)	47,487.85
(2) Infusion of capital in L&T Infrastructure Finance Company Limited	27,500.00
(3) Share issue expenses	4,891.01
(4) Capital infusion in any of the Company's direct or indirect subsidiaries, inorganic growth of the Company's businesses and for general corporate purposes	
(a) Infusion of capital in L&T FinCorp Limited (formerly : India Infrastructure Developers Limited)	20,000.00
(b) Infusion of capital in L&T Unnati Finance Limited	195.00
(c) Investment in unsecured Non-Convertible Debentures (in the nature of perpetual Tier - I Debt) of L&T Finance Limited	20,000.00
(d) Investment in L&T Housing Finance Limited (formerly: Indo Pacific Housing Finance Limited)	4,426.14
Total deployment of IPO proceeds - (B)	124,500.00
Balance amount to be utilised (A-B)	-

Notes forming part of Financial Statements - March 31, 2013

24.17 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	2012-13	2011-12
i) CRAR	78.15%	95.52%
ii) CRAR – Tier I Capital	64.41%	95.38%
iii) CRAR – Tier II Capital	13.74%	0.14%

2) Exposure to Real Estate Sector

(₹ Lakhs)

Category	2012-13	2011-12
a) Direct exposure	Nil	Nil
(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)		
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose 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 - a. Residential b. Commercial Real Estate	Nil	Nil
b) Indirect exposure	Nil	Nil
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		

Notes forming part of Financial Statements - March 31, 2013

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 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	-	-	-	-	-	-	-	-	-
Market Borrowings	-	19,788.10	9,773.23	-	34,900.00	10,000.00	-	-	74,461.33
Assets									
Advances	-	-	-	-	8,403.00	48,960.00	-	-	57,363.00
Investments	75,291.61	-	-	-	-	-	-	412,256.11	487,547.72

24.18 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:

- Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid

(₹ Lakhs)

Particular	Amount Outstanding	Amount Overdue
(a) Debentures :		
- Secured		
- Unsecured		
(Other than falling within the meaning of Public Deposits)	46,519.09	-
(b) Deferred Credits	-	-
(c) Term Loans	-	-
(d) Inter-Corporate Loans and borrowings	-	-
(e) Commercial Paper	29,561.33	-
(f) Other Loans (Foreign Currency Loan)	-	-
(g) Lease Finance	-	-

Notes forming part of Financial Statements - March 31, 2013

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	57,363.00

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

(₹ Lakhs)

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

4. Break-up of Investments

(₹ Lakhs)

	Amount Outstanding
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	75,291.61
(iv) Government Securities	-
(v) Others (please specify)	-

Notes forming part of Financial Statements - March 31, 2013

	(₹ Lakhs)
	Amount Outstanding
Long-term Investments	
1. Quoted	
(i) Shares:	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	8,400.00
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
2. Unquoted:	
(i) Shares:	
(a) Equity	4,03,856.11
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others (please specify) Sec deposits & share application money	-

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

		(₹ Lakhs)		
		Secured	Unsecured	Total
1.	Related Parties			
	(a) Subsidiaries	-	57,363.00	57,363.00
	(b) Companies in the same group	-	-	-
	(c) Other related parties	-	-	-
2.	Other than related parties	-	-	-
Total		-	57,363.00	57,363.00

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	412,256.11	412,256.11
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	75,291.61	75,291.61
Total	487,547.72	487,547.72

Notes forming part of Financial Statements - March 31, 2013

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	-

24.19 Provision for Income Tax has been made in accordance with Section 115 JB of Income Tax Act, 1961.

24.20 Previous year figures have been regrouped/ reclassified wherever necessary.

As per our report attached

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 25, 2013

Y.M. Deosthalee

Chairman & Managing Director

N. Suryanarayanan

Company Secretary

Mumbai, April 25, 2013

N. Sivaraman

President & Whole-time Director

V.V. Subramanian

Financial Controller

Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of L&T Finance Holdings Limited ("the Company") and its subsidiaries and associates ("the LTFH Group") which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of profit and loss and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation

of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associates as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated balance sheet, of the state of affairs of the LTFH Group as at March 31, 2013;
- in the case of the consolidated statement of profit and loss, of the profit of the LTFH Group for the year ended on that date; and
- in the case of the consolidated cash flow statement, of the cash flows of the LTFH Group for the year ended on that date.

Other matters

In respect of the financial statements of certain subsidiaries and associates, we did not carry out the audit. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries and associates is based solely on the reports of the other auditors. The details of assets, revenues and net cash flows in respect of these subsidiaries and the net carrying cost of investment and current year share of net profit in respect of these associates, to the extent to which they are reflected in the consolidated financial statements are given below:

Audited by other auditors:			₹ Lakhs
	Total assets	Total revenues	Net cash inflows/(outflows)
A Indian Subsidiaries	1,817,307.28	173,429.16	(9,578.33)
		Net carrying cost of investment	Current year share of net profit
B Associates		3,918.37	128.37

Our opinion is not qualified in respect of these matters.

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

MILIND P. PHADKE
Partner
Membership No. 033013
Mumbai, April 25, 2013

Consolidated Balance Sheet as at March 31, 2013

₹ Lakhs

	Note No.	As at March 31, 2013	As at March 31, 2012
EQUITY AND LIABILITIES:			
Shareholders' funds			
Share capital	2	246,676.05	171,476.16
Reserves and surplus	3	375,345.68	303,798.53
		622,021.73	475,274.69
Non-current liabilities			
Long-term borrowings	4	1,816,216.65	1,571,852.70
Other long-term liabilities	5	35,764.91	16,834.46
Long-term provisions	6	8,426.13	5,313.29
		1,860,407.69	1,594,000.45
Current liabilities			
Short-term borrowings	7	406,793.35	204,649.74
Current maturities of long-term borrowings	4	606,213.81	331,226.86
Trade payables	8	2,158.19	2,320.82
Other current liabilities	9	140,661.91	80,941.08
Short-term provisions	10	19,890.56	4,861.93
		1,175,717.82	624,000.43
TOTAL		3,658,147.24	2,693,275.57
ASSETS:			
Non-current assets			
Fixed assets	11		
Tangible assets		47,473.31	46,807.09
Intangible assets		61,460.63	1,048.27
Capital work-in-progress		8,912.77	3,179.24
Intangible assets under development		-	73.86
Goodwill on consolidation		4,160.10	4,160.10
Non-current investments	12	65,391.24	66,176.09
Deferred tax assets (net)	13	12,688.34	6,091.34
Long-term loans and advances	14	4,834.96	4,665.34
Long-term loans and advances towards financing activities	15	2,191,515.52	1,665,855.81
Other non-current assets	16	16,469.20	22,385.75
		2,412,906.07	1,820,442.89
Current assets			
Current investments	17	118,877.02	10,809.84
Trade receivables	18	3,300.61	857.58
Cash and bank balances	19	37,160.57	11,274.88
Short-term Loans and advances towards financing activities	20	229,923.74	166,623.11
Current maturities of long-term loans and advances towards financing activities	15	794,586.48	652,601.95
Other current assets	21	61,392.75	30,665.32
		1,245,241.17	872,832.68
TOTAL		3,658,147.24	2,693,275.57
Significant accounting policies	1		
Notes forming part of the consolidated financial statements	28		

As per our report attached

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 25, 2013

Y.M. Deosthalee

Chairman & Managing Director

N. Suryanarayanan

Company Secretary

Mumbai, April 25, 2013

N. Sivaraman

President & Whole-time Director

V.V. Subramanian

Financial Controller

Consolidated Statement of Profit and Loss for the year ended March 31, 2013

₹ Lakhs

	Note No.	2012-2013	2011-2012
INCOME:			
Revenue from operations	22	395,675.56	298,089.78
Other income	23	4,970.23	2,640.36
Total Income		400,645.79	300,730.14
EXPENSES:			
Finance costs	24	233,241.04	170,264.02
Employee benefits expense	25	20,486.18	15,118.58
Administration and other expenses	26	36,000.53	22,575.16
Allowances and write offs	27	27,343.99	18,343.98
Depreciation and amortisation		6,512.58	6,003.76
Total expenses		323,584.32	232,305.50
Profit before exceptional and extraordinary items and taxes		77,061.47	68,424.64
Exceptional items (net)		21,799.40	-
Profit before extraordinary items and taxes		98,860.87	68,424.64
Extraordinary items		-	-
Profit before tax		98,860.87	68,424.64
Tax expense:			
Current tax		30,902.74	25,853.28
Deferred tax		(4,960.64)	(2,908.15)
Tax expense:		25,942.10	22,945.13
Profit after tax		72,918.77	45,479.51
Add: Share in profit of associate company		128.37	-
Balance carried to Balance Sheet		73,047.14	45,479.51
Earnings per equity share:			
Basic earnings per equity share before and after extraordinary items (₹)	28.10	4.25	2.81
Diluted earnings per equity share before and after extraordinary items (₹)	28.10	4.25	2.81
Face value per equity share (₹)		10.00	10.00
Significant accounting policies.	1		
Notes forming part of the consolidated financial statements	28		

As per our report attached

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V.V. Subramanian

Financial Controller

Consolidated Cash Flow Statement for the year ended March 31, 2013

₹ Lakhs

	March 31, 2013	March 31, 2012
A. Cash flow from operating activities		
Profit before tax as per Statement of Profit and Loss	98,860.87	68,424.64
Adjustments for:		
Depreciation and amortisation	6,512.58	6,003.76
(Profit)/Loss on sale of investments (net)	(1,190.64)	(195.00)
(Profit)/Loss on sale of fixed assets (net)	2,233.61	1,637.07
Provision for compensated absences/leave encashment	566.82	341.69
Provision for Gratuity	828.82	164.74
Cumulative interest on long-term NCDs, payable at maturity	7,694.10	1,459.94
Provision for diminution in value of investments	195.42	(0.12)
Loss on foreclosure of loans and bad debts write off	27,226.24	12,517.45
Provision for non-performing assets	(6,429.64)	2,919.97
Provision for standard assets	2,808.69	2,906.68
Provision for restructured assets	3,543.27	-
(Gain)/loss on translation of foreign currency monetary assets and liabilities and mark to market of derivatives	-	871.71
Provision on interest	-	1,254.53
Operating profit before working capital changes	142,850.15	98,307.06
Changes in working capital		
(Increase)/Decrease in trade and other receivables and advances	(99,129.68)	(107,615.17)
Increase/(Decrease) in trade and other payables	73,341.91	82,396.34
Cash generated from operations	117,062.37	73,088.23
Direct taxes paid	(31,919.03)	(27,138.73)
Loans disbursed (net of repayments)	(694,792.80)	(645,248.49)
Net cash flow from operating activities (A)	(609,649.46)	(599,298.99)
B. Cash flow from investing activities		
Add: Inflows from investing activities		
Proceeds from sale of fixed assets	19,914.31	1,464.07
Sale of investments	717.78	1,640.00
	20,632.09	3,104.07
Less: Outflow from investing activities		
Purchase of fixed assets (including capital work-in-progress)	80,842.75	14,968.41
Purchase of investments	106,876.53	5,188.98
	187,719.28	20,157.39
Net cash flow from investing activities (B)	(167,087.19)	(17,053.32)

Consolidated Cash Flow Statement for the year ended March 31, 2013

₹ Lakhs

	March 31, 2013	March 31, 2012
C. Cash flow from financing activities		
Add: Inflows from financing activities		
Proceeds from issue of share capital including securities premium	76,064.51	157,539.01
Net proceeds from long-term borrowings	519,350.90	560,243.39
Net proceeds from short-term borrowings	202,143.61	-
	797,559.02	717,782.40
Less: Outflows from financing activities		
Shares/Debenture issue expenses	1,976.92	9,901.95
Interim dividend distribution tax paid	866.71	-
Net repayments towards short-term borrowings	-	96,812.39
	2,843.63	106,714.34
Net cash flow from financing activities (C)	794,715.39	611,068.06
Net increase/(decrease) in cash and cash equivalents (A + B + C)	17,978.74	(5,284.25)
Cash and cash equivalents as at beginning of the year	11,054.81	16,339.06
Cash and cash equivalents as at end of the year	29,033.56	11,054.81
Reconciliation of Cash and Cash Equivalents		
Closing Balance as per Balance Sheet	37,160.57	11,274.88
Less: Deposits with original maturity for more than 3 months	8,127.01	220.07
Cash and cash equivalents as at end of the year	29,033.56	11,054.81

Notes:

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

As per our report attached

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

Milind P. Phadke
Partner
Membership No. 033013

Mumbai, April 25, 2013

For and on behalf of the Board

Y.M. Deosthalee
Chairman & Managing Director

N. Suryanarayanan
Company Secretary

Mumbai, April 25, 2013

N. Sivaraman
President & Whole-time Director

V.V. Subramanian
Financial Controller

Notes forming part of Consolidated Financial Statements - March 31, 2013

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 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.

1.3 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 recognised 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 collectability is reasonably assured.
- Gains arising on direct assignment of assets/receivable 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 recognised as rental, as accrued on straight line basis over the period of the lease.
- Dividend income is recognized when the company's right to receive dividend is established by the reporting date.

1.4 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.

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.

1.5 Depreciation on Fixed Assets

Depreciation/Amortisation on fixed assets is calculated on a straight-line 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 of the Companies Act, 1956. The assets for which higher rates used are as follows.

Notes forming part of Consolidated Financial Statements - March 31, 2013

Particulars	Nature	Rates (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 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 used for part of the month.

1.6 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.

1.7 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.

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.

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

1.8 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 in the period they occur.

1.9 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.

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 a receivable 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.

Notes forming part of Consolidated Financial Statements - March 31, 2013

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.

1.10 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, 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 services 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 recognised as defined benefits plan.

1.11 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.

1.12 Foreign Currency Transactions, 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

Notes forming part of Consolidated Financial Statements - March 31, 2013

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 the 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.

1.13 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 recognised 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 to the extent such change is attributable to the associates' Profit and Loss account 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 separate financial statements.

1.14 Income Taxes

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

Deferred tax is recognised on timing differences between the income accounted in financial statements and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets relating to unabsorbed depreciation/business losses /losses under the head "capital gains" are recognised and carried forward to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Other deferred tax assets are recognised 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 realised.

Minimum Alternate Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal Income Tax during the specified period. In the year in which the MAT credit becomes eligible

Notes forming part of Consolidated Financial Statements - March 31, 2013

to be recognised as an asset in accordance with the Guidance Note issued by the ICAI, the said asset is created by way of a credit to the Statement of Profit and Loss.

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 belong 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 best estimates 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. Contingent assets are not recognised.

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 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 subsidiaries. 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 a 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.

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

1.19 Extraordinary and exceptional items

Income or expenses that arise from events or transactions that are clearly distinct from the ordinary activities of the Company are classified as extraordinary items. Specific disclosure of such events/transactions is made in the financial statements. Similarly, any external event beyond the control of the Company, significantly impacting income or expense, is also treated as extraordinary item and disclosed as such.

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to the financial statements.

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 Consolidated Financial Statements - March 31, 2013

2. Share capital

(I) Share capital authorised, issued and subscribed

	As at March 31, 2013		As at March 31, 2012	
	No. of shares	₹ Lakhs	No. of shares	₹ Lakhs
Authorised shares				
Equity shares of ₹ 10 each	5,000,000,000	500,000.00	5,000,000,000	500,000.00
Preference Shares of ₹ 100 each	100,000,000	100,000.00	-	-
Issued, Subscribed & Paid-up shares				
Equity shares of ₹ 10 each fully paid-up	1,716,760,532	171,676.05	1,714,761,612	171,476.16
8.75% Cumulative Compulsorily Redeemable Preference Shares of ₹ 100 each fully paid	75,000,000	75,000.00	-	-
	246,676.05		171,476.16	

(II) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting year

Equity shares	As at March 31, 2013		As at March 31, 2012	
	No. of shares	₹ Lakhs	No. of shares	₹ Lakhs
At the beginning of the year	1,714,761,612	171,476.16	1,417,024,426	141,702.44
Issued during the year				
- Pre - IPO Placement	-	-	60,000,000	6,000.00
- Issued under IPO	-	-	237,705,361	23,770.54
- Issued under ESOP	1,998,920	199.89	31,825	3.18
Outstanding at the end of the year	1,716,760,532	171,676.05	1,714,761,612	171,476.16

8.75% Cumulative Compulsorily Redeemable Preference Shares (CRPS)	As at March 31, 2013		As at March 31, 2012	
	No. of shares	₹ Lakhs	No. of shares	₹ Lakhs
At the beginning of the year	-	-	-	-
Issued during the year	75,000,000	75,000.00	-	-
Outstanding at the end of the year	75,000,000	75,000.00	-	-

(III) Terms/rights attached to equity shares

The Company has only one class of equity shares 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. The Company declares dividends in Indian rupees. The final dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes forming part of Consolidated Financial Statements - March 31, 2013

(IV) Terms/rights attached to preference shares

The CRPS will not have voting rights other than in respect of matters directly affecting it. In the event any due and payable dividends remain unpaid for aggregate period of at least 2 years prior to the start of any general meeting of the equity shareholders, CRPS holders shall have voting rights in line with their voting rights of the equity shareholders. The CRPS will be redeemed at the end of 3 years from the date of allotment. Provided that the tenure may be extended by a further period, not exceeding 5 days from the proposed tenure, which shall be notified to the investors at the time of allotment.

(V) Shares held by holding company

	As at March 31, 2013		As at March 31, 2012	
	No. of shares	₹ Lakhs	No. of shares	₹ Lakhs
Larsen & Toubro Limited and its nominees				
Equity shares of ₹ 10 each fully paid	1,417,024,221	141,702.42	1,417,024,221	141,702.42

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

Equity shares	As at March 31, 2013		As at March 31, 2012	
	No. of shares	% holding	No. of shares	% holding
Larsen & Toubro Limited and its nominees	1,417,024,221	82.54%	1,417,024,221	82.64%

Preference shares	As at March 31, 2013		As at March 31, 2012	
	No. of shares	% holding	No. of shares	% holding
Azim H. Premji	9,131,304	12.18%	-	-
ICICI Securities Primary Dealership Limited	7,913,796	10.55%	-	-
Azim Premji Trust	6,087,536	8.12%	-	-

(VII) Details of shares reserved to be issued under ESOP

	As at March 31, 2013		As at March 31, 2012	
	No. of shares	₹ Lakhs	No. of shares	₹ Lakhs
Equity shares of ₹ 10 each	11,125,955	1,112.60	13,572,440	1,357.24

Notes forming part of Consolidated Financial Statements - March 31, 2013

3. Reserves and Surplus

	(₹ Lakhs)	
	As at March 31, 2013	As at March 31, 2012
(I) Securities Premium Account		
Balance as per last financial statement	147,490.77	36,156.72
Addition during the year	864.62	127,765.29
Less: Share issue expenses adjusted during the year	1,498.12	8,017.39
Less: Debenture issue expenses adjusted during the year (net of tax)	478.81	8,413.85
Closing Balance	146,378.46	147,490.77
(II) Debenture Redemption Reserve		
Balance as per last financial statement	53,300.00	32,000.00
Add/(less): Transferred to / from surplus in the Statement of Profit and Loss	(28,200.00)	21,300.00
Closing Balance	25,100.00	53,300.00
(III) Reserve u/s 45-IC of RBI Act, 1934		
Balance as per last financial statement	36,040.16	25,288.77
Add: Transferred from surplus in the Statement of Profit and Loss	19,907.85	10,751.39
Closing Balance	55,948.01	36,040.16
(IV) General Reserves		
Balance as per last financial statement	12.20	12.20
Add: Transferred from surplus in the Statement of Profit and Loss	-	-
Closing Balance	12.20	12.20
(V) Reserve u/s 36(1)(viii) of Income Tax Act, 1961		
Balance as per last financial statement	4,686.00	2,153.00
Add: Transferred from surplus in the Statement of Profit and Loss	9,226.00	2,533.00
Closing Balance	13,912.00	4,686.00
(VI) Employee Stock Option Outstanding Account		
Balance as per last financial statement	554.56	122.59
Addition during the year	302.61	434.85
Less: Allotment of shares	181.14	2.88
Closing Balance	676.03	554.56
(VII) Capital Reserve on Consolidation	49,235.93	34,679.90
(VIII) Reserve u/s 29C of National Housing Bank Act, 1987		
Balance as per last financial statement	-	-
Add: Transferred from surplus in the Statement of Profit and Loss	4.07	-
Closing Balance	4.07	-

Notes forming part of Consolidated Financial Statements - March 31, 2013

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
(IX) Surplus in the Statement of Profit and Loss		
Balance as per last financial statement	27,034.94	17,006.53
Add: Net profit for the year	73,047.14	45,479.51
Less: Appropriations		
Proposed Dividend @ ₹ 0.75 per equity share	12,875.70	-
Proposed Dividend on Cumulative Compulsorily Redeemable Preference Shares	150.00	-
Dividend Distribution Tax	2,039.48	866.71
Transfer to/(from) Debenture Redemption Reserve	(28,200.00)	21,300.00
Transfer to reserve u/s 36(1)(viii) of Income Tax Act, 1961	9,226.00	2,533.00
Transfer to reserve u/s 29-C of National Housing Bank Act, 1987	4.07	-
Transfer to reserve u/s 45-IC of RBI Act, 1934	19,907.85	10,751.39
Net surplus in the Statement of Profit and Loss	84,078.98	27,034.94
Total reserves and surplus	375,345.68	303,798.53

4. Long-term borrowings

(₹ Lakhs)

	As at March 31, 2013		As at March 31, 2012	
	Non-current portion	Current maturities	Non-current portion	Current maturities
(I) Secured				
Redeemable non-convertible debentures	633,646.67	142,350.00	505,996.67	103,000.00
Less: Buy Back (Refer note 4(I)(iv))	(1,507.22)	-	-	-
Refinance from National Housing Bank	70.78	93.09	-	-
Term loans				
- From banks	797,506.42	428,870.72	958,356.03	156,193.36
Total I	1,429,716.65	571,313.81	1,464,352.70	259,193.36
(II) Unsecured				
Redeemable non-convertible debentures	56,600.00	34,900.00	7,500.00	25,000.00
Term loans				
- From banks	309,900.00	-	100,000.00	46,625.00
Perpetual debt	20,000.00	-	-	-
Loans and advances from related parties	-	-	-	408.50
Total II	386,500.00	34,900.00	107,500.00	72,033.50
Total (I + II)	1,816,216.65	606,213.81	1,571,852.70	331,226.86
Less: Amount disclosed under the head "current liabilities"	-	(606,213.81)	-	(331,226.86)
Total long-term borrowings	1,816,216.65	-	1,571,852.70	-

Notes forming part of Consolidated Financial Statements - March 31, 2013

- 4 (I) (i) Security:** The Debentures are secured by way of first/second charge, having *pari passu* rights, as the case may be, on the Company's specified immovable properties and specified Lease/Term Loan receivables.
- 4 (I) (ii) Utilisation of Proceeds:** The funds raised through the above issues have been utilized for the Company's financing activities, repayment of existing loans and for its business operations including capital expenditure and working capital requirements.
- 4 (I) (iii)** Term loan from bank is secured by hypothecation of specified lease/term loan receivables.
- 4 (I) (iv)** The Board of Directors of a subsidiary company approved the buyback of a portion of debentures issued to public up to an amount not exceeding ₹ 50.00 crores in a quarter from the open market through stock exchange(s). During the year, the Company has bought back and extinguished 45,195 nos. of debentures of ₹ 1,000 each aggregating to ₹ 45,195,000 and is holding 150,722 nos. of debentures of ₹ 1,000 each aggregating to ₹ 150,722,000 as on March 31, 2013, pending extinguishment/re-issue of the same.

(₹ Lakhs)

Secured :

Note 4.(I).(V) Secured Redeemable Non-convertible Debentures : Private Placement

Residual Maturity	Non Current Portion	Current Maturities	Interest rate % p.a.
Above 5 years	102,500.00	-	8.91 to 9.70
3 - 5 years	40,000.00	10,000.00	8.91 to 9.40
1 - 3 years	224,700.00	5,000.00	8.91 to 10.25
0 - 1 years	-	127,350.00	8.91 to 10.15
Total (A)	367,200.00	142,350.00	

4.(I).(V) Secured Redeemable Non-convertible Debentures : Public Issue

Residual Maturity	Non Current Portion	Current Maturities	Interest rate % p.a.
Above 5 years	46,592.47	-	10.24
3 - 5 years	119,973.85	-	7.75 to 9.95
1 - 3 years	98,373.13	-	7.52 to 9.62
0 - 1 years	-	-	-
Total (B)	264,939.45	-	
Total (A+B)	632,139.45	142,350.00	

4 (I) (VI) Refinance from National Housing Bank

Residual Maturity	Non Current Portion	Current Maturities
Above 5 years	-	-
3 - 5 years	-	-
1 - 3 years	70.78	-
0 - 1 years	-	93.09
Total	70.78	93.09

Notes forming part of Consolidated Financial Statements - March 31, 2013

(₹ Lakhs)

4.(I).(VII) Term loans from Bank :

Residual Maturity	Non Current Portion	Current Maturities
Above 5 years	419,444.25	44,835.00
3 - 5 years	290,905.39	283,386.36
1 - 3 years	87,156.78	-
0 - 1 years	-	100,649.36
Total	797,506.42	428,870.72

Unsecured

4.(I).(VIII) Redeemable Non-convertible Debentures : Private Placement

Residual Maturity	Non Current Portion	Current Maturities	Interest rate % p.a.
Above 5 years	39,100.00	-	9.80 to 9.90
3 - 5 years	7,500.00	-	10.5
1 - 3 years	10,000.00	12,400.00	9.78 to 10.07
0 - 1 years	-	22,500.00	10.01
Total	56,600.00	34,900.00	

4.(II).(IX) Term loans from Bank :

Residual Maturity	Non Current Portion	Current Maturities
Above 5 years	-	-
3 - 5 years	210,000.00	-
1 - 3 years	99,900.00	-
0 - 1 years	-	-
Total	309,900.00	-

4.(II).(X) Perpetual debt

Residual Maturity	Non Current Portion	Current Maturities	Interest rate % p.a.
Above 5 years	20,000.00	-	11.5
3 - 5 years	-	-	
1 - 3 years	-	-	
0 - 1 years	-	-	
Total	20,000.00	-	

5. Other long-term liabilities

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Interest accrued but not due on debentures	28,588.32	8,683.76
Security deposits and margin money received	2,300.65	2,812.95
Deferred income on loan processing and assignments	4,048.18	3,456.91
Others	827.76	1,880.84
Total other long-term liabilities	35,764.91	16,834.46

Notes forming part of Consolidated Financial Statements - March 31, 2013

6. Long-term provisions

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Contingent provision against standard assets	7,523.77	5,266.25
For Employee benefits		
- Gratuity	902.36	43.91
	902.36	43.91
Others	-	3.13
Total long-term provisions	8,426.13	5,313.29

7. Short-term borrowings

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
(I) Secured		
Term loans		
- from banks	25,000.00	25,000.00
Bank overdraft/Cash Credit	27,456.46	60,314.67
Total I	52,456.46	85,314.67
(II) Unsecured		
Term loans		
- from banks	10,000.00	95,000.00
Commercial papers	340,995.00	10,982.99
Less: Unexpired discounting charge	5,673.38	167.92
	335,321.62	10,815.07
Loans and advances from related parties (ICDs)	5,044.10	3,520.00
Bank overdraft/Cash Credit	3,971.17	-
Working capital demand loan	-	10,000.00
Total II	354,336.89	119,335.07
Total short-term borrowings (I + II)	406,793.35	204,649.74

8. Trade payable

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
- Dues to Micro and Small Enterprises	-	-
- Others	2,158.19	2,320.82
Total trade payable	2,158.19	2,320.82

Notes forming part of Consolidated Financial Statements - March 31, 2013

9. Other current liabilities

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Interest accrued but not due on debentures	11,216.72	8,907.98
Interest accrued but not due on other borrowings	16,929.05	9,323.42
Deferred income on loan processing and assignments	2,093.30	1,921.10
Security deposits and cash margin money received	2,282.06	530.94
Short-term obligations	33,640.57	34,626.84
Statutory dues	3,667.27	3,391.77
Advances from customers	8,568.48	5,832.11
Sundry Creditors for capital goods	59.32	83.21
Debenture Application money refundable	367.13	476.16
Unclaimed interest on debentures	768.71	157.99
Bank book credit balance	18,697.15	10,401.63
Accrued expenses	8,717.09	1,950.51
Refundable for excess application for CRPS	30,041.00	-
Interest payable on CRPS Application Refund/ Allotment	62.41	-
Other liabilities	3,551.65	3,337.42
Total other current liabilities	140,661.91	80,941.08

10. Short-term provisions

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Contingent provision against standard assets	3,111.60	2,374.63
For Employee benefits		
- Gratuity	137.64	195.95
- Leave Encashment	1,486.55	773.52
- Others	87.84	586.20
Proposed Dividend @ ₹ 0.75 per equity share	12,875.70	-
Proposed Dividend on Cumulative Compulsorily Redeemable Preference Shares	150.00	-
Dividend Distribution Tax	2,039.48	866.71
Others	1.75	64.92
Total short-term provisions	19,890.56	4,861.93

Notes forming part of Consolidated Financial Statements - March 31, 2013

Note 11: Fixed Assets

Particulars	As at April 1, 2012	As at Additions	Gross Block	Sale/Adjustment	As at March 31, 2013	Up to March 31, 2012	Accumulated Depreciation/Amortisation	Up to March 31, 2013	Net Block	As at March 31, 2013	As at March 31, 2012
											(₹ Lakhs)
Tangible Assets											
Owned Assets											
Land - freehold	15,593.44	-	2.89	-	15,596.33	-	-	-	15,596.33	15,593.44	
Buildings	5,984.59	2,662.37	13.44	2,858.55	5,801.85	634.02	101.17	196.18	552.45	5,249.40	5,350.57
Office Equipment	860.28	158.10	957.37	54.14	1,921.61	372.43	98.98	799.42	1,248.74	672.87	487.87
Furniture and fixtures	1,348.67	60.38	701.24	224.84	1,885.45	336.20	92.92	668.41	1,031.62	853.83	1,012.47
Leasehold Renovation	39.24	1,081.88	1,473.37	14.76	2,579.73	2.92	157.86	1,076.63	1,232.51	1,347.22	36.33
Computers	2,739.15	629.31	1,936.25	66.54	5,238.17	1,394.47	558.96	1,771.65	3,660.95	1,577.22	1,344.69
Motor car	79.24	-	29.64	29.55	79.33	8.03	9.56	29.64	30.61	48.72	71.21
Owned Assets Leased out											
Plant and Machinery	9,688.30	220.48	-	2,997.51	6,911.27	3,390.21	1,110.44	-	1,723.25	4,133.87	6,298.09
Office Equipment	73.01	1.16	-	8.20	65.97	14.25	7.11	-	5.23	49.84	58.77
Furniture and fixtures	1,553.26	-	-	2.41	1,550.85	232.93	98.23	-	0.59	1,220.28	1,320.33
Motor car	16,944.99	7,433.50	-	4,615.98	19,762.51	5,011.41	2,736.27	-	2,575.49	14,590.32	11,933.59
Vehicles	904.80	-	-	-	904.80	218.61	144.61	-	363.22	541.58	686.19
Computers	5,976.81	36.00	-	1,335.24	4,677.57	3,363.23	725.87	-	1,003.36	1,591.83	2,613.54
Total (A)	61,785.78	12,283.18	5,114.20	12,207.72	66,975.44	14,978.71	5,841.98	4,359.19	19,502.13	47,473.31	46,807.09
Intangible Assets											
Owned Assets											
Purchase Consideration (net of pre-acquisition net worth)*	-	60,172.22	-	-	60,172.22	-	-	-	-	60,172.22	-
Specialised software	2,575.03	684.03	1,719.10	47.03	4,931.13	1,526.78	670.60	1,467.87	22.53	3,642.72	1,048.27
Total (B)	2,575.03	60,856.25	1,719.10	47.03	65,103.35	1,526.78	670.60	1,467.87	22.53	3,642.72	1,048.27
Total (A) + (B)	64,360.81	73,139.43	6,833.30	12,254.75	132,078.79	16,505.49	6,512.58	5,827.06	23,144.85	108,933.94	47,855.36
Previous year	99,547.98	13,477.32	-	6,964.26	106,061.04	56,065.06	6,003.76	-	3,863.14	8,912.77	3,179.24
Capital work-in-progress										117,846.71	51,034.60

* Purchase Consideration (net of pre-acquisition net worth) for acquisition of an asset management company is subject to adjustments/allocation, if any, based on the closing audit of the transaction which is in progress.

Notes forming part of Consolidated Financial Statements - March 31, 2013

12. Non-current investments

	As at March 31, 2013		As at March 31, 2012	
	No. of shares/ Debentures	₹ Lakhs	No. of shares/ Debentures	₹ Lakhs
(I) Trade Investments (valued at cost unless stated otherwise)				
Unquoted equity instruments				
Investment in Associates				
Feedback Infrastructure Services Private Limited (Equity shares of ₹ 100 each fully paid)	3,790,000	1,942.49	-	-
Add: Goodwill on acquisition		1,847.51	-	-
Add: Adjustment for post acquisition share of profit		128.37	-	-
NAC Infrastructure Equipment Limited (Equity shares of ₹ 10 each fully paid)	4,500,000	450.00	4,500,000	450.00
Total (A)		4,368.37		450.00
(II) Other Investments (valued at cost unless stated otherwise)				
A) Quoted instruments				
Investment in equity				
Federal Bank Limited (Equity Shares of ₹ 10 each fully paid)	-	-	7,995,619	12,376.48
City Union Bank Limited (Equity Shares of ₹ 1 each fully paid)	24,712,337	3,338.88	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)	5,640	2.26	18,800	7.52
Monnet Ispat and Energy Limited (Equity Shares of ₹ 10 each fully paid)	3,008	0.75	-	-
Monnet Project Developers Limited (Equity Shares of ₹ 10 each fully paid)	11,280	4.51	-	-
Investment in Debentures				
IDFC Ltd (M+150bps) May 16, 2017 (Debentures of ₹ 1,000,000 each)	400	4,683.98	400	4,683.98
B) Unquoted instruments				
Investment in equity				
Invent Assets Securitisation & Reconstruction Private Limited (Equity Shares of ₹ 10 each fully paid)	7,100,000	1,597.50	5,420,000	1,219.50
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 Limited (Equity Shares of ₹ 10 each fully paid)	1,047,916	6,004.56	436,300	2,500.00
Tikona Digital Networks Private Limited (Equity Shares of ₹ 10 each fully paid)	316	8.97	100	2.84

Notes forming part of Consolidated Financial Statements - March 31, 2013

12. Non-current investments (contd.)

	As at March 31, 2013		As at March 31, 2012	
	No. of shares/ Debentures	₹ Lakhs	No. of shares/ Debentures	₹ Lakhs
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	648,649	200.00
The Kalyan Janatha Sahakari Bank Limited (Equity shares of ₹ 25 each fully paid)	20,000	5.00	-	-
The Malad Sahakari Bank Limited (Equity shares of ₹ 10 each fully paid)	1,000	0.01	-	-
Investments in Venture capital funds				
LICHFL Urban Development Fund	2,000	200.00	-	-
Investments in debentures (Compulsory Convertible Debentures)				
Tikona Digital Networks Private Limited (Debentures of ₹ 2,840 each fully paid)	519,212	14,745.62	361,968	10,279.89
Investments in Cumulative Redeemable Preference Shares				
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
Cumulative Convertible Preference Shares (CCPS)				
Ardom Telecom Limited (CCPS of ₹ 100,000 each fully paid)	1,800	1,800.00	1,800	1,800.00
Others				
Invent Assets Securitisation & Reconstruction Private Limited				
Security receipt		-		1,629.50
Share application money paid pending allotment		-		378.00
Phoenix ARC Private Limited				
Security receipt		867.43		793.09
Security receipt - pending allotment		437.33		-
Quoted Government of India securities				
7.50% Government of India Stock 2034		14.17		-
6.13% Government of India Stock 2028		38.22		-
7.30% Food Corporation of India Bonds 2015		10.02		-
LTFL Securitisation Trust 2002		0.01		0.01
12% National Saving Certificate 2002 (Deposited as security with sales tax authorities)		0.04		0.04
Total (B)		61,533.33		66,232.07
Total (A + B)		65,901.70		66,682.07
Less: Provision for diminution in the value of Investments		510.46		505.99
Total non-current investments		65,391.24		66,176.08
Note:				
Aggregate amount of quoted investments (Market value of ₹ 17,680.95 Lakhs (Previous Year ₹ 68,451.77 Lakhs))		8,061.54		19,886.30
Aggregate amount of unquoted investments		57,840.16		46,795.78

Notes forming part of Consolidated Financial Statements - March 31, 2013

13. Deferred tax assets (net)

In compliance with the Accounting Standard (AS) 22 on 'Accounting for Taxes on Income' the Company has provided for deferred tax assets (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:

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Component		
Deferred tax liability		
Difference between book depreciation and tax depreciation	-	1,176.92
Amount transferred to Special Reserve	493.09	-
Other items giving rise to timing difference	721.60	817.67
	1,214.69	1,994.59
Deferred tax assets		
Provision for NPA	8,938.73	5,691.82
Provision on Standard Assets	348.34	1,930.81
Difference between book depreciation and tax depreciation	488.43	-
Provision for leave encashment	266.02	80.25
Other items giving rise to timing difference	3,861.51	383.05
	13,903.03	8,085.93
Net deferred tax assets	12,688.34	6,091.34

14. Long-term loans and advances

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Unsecured (Considered good)		
Capital Advances	348.18	631.61
Security Deposit	4,486.78	4,033.73
Total long-term loans and advances	4,834.96	4,665.34

Notes forming part of Consolidated Financial Statements - March 31, 2013

15. Long-term loans and advances towards financing activities

(₹ Lakhs)

	As at March 31, 2013		As at March 31, 2012	
	Non-current Portion#	Current Maturities	Non-current Portion#	Current Maturities
(I) Secured				
Considered good				
Term loans	2,060,903.21	734,608.54	1,557,044.00	563,074.44
Finance Lease	9,167.49	5,645.13	10,948.46	5,328.86
Debentures	76,833.33	18,298.89	67,026.78	9,632.22
	2,146,904.03	758,552.56	1,635,019.24	578,035.52
Less: Allowances for non-performing assets	16,968.82	-	8,939.91	-
Less: Allowances for standard assets	8,537.65	-	809.00	-
Total I	2,121,397.56	758,552.56	1,625,270.33	578,035.52
(II) Unsecured				
Term loans	74,474.73	36,033.92	44,654.15	74,566.43
Debentures	4,000.00	-	2,800.00	-
	78,474.73	36,033.92	47,454.15	74,566.43
Less: Allowances for non-performing assets	8,356.77	-	6,868.67	-
Total II	70,117.96	36,033.92	40,585.48	74,566.43
Total (I + II)	2,191,515.52	794,586.48	1,665,855.81	652,601.95
Less: Amount disclosed under the head "current assets"	-	(794,586.48)	-	(652,601.95)
Total long-term loans and advances towards financing activities	2,191,515.52	-	1,665,855.81	-

Borrower wise loans and advances towards financing activity under the NPA category has been treated as non-current.

16. Other non-current assets

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Advances recoverable in cash or in kind or for value to be received	1,303.96	10,631.96
Advance taxes (net)	12,669.24	9,233.44
Accrued interest on debentures and loans	2,477.23	2,496.22
Others	18.77	24.13
Total other non current assets	16,469.20	22,385.75

Notes forming part of Consolidated Financial Statements - March 31, 2013

17. Current investments

(₹ Lakhs)

	As at March 31, 2013		As at March 31, 2012	
	No. of units	₹ in Lakh	No. of units	₹ in Lakh
Non-trade Investments (valued at cost unless stated otherwise)				
Investment in Equity				
Quoted instruments				
C&C Constructions Limited (Equity Shares of ₹ 10 each fully paid)	877,081	421.88	-	-
Unquoted instruments				
ICOMM Tele Limited (Equity Shares of ₹ 70 each fully paid)	41,667	50.00	-	-
Investment in Debentures				
Infrastructure Development Finance Limited IDFC Ltd. (M+170bps) May 16, 2012 (NCDs of ₹ 1,000,000 each)	-	-	700	7,087.19
IDFC Ltd. (M+183bps) December 4, 2012 (NCDs of ₹ 1,000,000 each)	-	-	250	2,593.64
Investment in Mutual Funds		118,580.88		1,129.01
Investment in land and buildings				
Investment in land and buildings (acquired in satisfaction of debts)		42.52		-
Total		119,095.28		10,809.84
Less: Provision for diminution in the value of Investments		218.26		-
Total current investments		118,877.02		10,809.84

18. Trade receivable

(₹ Lakhs)

	As at March 31, 2013		As at March 31, 2012	
Secured				
Considered good				
Debts outstanding for a period exceeding six months	358.78		224.24	
Other	418.60	777.38	-	224.24
Unsecured				
Considered good				
Debts outstanding for a period exceeding six months	145.25		575.75	
Other	2,377.98	2,523.23	57.59	633.34
Total trade receivable		3,300.61		857.58

Notes forming part of Consolidated Financial Statements - March 31, 2013

19. Cash and bank balances

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Cash and cash equivalents		
Balance with Banks		
In Current Account	21,247.12	11,012.25
In Deposit Account	7,476.59	39.03
(Deposits with original maturity of less than three months)		
Cash on hand	303.33	3.53
Cheques on hand	6.52	-
Other balances		
Deposits with original maturity for more than 3 months but less than 12 months	8,123.19	220.07
Deposits with original maturity for more than 12 months	3.82	-
Total cash and bank balances	37,160.57	11,274.88

20. Short-term loans and advances towards financing activities

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
(I) Secured		
Finance Lease	-	7.94
Term loans	65,733.52	73,590.42
	65,733.52	73,598.36
(II) Unsecured		
Term loans	164,190.22	93,024.75
	164,190.22	93,024.75
Total short-term loans and advances towards financing activities	229,923.74	166,623.11

21. Other current assets

(₹ Lakhs)

	As at March 31, 2013	As at March 31, 2012
Advances recoverable in cash or in kind or for value to be received	16,915.76	8,506.86
Receivable from group companies	-	57.50
Accrued interest and other receivable	42,548.77	21,237.93
Accrual of Fee Income	434.66	422.73
Security deposit	426.52	440.30
Others	1,067.04	-
Total other current assets	61,392.75	30,665.32

Notes forming part of Consolidated Financial Statements - March 31, 2013

22. Revenue from operations

			(₹ Lakhs)	
		2012-2013		2011-2012
Term Loans and other financing activity		362,194.19		268,856.72
Lease		9,998.28		9,145.61
Bill Discounting		4,447.65		5,955.16
Interest on Debentures		6,637.00		6,356.95
Dividend Income on:				
Equity shares	911.56		864.59	
Preference shares	802.19	1,713.75	800.00	1,664.59
Other Income from Preference shares		1,492.83		1,453.97
Financial Advisory Fees		4,499.24		2,996.34
Networking activity		28.11		24.91
Income from Trusteeship Fees		5.00		5.00
Investment Management Fees		3,270.79		990.26
Portfolio Management Fees		35.36		222.94
Other operational income		1,353.36		417.33
Total revenue from operations		395,675.56		298,089.78

23. Other Income

			(₹ Lakhs)	
		2012-2013		2011-2012
Income from investments				
- Interest and dividend on investments	3,454.88		2,073.19	
- Profit on sale/redemption of investments	1,190.64	4,645.52	195.00	2,268.19
Interest on Income Tax Refund		6.21		235.50
Others		318.50		136.67
Total other Income		4,970.23		2,640.36

24. Finance cost

			(₹ Lakhs)	
		2012-2013		2011-2012
Interest expenses		231,165.76		166,928.08
Other borrowing costs		1,769.87		1,743.79
Exchange loss (attributable to finance cost)		305.41		1,592.15
Total finance cost		233,241.04		170,264.02

25. Employee benefit expenses

			(₹ Lakhs)	
		2012-2013		2011-2012
Salaries		17,516.81		12,809.26
Contribution to and provision for:				
Provident fund and Pension fund	656.27		643.78	
Gratuity fund	828.82		164.74	
Superannuation fund	195.88		70.65	
Compensated absences/leave encashment	566.82	2,247.79	341.69	1,220.86
Expenses on ESOP		288.78		487.93
Welfare and other expenses		432.80		600.53
Total employee benefit expenses		20,486.18		15,118.58

Notes forming part of Consolidated Financial Statements - March 31, 2013

26. Administration and other expenses

	(₹ Lakhs)	
	2012-2013	2011-2012
Travelling and conveyance	2,247.24	1,884.61
Printing and stationery	545.54	342.52
Telephone and postage	1,635.40	1,085.64
Directors' Sitting fees	44.36	34.30
Non-Executive Directors' Remunerations	79.25	60.50
Brokerage and service charges	1,875.90	699.22
Stamping charges	166.12	175.62
Advertising and publicity	1,736.90	397.33
Repairs and maintenance	2,018.73	964.96
Rent	3,389.38	3,213.11
Rates and taxes	486.35	773.61
Electricity charges	450.37	329.40
Property maintenance	75.38	64.74
Insurance	384.14	200.88
Auditors' remuneration		
Audit fees	38.44	50.26
Tax audit fees	8.75	8.00
Limited Review	22.95	11.98
Certification	29.66	52.97
Expenses reimbursed	2.36	1.90
	102.16	125.11
Professional fees	10,488.57	7,103.06
Bank Charges	1,251.39	460.37
ROC Filing fees	7.40	25.21
Outsourced service charges	646.18	241.45
Loss on sale of fixed assets	2,233.61	1,637.07
Membership and subscription	260.70	166.88
Filing fees	161.89	33.39
Brand license fees	1,621.70	718.95
Corporate social responsibility	109.07	136.06
Mutual fund scheme expenses	1,775.65	674.14
PMS business promotion and distribution expenses	577.57	187.43
Miscellaneous expenses	1,629.58	839.60
Total administration and other expenses	36,000.53	22,575.16

27. Allowances and write offs

	(₹ in Lakh)	
	2012-2013	2011-2012
Provision for standard assets	2,808.69	2,906.68
Provision for non-performing assets	(6,429.64)	2,919.97
Provision for restructured assets	3,543.28	-
Provision for diminution in value of investments	195.42	(0.12)
Loss on foreclosure of loans (net)	3,086.20	2,545.14
Bad debts write off	24,140.04	9,972.31
Total allowances and write offs	27,343.99	18,343.98

Notes forming part of Consolidated Financial Statements - March 31, 2013

NOTE NO. 28: Notes on financial statements

28.1 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 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.

28.2 The list of subsidiaries and associates included in the consolidated financial statement are as under

Sr. No.	Name of subsidiary/associate company	Country of Incorporation	As at March 31, 2013		As at March 31, 2012	
			Proportion of ownership interest (%)	Proportion of voting power held (%)	Proportion of ownership interest (%)	Proportion of voting power held (%)
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	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 Limited	India	100	100	100	100
7	L&T Unnati Finance Limited	India	100	100	100	100
8	L&T Infra Investment Partners Advisory Private Limited	India	100	100	100	100
9	L&T Infra Investment Partners Trustee Private Limited	India	100	100	100	100
10	L&T Trustee Services Private Limited (Formerly FIL Trustee Company Private Limited)	India	100	100	-	-
11	L&T Fund Management Private Limited (Formerly FIL Fund Management Private Limited)	India	100	100	-	-
12	Family Credit Limited	India	100	100	-	-
13	L&T Housing Finance Limited (Formerly Indo Pacific Housing Finance Limited)	India	100	100	-	-
14	Consumer Financial Services Limited	India	100	100	-	-
15	L&T Capital Markets Limited	India	100	100	-	-
Name of associate company						
1	NAC Infrastructure Equipment Limited.	India	30	30	30	30
2	Feedback Infrastructure Services Private Limited	India	23	23	-	-

Notes forming part of Consolidated Financial Statements - March 31, 2013

28.3 Stock option scheme

- a) In respect of stock options granted pursuant to 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 fulfillment 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.	Series reference	2010		2010-A	
		2012-13	2011-12	2012-13	2011-12
1.	Grant price – ₹	44.20		44.20	
2.	Grant date	November 30, 2010 onwards		July 4, 2012	
3	Vesting commence on	November 30, 2011		July 4, 2013	
4	Options granted and outstanding at the beginning of the year	13,572,440	10,615,400	-	-
5	Options granted during the year	-	47,10,500	905,000	-
6	Options cancelled/lapsed during the year	1,352,565	1,721,635	-	-
7	Options exercised during the year	1,998,920	31,825	-	-
8	Options granted and outstanding at the end of the year of which –				-
	- Options vested	1,498,419	1,350,666	-	-
	- Options yet to vest	8,722,536	12,221,774	905,000	-
9	Weighted average remaining contractual life of options (in years)	1.67	2.67	3.33	-

- e) During the year, the Company has recovered ₹ 302.61 lakhs (previous year: ₹ 434.85 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, 2013 is ₹ 927.23 lakhs (previous year: ₹ 1,230.07 lakhs), including ₹ 135.80 lakhs (previous year: ₹ 122.41) for which the options have vested to employees as on March 31, 2013.
- g) Weighted average fair values of options granted during the year is ₹ 15.37 (previous year: ₹ 28.18) per options.

Notes forming part of Consolidated Financial Statements - March 31, 2013

- 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	2012-2013	2011-2012
a) Weighted average risk-free interest rate	8.17%	8.30%
b) Weighted average expected life of options	3.68 years	3.63 years
c) Weighted average expected volatility	33.82%	41.81%
d) Weighted average expected dividends	₹ 1.84 per option	₹ 0.75 per option
e) Weighted average share price	₹ 44.30 per option	₹ 60.42 per option
f) Weighted average exercise price	₹ 44.20 per share	₹ 51.36 per share
g) Method used to determine expected volatility	Expected volatility is based on the historical volatility of the Company shares price applicable to the expected life of each option.	

28.4 Contingent liabilities and commitments:

(₹ Lakhs)

Contingent Liabilities	As at March 31, 2013	As at March 31, 2012
a) Claims against the Company not acknowledged as debt:		
• Income Tax matter in dispute	9,149.50	4,767.12
• Service Tax/ Sales Tax/ VAT matters in dispute	1,350.30	1,365.39
• Legal matters in dispute	121.06	13.63
• Other claim not acknowledged as debt	-	38.75
b) Bank Guarantees	6,078.09	8,039.50
c) Other money for which the Company is contingently liable; Letter of Credit/ Letter of Comfort	56,059.60	28,161.89
Commitments		
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	1,410.33	10,524.36
b) Other Commitments		
• Undrawn Commitments* (standby facilities)	265,667.00	357,053.34
Performance Guarantees	1,308.25	-

* 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 Reserve Bank of India.

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

i) Defined Contribution Plans:

Amount of ₹ 540.46 lakhs (previous year: ₹ 447.86 lakhs) is recognised as an expense and included in employee benefit expenses in the Statement of Profit and Loss.

Notes forming part of Consolidated Financial Statements - March 31, 2013

ii) Defined Benefit Gratuity Plans:

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

(₹ Lakhs)

Particulars	Gratuity Plan	
	As at March 31, 2013	As at March 31, 2012
A. Amount to be recognized in Balance Sheet		
Present Value of Defined Benefit Obligation		
- Wholly Funded	513.10	328.11
- Wholly Unfunded	816.67	139.44
Less: Fair value of Plan Assets	288.87	196.44
Unrecognised Past Service Costs	0.90	35.83
Amount to be recognised as liability or (asset)	1,040.00	235.28
B. Amounts reflected in the Balance Sheet		
- Liability	1,040.00	239.86
- Assets	-	-
Net Liability (asset)	1,040.00	235.28

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

(₹ Lakhs)

Particulars	Gratuity Plan	
	2012-13	2011-12
1. Current service cost	194.22	145.51
2. Interest on defined benefit obligation	65.43	28.43
3. Expected return on plan assets	(36.11)	(13.58)
4. Actuarial Losses/(Gains)	609.47	0.16
5. Past service cost	1.79	1.79
6. Effect of any curtailment or settlement	-	-
7. Actuarial Gain not recognized in books	-	-
8. Adjustment for earlier years	-	-
9. Recoverable from ultimate holding company	(5.98)	-
10. Total included in Employee Benefit Expenses	828.82	162.31
11. Actual Return on Plan Assets	19.87	12.12

Notes forming part of Consolidated Financial Statements - March 31, 2013

- c) The changes in the 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, 2013	As at March 31, 2012
Opening balance of the present value of Defined Benefit Obligation	467.56	261.11
Add: Current Service Cost	727.27	145.51
Add: Interest Cost	56.47	28.43
Add/(less): Actuarial Losses/(Gain)	(110.44)	0.84
Add: Past service cost	-	-
Add: Transferred from holding company	403.51	39.19
Add: Actuarial losses/(Gain) due to curtailments	-	-
Add: Liabilities Extinguished on Settlements	-	-
Less: Benefits paid	(71.54)	(7.52)
Closing balance of the present value of Defined Benefit Obligation	1,472.83	467.56

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

(₹ Lakhs)

Particulars	Gratuity Plan	
	As at March 31, 2013	As at March 31, 2012
Opening balance of the fair value of the plan assets	421.40	141.68
Add: Expected Return on plan assets*	27.11	13.58
Add/(less): Actuarial gains/(losses)	14.75	0.67
Add: Assets Distributed on Settlements	-	-
Add: Contributions by Employer	210.80	81.15
Add: Assets Acquired on Acquisition/(Distributed on Divestiture)	-	-
Add: Exchange Difference on Foreign Plans	-	-
Less: Benefits Paid	(71.54)	(7.52)
Closing balance of the plan assets	602.52	229.56

Note: The fair value of the plan assets under the trust managed provident 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.

Notes forming part of Consolidated Financial Statements - March 31, 2013

e) The broad categories of plan assets as a percentage of total plan assets, are as follows:

Particulars	Gratuity Plan	
	As at March 31, 2013	As at March 31, 2012
1. Government of India Securities	52%	47%
2. Corporate Bonds	30%	0%
3. Special Deposit Scheme	7%	11%
4. Equity Shares of Listed Companies	10%	0%
5. Property	0%	0%
6. Insurer Managed Funds	0%	0%
7. Others	0%	42%

f) Principal actuarial assumption at the Balance Sheet date (expressed as weighted averages):

Particulars	As at	
	March 31, 2013	March 31, 2012
1. Discount rate	8.00%	8.69%
2. Expected return on plan assets	8.00%	8.00%
3. Salary growth rate	6.00%	5.75%

g) The amounts pertaining to experience adjustments are as follows:

(₹ Lakhs)

Particulars	As at March 31				
	2013	2012	2011	2010	2009
- Defined Benefit Obligation	851.76	373.66	261.11	161.49	126.28
- Plan Assets	542.34	229.58	141.68	113.93	79.40
- Surplus /(Deficit)	(309.42)	(144.08)	(119.43)	(47.56)	(46.88)
Experience Adjustment on Plan Liabilities	(214.32)	33.08	34.91	(8.41)	9.67
Experience Adjustment on Plan Asset	5.92	0.76	(2.36)	(1.25)	3.45

iii) Defined Benefit Provident Fund Plan:

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

(₹ Lakhs)

Particulars	Provident Fund Plan	
	As at March 31, 2013	As at March 31, 2012
A. Net (Liability)/Asset recognized in the Balance Sheet		
Present Value of Funded Obligation	(2,653.31)	(1,987.28)
Present Value of Unfunded obligation	(19.37)	(24.45)
Less: Fair value of Plan Assets	2,632.27	1,962.86
Amount to be recognised in the Balance Sheet as (liability) or asset	(40.41)	(48.87)
B. Amounts to be recognised in the Balance Sheet		
Liability	40.41	48.87
Assets	-	-

Notes forming part of Consolidated Financial Statements - March 31, 2013

b) Expenses recognised in the Statement of Profit and Loss:

(₹ Lakhs)

Particulars	Provident Fund Plan	
	2012-13	2011-12
1. Current Service Cost	295.76	269.00
2. Provident Fund Transfer In	20.42	-
3. Interest on Defined Benefit Obligation	156.64	122.00
4. Expected Return on Plan Assets	(156.64)	(122.00)
5. Net Actuarial Losses/(Gains)	(7.09)	(22.00)
6. (Shortfall) in actual return on plan assets over interest payable not to be recognised as expenses to the extent of excess of asset over liabilities	7.09	22.00
7. Expenses recognized in the Statement of Profit and Loss Account	311.10	269.00
8. Actual Return of Plan Asset	163.73	144.00

c) The changes in 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, 2013	As at March 31, 2012
Opening balance of the present value of Defined Benefit Obligation	2,011.73	1,404.69
Add: Current Service Cost	316.18	269.00
Add: Interest Cost	156.64	122.00
Add: Contribution by Plan Participants	428.52	384.44
Add: Actuarial Losses/(Gain)	(5.08)	24.45
Less: Benefits paid	(236.87)	(192.85)
Closing balance of the present value of Defined Benefit Obligation	2,672.68	2,011.73

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

(₹ Lakhs)

Particulars	Provident Fund Plan	
	As at March 31, 2013	As at March 31, 2012
Opening balance of the fair value of the plan assets	1,962.86	1,364.85
Add: Expected Return on plan assets	156.64	122.00
Add/(less): Actuarial gains/(losses)	7.09	22.00
Add: Contributions by Employer	314.05	261.00
Add: Contribution by Plant participants	428.50	385.86
Less: Benefits Paid	(236.87)	(192.85)
Closing balance of the plan assets	2,632.27	1,962.86

Notes forming part of Consolidated Financial Statements - March 31, 2013

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, 2013	As at March 31, 2012
1. Government of India Securities	24%	24%
2. State Government Scheme	13%	12%
3. Special Deposit Scheme	14%	16%
4. Public Sector Unit Bond	42%	41%
5. Corporate Bonds	7%	7%
6. Others (cheques on hand)	0%	0%
	100%	100%

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 as actuarial losses. Pursuant to the guidance note issued by the Institute of Actuaries, ₹ 21.04 lakhs has been recognized in Statement of Profit and Loss on account of interest rate guarantee on Exempt Provident fund.

a) 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 favourable compared to the obligation under the Payment of Gratuity Act, 1972.

2. Provident Fund Plan:

One of the subsidiaries 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 contributions 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.

28.6 Disclosure pursuant to Accounting Standard (AS) 16 Borrowing Cost

Borrowing costs capitalised during the year are ₹ 393.00 lakhs (previous year ₹ 219.41 lakhs).

28.7 Disclosure pursuant to Accounting Standard (AS) 17 Segment Reporting

a) Primary Segment (Business Segment)

The major subsidiary Companies operates 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.

Notes forming part of Consolidated Financial Statements - March 31, 2013

28.8 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

1. L&T Beawar Pali Pindwara Tollway Private Limited
2. Larsen & Toubro Electromech LLC
3. L&T General Insurance Company Limited
4. Larsen & Toubro Infotech Limited
5. L&T Infrastructure Development Projects Limited
6. L&T MHI Boilers Private Limited
7. L&T Power Development Limited
8. L&T Sargent & Lundy Limited
9. L&T Shipbuilding Limited
10. L&T Valdel Engineers Limited
11. Nabha Power Limited
12. L&T Capital Company Limited
13. Ewac Alloys Limited
14. Feedback Venture Private Limited
15. Hyderabad International Trade Expositions Limited

C. Associate Companies

1. NAC Infrastructure Equipment Limited
2. Feedback Infrastructure Services Private Limited

D. 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	2012-13	2011-12
1.	Fee Income		
	• Nabha Power Limited	505.62	-
	• L&T Beawar Pali Pindwara Tollway Private Limited	-	11.03
	• L&T Infrastructure Development Projects Limited	-	1,012.82
	• L&T Power Development Limited	-	55.15
	• L&T Shipbuilding Limited	-	87.02
2.	Corporate support charges recovered from:		
	• L&T General Insurance Company Limited	242.68	10.72
	• Larsen & Toubro Limited	-	0.37

Notes forming part of Consolidated Financial Statements - March 31, 2013

		(₹ Lakhs)	
Sr. No.	Nature of Transactions	2012-13	2011-12
3.	Deputation and other expenses recovered from:		
	• Larsen & Toubro Limited	20.18	79.74
	• Larsen & Toubro Infotech Limited	2.02	3.90
	• L&T MHI Boilers Private Limited	3.19	12.66
	• L&T Power Development Limited	5.17	18.50
	• L&T Infrastructure Development Projects Limited	17.87	4.80
	• L&T Capital Company Limited	-	15.79
4.	Interest income on leases		
	• Larsen & Toubro Limited	-	27.48
	• Larsen & Toubro Infotech Limited	5.81	18.01
5.	Interest income on term loan		
	• Ewac Alloys Limited	298.26	29.19
6.	Networking charges recovered from:		
	• Larsen & Toubro Limited	31.14	30.73
7.	Rent recovered from:		
	• Larsen & Toubro Limited	14.73	14.46
	• L&T General Insurance Company Limited	293.83	22.27
	• L&T Capital Company Limited	20.67	29.68
8.	Commission Income		
	• L&T General Insurance Limited	206.51	-
9.	Professional fees & other expenses recoverable		
	• Larsen and Toubro Infotech Limited	5.62	-
10.	Interest Income on NCD		
	• Feedback Infrastructure services Private Limited	404.68	-
11.	Other income		
	• Larsen & Toubro Limited	-	3.36
	• L&T General Insurance Company Limited	-	102.15
12.	Brand License Fees		
	• Larsen & Toubro Limited	1,741.85	769.63
13.	Corporate support charges recovered by:		
	• Larsen & Toubro Limited	275.78	172.94
	• L&T Capital Company Limited	107.79	-
14.	Deputation charged recovered by:		
	• Larsen & Toubro Limited	84.17	243.05
	• Larsen & Toubro Infotech Limited	-	9.19
	• L&T Capital Company Limited	-	1.11
15.	ESOP Charges recovered by		
	• Larsen & Toubro Limited	0.84	53.08
16.	Interest on secured debentures		
	• Larsen & Toubro Limited	378.13	3,204.85
17.	Interest expense on inter corporate borrowings		
	• Larsen & Toubro Limited	640.79	2,293.88
	• L&T Capital Company Limited	101.10	63.52

Notes forming part of Consolidated Financial Statements - March 31, 2013

		(₹ Lakhs)	
Sr. No.	Nature of Transactions	2012-13	2011-12
18. Data centre charges paid to			
•	Larsen & Toubro Limited	94.35	213.42
19. Professional fees paid to			
•	Larsen & Toubro Limited	195.96	232.53
20. Rent recovered by			
•	Larsen & Toubro Limited	298.76	299.89
21. Data processing charges recovered by			
•	Larsen & Toubro Limited	60.09	-
22. Other expenses			
•	Larsen & Toubro Limited	186.46	53.40
•	Larsen & Toubro Infotech Limited	43.91	-
•	L&T Valdel Engineering Limited	0.02	-
•	Larsen & Toubro Electromech LLC	0.52	0.44
•	L&T Sargent & Lundy Limited	7.22	3.78
23. Purchase of Fixed Asset			
•	Larsen & Toubro Infotech Limited	64.74	-
24. Inter Corporate Deposit taken from			
•	Larsen & Toubro Limited	-	27,000.00
•	L&T Capital Company Limited	2,293.30	1,793.00
25. Secured debentures Issued			
•	Larsen & Toubro Limited	-	20,000.00
26. Security deposit received			
•	L&T General Insurance Company Limited	-	1,350.00
27. Term loan/Operating lease given			
•	Ewac Alloys Limited	2,400.00	1,600.00
•	Larsen & Toubro Infotech Limited	18.84	-
28. Investment in equity shares			
•	Feedback Infrastructure Services Private Limited	3,790.00	-
29. Issue of Redeemable non-convertible debentures			
•	Larsen & Toubro Limited	6,000.00	-
30. Managerial remuneration #			
•	Y.M. Deosthalee	194.03	95.84
•	N. Sivaraman	625.60	278.32

Managerial Remuneration excludes provision for gratuity, pension and leave encashment, since it is provided on actuarial basis for the Company as a whole.

The variable remuneration for previous year has been reversed in the current year on account of waiver of variable remuneration by the Chairman & Managing Director/actual payment to President & Whole-time Director. Accordingly, previous year figures have been restated in the above disclosure.

The Chairman & Managing Director has waived his variable remuneration in the current year as well. Hence, no provision has been made there against.

Notes forming part of Consolidated Financial Statements - March 31, 2013

(c) Amount due to/from related parties:

(₹ Lakhs)

Sr. No.	Nature of Transactions	2012-13	2011-12
1.	Outstanding Balance of ICD taken		
	• L&T Capital Company Limited	2,044.10	928.50
2.	Outstanding Balance of loan given		
	• Larsen & Toubro Limited	-	80.19
	• Hyderabad International Trade Expositions Limited	1,740.86	-
	• Larsen & Toubro Infotech Limited	-	0.38
	• Ewac Alloys Limited	3,200.00	1,600.00
3.	Outstanding Balance of Secured Debenture		
	• Larsen & Toubro Limited	7,500.00	17,500.00
4.	Account Payable		
	• Larsen & Toubro Limited	1,797.58	896.73
	• Larsen & Toubro Electromech LLC	0.13	0.17
	• Larsen & Toubro Infotech Limited	62.37	-
	• L&T Capital Company Limited	108.30	-
	• L&T Sargent and Lundy Limited	4.53	-
5.	Account Receivable		
	• L&T General Insurance Company Limited	222.90	1,827.36
	• Nabha Power Limited	505.62	-
	• L&T Capital Company Limited	-	0.17
	• L&T Beawar Pali Pindwara Tollway Private Limited	-	11.03
	• L&T MHI Boilers Private Limited	-	1.66
	• L&T Power Development Limited	-	16.65
	• L&T Shipbuilding Limited	-	41.13
6.	Outstanding Balance of Non-convertible loan portfolio		
	• Feedback Infrastructure Services Private Limited	4,000.00	-
	• Larsen & Toubro Limited	3,697.70	-
7.	Interest accrued but not due on Non-Convertible Debenture		
	• Larsen & Toubro Limited	189.84	-
8.	Interest accrued but not due on Term Loan given		
	• Ewac Alloys Limited	71.91	-

Notes forming part of Consolidated Financial Statements - March 31, 2013

28.9 Leases:

Finance Lease:

a) Where the Company is Lessor:

The group companies have given assets on finance lease to its customers with respective underlying assets/equipments as security. The details of gross investments, unearned finance income and present value of rentals as at March 31, 2013 in respect of these assets are as under:

(₹ Lakhs)

Particulars	2012-13	2011-12
Gross Investments:		
- Within one year	6,405.54	6,914.65
- Later than one year and not later than five years	11,259.79	12,934.99
- Later than five years	23.68	184.83
Total	17,689.01	20,034.47
Unearned Finance Income:		
- Within one year	1,505.18	1,686.78
- Later than one year and not later than five years	1,654.93	2,162.64
- Later than five years	1.20	8.74
Total	3,161.31	3,858.16
Present Value of Rentals:		
- Within one year	4,900.37	5,227.87
- Later than one year and not later than five years	9,604.86	10,772.35
- Later than five years	22.47	176.09
Total	14,527.70	16,176.31

Operating Lease

a) 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 ₹ 4,235.97 lakhs (previous year ₹ 3,518.47 lakhs). The future minimum lease payments in respect of which as at March 31, 2013 are as follows:

(₹ Lakhs)

Particulars	2012-13	2011-12
	Lease Payments	
- Within one year	2,355.21	1,779.00
- Later than one year and not later than five years	3,541.28	3,436.75
- Later than five years	691.52	1,440.00
Total	6,588.01	6,655.75

Notes forming part of Consolidated Financial Statements - March 31, 2013

b) Where the Company is lessor

Particulars	2012-13	2011-12
	Minimum Lease	
- Within one year	7,336.35	6,676.92
- Later than one year and not later than five years	10,909.39	9,360.79
- Later than five years	12.42	0.07
Total	18,258.16	16,037.78

28.10 Basic and Diluted Earnings Per Share (EPS) computed in accordance with Accounting Standard (AS) 20 "Earnings Per Share"

		2012-13	2011-12
Basic			
Profit after tax as per Statement of Profit & Loss (₹ lakhs)		73,047.14	45,479.51
Less:- Dividend on 8.75% Cumulative Compulsorily Redeemable Preference Shares (₹ lakhs)		150.00	-
Profit attributable to equity share-holders (₹ lakhs)	A	72,897.14	45,479.51
Number of equity shares		1,716,760,532	1,714,761,612
Weighted average number of equity shares outstanding	B	1,715,261,068	1,616,351,512
Basic EPS before and after extraordinary items (₹)	A/B	4.25	2.81
Diluted			
Profit after tax as per Statement of Profit & Loss (₹ lakhs)	A	73,047.14	45,479.51
Add: Weighted average number of equity shares outstanding	B	1,715,261,068	1,616,351,512
Add: Weighted average no. of potential equity shares on account of employee stock options	C	1,353,606	-
Weighted average number of shares outstanding for diluted EPS	D = B + C	1,716,614,674	1,616,351,512
Diluted EPS before and after extraordinary items (₹)	A/D	4.25	2.81
Face value of shares (₹)		10.00	10.00

28.11 The effects of acquisitions (newly formed) subsidiaries during the year on the consolidated financial statements is as under:

a) Acquisitions (newly formed) (₹ Lakhs)

Name of subsidiary companies	Effect on Group profit/(loss) after minority interest for the period ended March 31, 2013	Net assets as at March 31, 2013
L&T Housing Finance Limited (formerly: Indo Pacific Housing Finance Limited)	20.35	11,813.11
Family Credit Limited	2,558.03	17,763.90
L&T Fund Management Private Limited (formerly: FIL Fund Management Private Limited)	35.11	3,003.71
L&T Trustee Services Private Limited (formerly: FIL Trustee Company Private Limited)	16.36	17.36
L&T Capital Markets Limited	(159.08)	95.92
Total	2,471.21	32,694.00

Notes forming part of Consolidated Financial Statements - March 31, 2013

- 28.12** On the basis of replies received by the Group 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.
- 28.13** The directors recommend payment of final dividend of ₹ 0.75 per equity share of ₹ 10 each on the number of shares outstanding on the record date. Provision for final dividend has been made in the books of account for the 1,716,760,532 equity shares outstanding as at March 31, 2013 amounting to ₹ 12,875.50 lakhs.
- 28.14** During the financial year, one of the subsidiaries has invoked pledge of 1,625,000 equity shares in a borrower company, pledged with it as collateral by the borrower and these shares are being held by the Company as a bailee. As and when the shares are sold, the proceeds would be adjusted against the overdue portion of the loan and interest then remaining outstanding.
- 28.15** One of the subsidiaries has entered into currency swap transactions with a view to convert its USD borrowings aggregating to USD 65,000,000 (previous year USD 45,000,000) into Indian rupee borrowing. Accordingly, the Company has revalued the foreign currency borrowing and currency swap at the Balance Sheet date.
- 28.16** Appropriation to the Debenture Redemption Reserve has been created in terms of Section 117C of the Companies Act, 1956 is carried out of distributable profits of the Group.
- 28.17** Exceptional items during the year represent gains of ₹ 23,792.92 lakhs on account of sale of investment in Federal Bank Limited and expenditure of ₹ 1,993.52 lakhs incurred towards acquisition of L&T Fund Management Private Limited (formerly: FIL Fund Management Private Limited) and L&T Housing Finance Limited (formerly: Indo Pacific Housing Finance Limited).
- 28.18** Previous year figures have been regrouped/ reclassified wherever necessary.

As per our report attached

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 25, 2013

Y.M. Deosthalee

Chairman & Managing Director

N. Suryanarayanan

Company Secretary

Mumbai, April 25, 2013

N. Sivaraman

President & Whole-time Director

V.V. Subramanian

Financial Controller

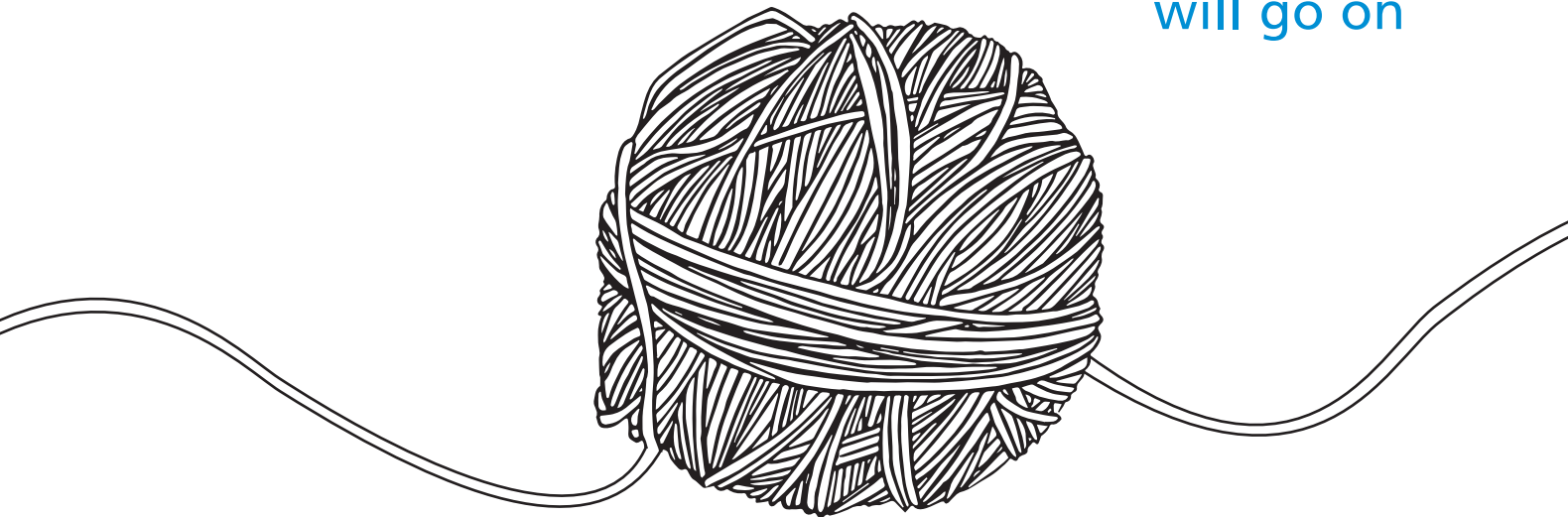
Summary of financial information of subsidiary companies Under Section 212 (8) of Companies Act, 1956

Sr. No.	Name of Subsidiaries	Capital	Reserves	Total assets	Total liabilities	Investment	Total Income	Profit before taxation	Provision for taxation	Profit after taxation	Proposed dividend
											(₹ Lakhs)
1	L&T Finance Limited	23,482.23	187,046.86	1,491,739.33	1,491,739.33	7,613.81	207,939.99	31,340.86	10,238.00	21,102.86	1025.22
	- (previous year)	23,842.23	179,009.58	1,382,334.37	1,382,334.37	18,410.55	178,945.89	29,527.31	9,626.00	19,901.31	-
2	L&T Infrastructure Finance Company Limited	82,923.30	147,355.67	1,524,832.61	1,524,832.61	77,058.20	159,977.81	46,994.42	12,573.00	34,421.42	-
	- (previous year)	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	-
3	L&T Infra Investment Partners Advisory Private Limited	500.00	(991.88)	1,146.89	1,146.89	52.69	5.10	(530.58)	-	(530.58)	-
	- (previous year)	1.00	(461.30)	57.56	57.56	-	-	(461.30)	-	(461.30)	-
4	L & T Infra Investment partners Trustee Private Limited	10.00	(4.91)	6.84	6.84	-	-	(3.84)	-	(3.84)	-
	- (previous year)	1.00	(1.08)	1.00	1.00	-	-	(1.08)	-	(1.08)	-
5	L&T Mutual Fund Trustee Limited	5.00	(8.29)	12.72	12.72	3.18	5.00	(4.89)	0.71	(5.60)	-
	- (previous year)	5.00	(2.69)	6.49	6.49	0.18	5.15	(2.13)	-	(2.13)	-
6	L&T Investment Management Limited	23,585.72	41,233.87	68,679.03	68,679.03	65,704.78	3,426.78	(5,849.23)	-	(5,849.23)	-
	- (previous year)	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)	-
7	L&T Fund Management Private Limited (Formerly FIL Fund Management Private Limited)	32,299.84	(29,296.13)	3,149.95	3,149.95	227.43	159.65	35.11	-	35.11	-
	- (previous year)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8	L&T Trustee Services Private Limited (Formerly FIL Trustee Company Private Limited)	1.00	157.76	162.39	162.39	-	26.35	23.64	7.28	16.36	-
	- (previous year)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
9	L&T Housing Finance Limited ((Formerly Indo Pacific Housing Finance Limited)	4,392.31	9,939.91	36,806.75	36,806.75	115.27	1,860.21	29.23	8.89	20.35	-
	- (previous year)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
10	Consumer Financial Services Limited	100.00	(62.91)	37.44	37.44	-	1.29	0.70	0.24	0.46	-
	- (previous year)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11	L&T FinCorp Limited	19,943.70	23,048.13	230,175.36	230,175.36	-	17,404.73	2,685.17	(476.17)	3,161.34	-
	- (previous year)	17,002.55	12,838.03	194,329.42	194,329.42	-	2,955.70	456.06	135.00	321.06	-
12	Family Credit Limited	15,430.96	14,228.46	181,466.73	181,466.73	-	7,965.67	964.70	(1,593.31)	2,558.01	-
	- (previous year)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	L&T Access Financial Advisory Services Limited	600.00	(953.78)	671.64	671.64	-	348.59	(1,375.06)	(423.50)	(951.56)	-
	- (previous year)	100.00	(2.22)	100.00	100.00	-	-	(2.22)	-	(2.22)	-
14	L&T Unnati Finance Limited	450.00	(27.58)	50,126.30	50,126.30	23,354.74	38.40	(31.93)	(6.58)	(25.35)	-
	- (previous year)	200.00	(2.23)	200.26	200.26	-	0.55	(2.23)	-	(2.23)	-
15	L&T Capital Markets Limited	255.00	(159.08)	224.26	224.26	-	-	(159.08)	-	(159.08)	-
	- (previous year)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes

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...and the thread of happiness
will go on



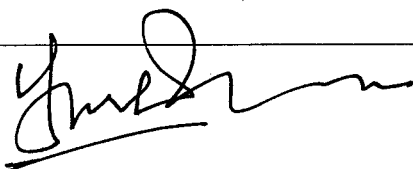
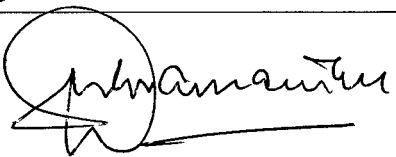
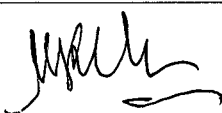


L&T Finance Holdings Limited
City - 2, 177, C.S.T. Road, Kalina,
Santacruz (East), Mumbai 400 098. India.
Phone: +91 22 6621 7300
Website: www.ltfinanceholdings.com

Registered Office:
L&T House, N.M. Marg
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Mumbai 400 001, India.

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Form A

1.	Name of the Company	L&T Finance Holdings Limited
2.	Annual financial statements for the year ended	March 31, 2013
3.	Type of Audit observation	Un-qualified
4.	Frequency of observation	-
5.	To be signed by:	
	Mr. Y. M. Deosthalee Chairman & Managing Director	
	Mr. V. V. Subramanian Financial Controller	
	Mr. Milind P. Phadke Partner, M/s. Sharp & Tannan, Statutory Auditors	
	Mr. S. V. Haribhakti Chairman - Audit Committee	