

Directors' Report

To the Members,

Your Directors have pleasure in presenting the Second Annual Report of the Company together with the annual audited statement of accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

The summarized financial results for the Financial Year ended March 31, 2014 are as under:

Particulars	(₹ Lakhs)	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Gross Income	1,841.10	Nil
Profit / (Loss) before Tax	(1,134.33)	(159.08)
Provision for Tax	Nil	Nil
Profit / (Loss) after Tax	(1,134.33)	(159.08)
Surplus / (deficit) in the statement of Profit and Loss	(1,293.41)	(159.08)

PERFORMANCE OF THE COMPANY

During the year under review, the Company earned a gross income of ₹ 1,841.10 Lakhs as against Nil income in the preceding financial year, the Company having commenced its business only by the end of the previous financial year.

This being the first full year of operations, the operations have resulted in a loss due to higher manpower costs, associated with scaling up capacity for handling higher volumes in the future. Thus, the losses for the financial year ended March 31, 2014 were ₹ 1,293.41 Lakhs as compared to a loss of ₹ 159.08 Lakhs reported in the previous year.

The Company is in the business of Wealth Management and distributes third party financial products/ services.

During the year, the Company had applied for transfer of Portfolio Management Services ("PMS") license from L&T Capital Company Limited, a Group company to the Company. The same was approved by the Securities and Exchange Board of India (SEBI) and the PMS certificate was transferred to the Company.

Further, during the year, the Company has also applied to Dubai Financial Services Authority to carry on the

financial service of operating a Representative Office in or from the Dubai International Financial Centre.

As at the end of the year, the Assets under Service by the Company are at ₹ 5,050 Crore across a Client base of around 1800 as at March 2014.

DIVIDEND

In view of losses during the year, the Directors have decided not to recommend payment of any dividend for the year under review.

RESOURCES

The Authorized Capital of the Company is ₹ 2,000 Lakhs divided into 2,00,00,000 Equity Shares of ₹ 10/- each.

During the year under review, the Company had allotted 1420 Lakhs Equity Shares of ₹ 10/- each to L&T Finance Holdings Limited, the Holding Company. As on March 31, 2014, the paid-up capital of your Company had increased to ₹ 1675 Lakhs.

FIXED DEPOSITS

The Company has not accepted any deposits from the public since inception.

DIRECTORS

At present, the Board comprises of four Directors viz. Mr. Ved Prakash Chaturvedi, Mr. Joydeep Roy, Ms. Ashu Suyash and Ms. Raji Vishwanathan.

Section 152 of the Companies Act, 2013 provides that unless the articles provide for the retirement of all directors at every annual general meeting, not less than two-third of the total number of directors of a public company shall be persons whose period of office is liable to determination by retirement of directors by rotation. Accordingly, Mr. Joydeep Roy and Mr. Ved Prakash Chaturvedi, Directors of your Company, retire by rotation at the ensuing Annual General Meeting. Mr. Joydeep Roy, due to other commitments, has opted not to seek re-election as a Director; Mr. Ved Prakash Chaturvedi, being eligible, has offered himself for re-appointment.

MANAGER

During the year under review, Mr. Ved Prakash Chaturvedi was appointed as Manager of the Company with effect from May 1, 2013 for a period of 3 years.

CORPORATE GOVERNANCE

It has always been the Company's endeavour to excel through better Corporate Governance and fair and transparent practices. The Corporate Governance Report is furnished as Annexure A to this Report.

Statutory Auditors

The Auditors, S R B C & CO LLP, Chartered Accountants, were appointed as the Statutory Auditors of the Company at the First Annual General Meeting ("AGM") to hold office till the conclusion of the Second AGM. However, the Company has received a letter from S R B C & CO LLP regarding their unwillingness to be re-appointed as Statutory Auditor of the Company for the Financial Year 2014-15 and thereafter. Accordingly, the the Board of Directors of the Company recommend appointment of S. R. Batliboi & Co. LLP, as the Statutory Auditors of the Company, subject to the approval of the Members.

The Ministry of Corporate Affairs has on March 26, 2014 notified the provisions of Section 139 of the Companies Act, 2013 ("**the Act**") for appointment of Auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made hereunder, no company belonging to the class of companies specified therein, shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to ratification by Members of the Company at every AGM. The Company being an unlisted company having paid up share capital more than ₹ 10 Crore, it has to comply with the provisions of Section 139(2) of the Act.

Considering the transitional provisions of Section 139(2) of the Act, it is felt prudent to recommend appointment of S.R. Batliboi & Co. LLP as Statutory Auditors for a period of 1 year.

Accordingly, the Board of Directors of the Company recommends their appointment from the conclusion of the Second AGM till the conclusion of the Third AGM, subject to ratification by the Members in the AGM of the Company. The Company has also received a Certificate from the Auditors to the effect that their re-appointment, if made, would be within the limits prescribed under Section 141 of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES

Information under Section 217(2A) of the Companies Act, 1956 and the rules made thereunder is given in a separate Annexure to this Report and forms part of this report. The same would be furnished to the Members on request.

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

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

There were no foreign exchange earnings during the year (Previous year ₹ Nil); the foreign exchange used by the Company during the year was ₹ 7.78 Lakhs (Previous year ₹ Nil) towards professional/ vendor fees and application fees towards setting up a Representative Office in or from the Dubai International Financial Centre.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- 1) in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- 2) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company as at March 31, 2014 and of the profit or 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 Auditor's 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 clarification under Section 217(3) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the dedication and commitment of the Company's management to the growth of the Company. Their

unstinted support has been and continues to be integral to the Company's ongoing success. The Directors wish to thank the Company's clients and business associates for their support to the growth of the Company. The Directors also wish to thank the Central and State Governments, Securities and Exchange Board of India, Association of Mutual Funds in India and other Regulatory/ Government Authorities, Financial Institutions, Banks, Intermediaries, Asset Management Companies and Trustee Companies for their support.

For and on behalf of the Board

Ved Prakash Chaturvedi **Joydeep Roy**
(Director) (Director)

Place: Mumbai
Date: April 22, 2014

Annexure 'A' to Director's Report

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board of Directors along with its Committee provides leadership and guidance to your Company's management and directs, supervises and controls the activities of your Company. At present, the Board comprises four Directors viz. Mr. Ved Prakash Chaturvedi, Mr. Joydeep Roy, Ms. Ashu Suyash and Ms. Raji Vishwanathan. Mr. Ved Prakash Chaturvedi is the Manager of the Company and also Chief Executive of the Capital Markets Group of L&T Financial Services. Mr. Joydeep Roy is a Whole-time Director of L&T General Insurance Company Limited. Ms. Ashu Suyash is the Chief Executive Officer of L&T Investment Management Limited and Ms. Raji Vishwanathan is the Chief Legal Officer - L&T Financial Services.

The Board functions either as a full Board or through various Committees constituted to oversee specific areas. The Committees have oversight of operational issues assigned to them by the Board. The four core Committees constituted by the Board in this connection are:

- Audit Committee of the Board
- Committee of Directors
- Investment Committee
- Product Committee

The Details of various Committees of the Company are as under:

1. Audit Committee of the Board

The Audit Committee of the Directors was constituted on October 17, 2013. During the period under review, the Committee was re-constituted and currently comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. Joydeep Roy
Ms. Ashu Suyash
Ms. Raji Vishwanathan

Role of the Committee

The role, terms of reference, authority and powers of the Audit Committee are in conformity with

Section 292A of the Companies Act, 1956.

During the fiscal year 2013-14, the Committee met once.

2. Committee of Directors

The Committee of Directors was constituted on February 15, 2013. The Committee comprises 3 Directors as per details given below:

Composition of Committee of Directors

Mr. Ved Prakash Chaturvedi
Mr. Joydeep Roy
Ms. Raji Vishwanathan

Role of the Committee

The COD is entrusted with the powers of general management of the affairs of the Company.

During the fiscal year 2013-14, the Committee met ten times.

3. Investment Committee

The Investment Committee was constituted on July 18, 2013. The Committee comprises 4 Members as per details given below:

Composition of Investment Committee

Head - Private Wealth/ Head Premier Wealth (as the case may be)
Head - Business Development
Head of Products
Head of Operations

Role of the Committee

The Investment Committee is entrusted with the powers to take strategic views on the asset classes - equity, debt, currency and gold and also review the existing products / services.

During the fiscal year 2013-14, the Committee met seven times.

4. Product Committee

The Product Committee was constituted on July 18, 2013. The Committee comprises of 6 Members as per details given below:

Composition of Product Committee

Mr. Ved Prakash Chaturvedi
Head - Private Wealth/ Head Premier Wealth (as the case may be)
Head - Business Development
Head of Products
Head of Operations
Compliance

Role of the Committee

The Product Committee is entrusted with the powers of approving the empanelment of new products/ services.

Remuneration of Directors

The Directors on the Board (except Mr. Ved Prakash Chaturvedi), who are/ were in the services of the parent company or other fellow subsidiary companies, drew remuneration from their respective companies. Mr. Chaturvedi is Manager of the Company and draws remuneration from the Company.

Number of Companies in which an Individual may become a Director

The Company has apprised its board members about the restriction on number of other directorships and they have confirmed compliance with the same.

Responsibilities of the Board

The operations of the Company are run by the Manager under the supervision and the guidance of the Board.

Presentations to the Board in areas such as financial results, budgets, business prospects etc., give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality

appropriate to effectively enable /discharge his duties.

The Directors are given time to study the data and contribute effectively to Board discussions. The Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board.

Internal Auditor

Internal Audit Department of L&T Finance Limited provides Internal Audit services to your Company.

Internal Control

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

Secretarial Audit

The Secretarial Audit, at regular intervals, is proposed to be conducted by the Corporate Secretarial Department of Larsen & Toubro, which has competent professionals to carry out the said audit.

Disclosures

During the Financial Year ended March 31, 2014:

- ❖ There was no materially significant related party transaction with the Directors that have a potential conflict with the interests of the Company.
- ❖ The related party transactions have been disclosed in the Notes to Accounts forming part of the Annual Financial Statements.
- ❖ During the year, the Companies Act, 2013 had received President's assent on August 29, 2013. Thereafter, the Ministry of Corporate Affairs, Government of India ("MCA") has progressively notified various sections starting from the date, September 12, 2013, some of sections having effect during the year. Till date, MCA has notified many sections, and the Company is geared up to implement all of them.