

Directors' Report

Dear Members,

Your Directors have pleasure in presenting their Twenty First Annual Report of the Company with the Audited Accounts for the Financial Year ended March 31, 2014.

FINANCIAL HIGHLIGHTS

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

Particulars	(₹ in Lakh)	
	For the year ended March 31, 2014	For the year ended March 31, 2013
Gross Income	45378	34849
Profit before Tax	6536	7103
Provision for Taxation	(1100)	(1593)
Profit after Tax	7636	8696
Profit/ (Loss) brought forward from previous years	(29065)	(36022)
Profit available for Appropriation	(21429)	(27326)
Appropriations:		
Profit available for Appropriation	(21429)	(27326)
Transfer to Statutory Reserve U/S 45-IC of RBI Act, 1934	1527	1739
Net surplus/ (deficit) in the statement of Profit and Loss	(22956)	(29065)

Your Company proposes to transfer ₹ 1527 Lakhs (Previous Year ₹ 1739 Lakhs) to Statutory Reserve created under Section 45-IC of the Reserve Bank of India Act, 1934.

PERFORMANCE OF THE COMPANY

The gross booksize of the Company grew by 71% to ₹ 297911 Lakhs in March, 2014 from ₹ 174005 Lakhs in March, 2013. Profit after tax for the year was lower at ₹ 8696 lakhs as compared to ₹ 7636 lakhs in the preceding financial year. Operations were scaled up in the year under review post acquisition of the Company by L&T Financial Holdings Limited in December 2012, and there were certain expenses incurred for integration of operations with the other retail entities in the group. Accordingly, results of the two financial years are therefore not comparable. The Company registered healthy growth in sourcing of Two Wheeler business. The

Company has also acquired a car portfolio of ₹ 45791 Lakhs from L&T Finance Limited, a fellow subsidiary and ₹ 12765 Lakhs of mortgage portfolio from CitiFinancial Consumer Finance India Limited, in order to build scalability and size in business.

Disbursement

During the year loan disbursement in volume terms increased from ₹ 95095 Lakhs in Financial Year 2012-13 to ₹ 135050 Lakhs in Financial Year 2013-14. Two wheelers continued to be the key product which accounts for 80% of the total disbursement of the Company.

Initiatives undertaken during the Financial Year

- Post acquisition of the ownership and management of the Company by L&T Finance Holdings Limited, integration with the Retail entities of the Group has been done successfully to ensure building efficient and focused team across functions and geographies. Cost rationalization by merger of branches and infrastructure, bringing synergies together.
- Preferred financier tie-up with two major Two-wheeler manufacturers, Honda Motorcycle and Scooter India Private Limited and Suzuki Motorcycle India Private Limited.
- Introduction of a new product line, "Three-wheeler" and revamping "New Car Loan Product".
- Extension of Two Wheeler business in additional 50 locations to enhance the market share.
- Introduction of Tablet(s) at the field level for cost efficient and faster acquisition of business which resulted in major improvement in Turn Around Time (TAT/ Response Time) and greater customer satisfaction.

Performance of businesses:

Two wheeler Loans

This segment includes both new and used Two wheeler Loans in the categories of Motorcycles, Scooters, and Mopeds.

The disbursement in this sector witnessed a growth of over 36% in terms of number of units and 46% in terms of value.

New Car Loans

This segment witnessed an excellent rate of growth in the Financial Year in comparison with that of the last

year. During the year, for the Company, this segment grew by 36% in terms of units and 46% in terms of value (disbursement).

Apart from above, during the year, the Company, also acquired a Car portfolio from L&T Finance Limited, a fellow subsidiary, resulting in increase of the asset/ book size.

Used Car Loans

This segment witnessed a 30% rate of growth in terms of value in the Financial Year under review.

Loyalty Loans

This segment consists of Personal Loans/ Unsecured Loans given to existing customers of the Company who have a good credit/re-payment history. Disbursement in Loyalty loans witnessed a growth of 13% in terms of value over the last Financial Year.

Three wheeler Loans

The Company initiated financing of Three wheelers in the Financial Year under review. The disbursements in the maiden year amounted close to ₹ 40 Crores.

RESOURCES

a) Issue of Shares

During the year the Company has issued 5,00,00,000 shares of Face Value ₹ 10/- at a premium of ₹ 10/- to L&T Finance Holdings Limited amounting to ₹ 10000 Lakhs.

To provide for the issue of the aforesaid additional shares, the Authorised Share Capital of the Company was increased from ₹ 16430.96 Lakhs divided into 35,43,09,610 Equity shares of ₹ 10/- each and 10,00,000 Redeemable Cumulative Preference Shares of ₹ 100/- each.

b) Issue of Non Convertible Debentures (“NCD”)

During the Financial Year 2013-14, your Company raised ₹ 40400 Lakhs by issuing NCDs on private placement basis.

c) Debt position

The aggregate debt (NCDs, Commercial Papers and Bank borrowings) outstanding as on March 31, 2014 was ₹ 271,100.15 Lakhs as compared to ₹ 146,600 Lakhs as on March 31, 2013.

CREDIT RATING

During the year under review, the Company received the following Credit Ratings from CARE & ICRA.

Instrument	CARE Ratings		ICRA Ratings	
	Amount (₹ Crore)	Rating	Amount (₹ Crore)	Rating
Secured Nonconvertible Debentures	600	CARE AA	500	[ICRA] AA (Stable)
Subordinated Debt	100	CARE AA	100	[ICRA] AA (Stable)
Short Term Debt (CP)	1800	CARE A1+	-	-
Long term Borrowing Programme (Bank Borrowings)	2300	CARE AA	-	-

FIXED DEPOSITS

The Company had stopped accepting fresh deposits as well as renewal of existing deposits several years earlier, and during the year, the Company has not accepted any public deposits.

DIRECTORS

Mr. V. V. Subramanian resigned as Director with effect from July 18, 2013. The Board wishes to place on record its appreciation of the contribution rendered by Mr. V. V. Subramanian during his tenure as Director.

Mr. C. S. Damle was appointed as an Additional Director with effect from July 18, 2013 pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office as a Director up to the date of the forthcoming Annual General Meeting (“AGM”). Due to other commitments, he has indicated his unwillingness to be appointed as a Director, at the forthcoming AGM.

Mr. Vasudevan Ramaswami was appointed as an Additional Director with effect from July 18, 2013 pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office as a Director up to the date of the forthcoming AGM.

Notice has been received from a Member proposing the candidature of Mr. Vasudevan Ramaswami under Section 160 of the Companies Act, 2013 for appointment as Director in the forthcoming AGM.

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-thirds 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. In compliance with the above Section, the period of office of Mr. Dinanath Dubhashi, is liable to determination by retirement of directors by rotation at the forthcoming AGM and, he being eligible, has offered himself for appointment as Director of your Company.

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.

AUDITORS

The Auditors, S. R. Batliboi & Co. LLP, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment for a period of one year.

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 listed company 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 Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors.

The Company being a listed company has to comply with the provisions of Section 139 of the Act. Further, since S. R. Batliboi & Co. LLP, had already served as Statutory Auditors of the Company for a period of seven years, they could be further re-appointed for a period of three years of the second term.

However, it was felt prudent to comprehensively review their term and scope before re-appointing them for a period of three years of the second term. This review would also take into consideration additional responsibilities posed on the Auditors under the Act and their readiness to the same. Accordingly, your Directors recommend the re-appointment of S. R. Batliboi & Co. LLP as Statutory Auditors of the Company for a period of one year from the conclusion of 21st AGM till the

conclusion of 22nd AGM, subject to approval of 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 there under 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 & 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 inflows during the year 2013-14.

Foreign Exchange Outflow during the year 2013-14 was ₹ 1,01,447/-

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors confirm that, to the best of their knowledge and belief:

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 at the end of the financial year and of the profit or loss of your Company for that year;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of your Company and for preventing and detecting fraud and other irregularities;

4. The Directors have prepared the Annual Accounts 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 GUIDELINES

The Company continues to comply with all the requirements prescribed by the Reserve Bank of India, from time to time, as applicable to it.

ACKNOWLEDGEMENT

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

employees 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, Reserve Bank of India and other Regulatory / Government Authorities, Financial Institutions, Banks, Mutual Funds and Rating Agencies for their support.

For and on behalf of the Board of Directors

N. Sivaraman

Director

Dinanath Dubhashi

Director

Place: Mumbai

Date: 17th April, 2014

Annexure 'A' to Directors' Report

Corporate Governance Report

BOARD OF DIRECTORS

The Board of Directors along with its Committees provides leadership and guidance to the Company's management and directs, supervises and controls the activities of the Company. At present, the Board comprises five Directors viz. Mr. N. Sivaraman, Mr. Dinanath Dubhashi, Mr. Gopalakrishnan Krishnamurthy, Mr. Vasudevan Ramaswami and C. S. Damle. All the Directors are Non-Executive Directors. Mr. Sivaraman is the President & Whole-time Director of L&T Finance Holdings Limited. Mr. Dinanath Dubhashi is the Managing Director & Chief Executive of L&T Finance Limited. Mr. Gopalakrishnan Krishnamurthy is currently the Manager & Chief Executive of L&T Infrastructure Finance Company Limited. Mr. Vasudevan Ramaswami is Manager & Chief Executive of L&T Housing Finance Limited and Mr. C. S. Damle is the Group CFO of L&T Financial Services.

During the period under review, five meetings of the Board of Directors were held on April, 22, 2013, July 18, 2013, August 26, 2013, October 17, 2013 and January 16, 2014.

Mr. G. C. Rangan is the Manager & Chief Executive of the Company and functions under the superintendence and control of the Board of Directors.

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 nine core Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Management Committee
- Asset-Liability Management Committee
- Nomination and Compensation Committee
- Risk Management Committee
- Credit Committee
- Investment Committee
- Corporate Social Responsibility Committee

The details of various committees of your Company are as under:

1) Audit Committee

The Audit Committee has been set up pursuant to Section 292A of the Act, as well as the RBI Directions for NBFCs. The Committee was re-constituted with effect from July 18, 2013 and comprises 3 Directors as per details given below:

Composition of Audit Committee

Mr. Dinanath Dubhashi
Mr. C. S. Damle
Mr. G. Krishnamurthy

Role of the Committee

The role, terms of reference, authority and powers of the Audit Committee during the year under review were in conformity with Section 292A of the Companies Act, 1956.

During the Fiscal Year 2013-14, the Committee met 6 times.

2) Committee of Directors

The Committee was constituted with effect from January 16, 2014 and currently comprises 3 Directors as per details given below:

Composition of Committee of Directors (COD)

Mr. N. Sivaraman
Mr. Dinanath Dubhashi
Mr. Vasudevan Ramaswami

Role of the Committee

The COD is entrusted with the powers of general management of the affairs of the Company, more particularly to comply with the requirements of the Companies Act, 2013/ 1956 and such powers as entrusted by the Board from time to time.

The Committee met 8 times during the year.

3) Management Committee

The Committee was constituted with effect from July 18, 2013 and currently comprises 2 members as per details given below:

Composition of Management Committee (MC)

Mr. Dinanath Dubhashi
Mr. G. C. Rangan

Role of the Committee

The MC has been entrusted with the powers of general management of affairs of the Company. During the Fiscal Year 2013-14, the decisions of the Committee were taken by resolutions passed by circulation.

4) Asset-Liability Management Committee (ALCO)

The Committee was re-constituted with effect from July 18, 2013.

The Committee is presently chaired by Mr. Sivaraman and consists of 5 other members holding senior executive positions in the Company and group companies.

Role of the Committee

- a. 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;
- b. Reviewing the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
- c. 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;
- d. Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
- e. Product pricing for financial advances, desired maturity profile and mix of the incremental assets and liabilities, based on market conditions.;
- f. Articulating the current interest rate view of the Company and deciding the future business strategy on this view; and
- g. Deciding on the source and mix of liabilities and recommending the desired asset mix.

During the Fiscal Year 2013-14, the Committee met 4 times.

5) Nomination and Compensation Committee

The Nomination and Compensation Committee was re-constituted with effect from July 18, 2013.

The Committee currently comprises 3 members as per details given below:

Mr. N. Sivaraman

Mr. Dinanath Dubhashi

Mr. G. C. Rangan

Head – HR, L&T Financial Services (Secretary to the Committee)

Role of the Committee

- a. To ensure 'fit and proper' status of existing/ proposed Directors by obtaining necessary information and declaration from them and undertake a process of due diligence to determine the suitability of the person(s) for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other relevant factors.
- b. To focus on evaluating senior level employees, their remuneration, promotions etc.

6) Risk Management Committee

The Risk Management Committee was reconstituted with effect from July 18, 2013.

The Committee currently comprises Mr. Dinanath Dubhashi and 4 other members holding senior executive positions in the Company and group companies.

Role of the Committee

The Risk Management Committee would be responsible for managing, inter alia the integrated risk which includes liquidity risk, interest rate risk and currency risk.

During the Fiscal Year 2013-14, the Committee met 5 times.

7) Credit Committee

The Credit Committee was reconstituted with effect from October 17, 2013. The Credit Committee of the Company is broad based consisting of senior officials from the Company and group companies.

Role of the Committee

The Credit Committee reviews and approves all credit & lending proposals as per the credit and lending authorizations approved by the Board (other than regular proposals for vehicle financing and personal loans). Credit decisions are supported by risk management guidelines and norms approved by the Board of Directors of the Company.

8) Investment Committee

During the year, the Investment Committee was re-constituted. The Investment Committee comprises Mr. Sivaraman, Mr. Dinanath Dubhashi, Mr. C. S. Damle and other members.

Role of the Committee

The Committee decides on investments in/divestments of:

- Units of Mutual Fund Schemes
- Units of collective investment schemes
- Government securities and Treasury Bills
- Bank Fixed deposits

9) Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee ("CSR") was constituted on March 29, 2014. The Committee currently comprises:

Mr. N. Sivaraman

Mr. Dinanath Dubhashi

Mr. C. S. Damle

Role of the Committee

- a) Formulation of CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 and recommendation of the same to the Board;
- b) Determine the amount to be spent on CSR from time to time and recommend the same to the Board;
- c) Monitoring the CSR Policy of the Company from time to time.

Separation of Offices of Chairman and Chief Executive Officer

The roles and offices of Chairman and Chief Executive are separated. Mr. N. Sivaraman is the Non-Executive Chairman of the Board whereas Mr.

G. C. Rangan is the Manager & Chief Executive of the Company.

Remuneration of Directors

The Directors on the Board who are / were in the services of the parent holding or other fellow subsidiary companies, drew remuneration from their respective companies. None of the Directors are paid any 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 expects them to comply with the same.

Responsibilities 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 the Board discussions.

The Non-Executive Directors through their interactions and deliberations give suggestions for improving overall effectiveness of the Board and its Committees. Their inputs are also utilized to determine the critical skills required for prospective candidates for election to the Board. The system of risk assessment and compliance with statutory requirements are in place.

Internal Auditors

The Company has an internal audit department which provides services to the Company.

Internal Control

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

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.

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.
- ❖ Though not applicable, the Company has adhered to a few mandatory and non mandatory requirements of Corporate Governance norms as prescribed by Clause 49 of the Listing Agreement.
- ❖ During the year, the Companies Act, 2013 had received President's assent on August

29, 2013 ("the Act"). 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.

Means of Communication

- ❖ The investors (debenture holders) are also communicated the "Half Year Communication" as per the Debt Listing Agreement.
- ❖ Annual Reports, official news releases and presentations are also displayed on the website of the Company www.familycreditindia.com.

For and on behalf of the Board of Directors

N. Sivaraman
Director

Dinanath Dubhashi
Director

Place: Mumbai
Date: 17th April, 2014

Independent Auditor's Report

To the Members of Family Credit Limited Report on the Financial Statements

We have audited the accompanying financial statements of Family Credit Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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 accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and 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 internal control 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 accounting policies used and the reasonableness of the accounting estimates made by 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 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, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows 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 of India in terms of sub-section (4A) of section 227 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 purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (c) The Balance Sheet, Statement of Profit and Loss, and 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 notified under the Act read with General Circular 15/2013 dated 13 September 2013, issued by the Ministry of Corporate Affairs, in respect of Section 133 of the Companies Act, 2013;
 - (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **S. R. BATLIBOI & CO. LLP**

ICAI's Firm registration number: 301003E
Chartered Accountants

per **Viren H. Mehta**
Partner

Mumbai
April 17, 2014

Membership No.: 048749

Annexure referred to in paragraph 1 under the heading “Report on other legal and regulatory requirements” of our report of even date

Re: Family Credit Limited

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) There was no disposal of substantial part of fixed assets during the year.
- (ii) The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of providing loans and does not maintain inventory. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (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 Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to 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 Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (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 rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (v) In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, the dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of dispute, are as follows:

Name of the Statue	Nature of dues	Provision Amount (₹)	*Amount Paid (₹)	Period to which its relates	Forum where dispute is pending
West Bengal Value Added Tax, 2003	VAT	16,174,736	10,013,342	Financial Year 2005-06 to 2013-14	Supreme Court
Orissa Value Added Tax, 2004	VAT	1,645,375	827,170	Financial Year 2005-06 to 2013-14	Deputy commissioner of sales tax

*The Company has paid these amounts under protest

- (x) The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order, are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/surplus funds which were not required for immediate utilization at relevant time were gainfully invested in liquid assets payable on demand.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
- (xix) According to the information and explanations given to us, the Company has issued 750 debentures of ₹ 1,000,000 each and 1,316 debentures of ₹ 250,000, during the period covered by our audit report. The Company has created security charge in respect of 80 debentures. For the balance 1,986 debentures the Company is taking steps to create security for the debentures (issued in February and March).
- (xx) The Company has not raised money by public issue during the year.
- (xxi) We have been informed that during the year there were fifteen instances of loans given based on fraudulent misrepresentation by the borrowers aggregating to ₹ 1,921,200. The Company is in the process of taking legal action against such borrowers involved. The outstanding balance (net of recovery) aggregating ₹ 613,930 has been fully provided for/written off.

For **S. R. BATLIBOI & CO. LLP**
ICAI's Firm registration number: 301003E
Chartered Accountants

per **Viren H. Mehta**
Partner

Mumbai
April 17, 2014

Membership No.: 048749

Balance Sheet as at March 31, 2014

(₹ in Lakh)

Particulars	Notes	As at 31-Mar-14	As at 31-Mar-13
Equity and liabilities			
Shareholders' funds			
Share capital	3	20,431	15,431
Reserves and surplus	4	26,856	14,228
		47,287	29,659
Non-current liabilities			
Long-term borrowings	5	110,066	87,643
Other long-term liabilities	6	196	-
Long-term provisions	7	440	303
		110,702	87,946
Current liabilities			
Short-term borrowings	8	60,950	8,928
Current maturities of long term borrowings	5	100,099	50,082
Other current liabilities	9	5,589	4,232
Short-term provisions	7	690	613
		167,328	63,855
TOTAL		325,317	181,460
Assets			
Non-current assets			
Fixed assets			
Tangible assets	10	251	168
Intangible assets	11	214	118
Non-current investments	12	2,300	-
Long-term loans and advances	13	582	535
Long-term loans and advances towards financing activities	13	151,462	80,792
Other non-current assets	15	122	-
		154,931	81,613
Current assets			
Current investments	12	18,500	-
Deferred tax assets (net)	14	2,700	1,600
Cash and bank balances	16	1,397	9,789
Short-term loans and advances	13	4,181	2,019
Current Maturities of Long-term loans towards financing activities	13	139,454	83,610
Other current assets	15	4,154	2,829
		170,386	99,847
TOTAL		325,317	181,460
Significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board of Directors of FamilyCredit Limited

For S. R. BATLIBOI & CO. LLP
ICAI's Firm Registration No.: 301003E
Chartered Accountants

Dinanath Dubhashi
Director

C.S.Damle
Director

per Viren H. Mehta
Partner
Membership No. 048749

G.C.Rangan
Chief Executive and Manager

Abhijit Chatterjee
Company Secretary

Date: 17-April-2014
Mumbai

Statement of Profit and Loss for the year ended March 31, 2014

(₹ in Lakh)

Particulars	Notes	31-Mar-14	31-Mar-13
Income			
Revenue from operations	17	44,830	32,805
Other income	18	548	2,044
Total revenue (I)		45,378	34,849
Expenses			
Employee benefit expenses	19	2,436	2,844
Finance costs	20	18,877	12,650
Other expenses	21	15,031	10,646
Depreciation and amortization expense	22	282	278
Provisions and write-offs	23	2,216	1,328
Total expenses (II)		38,842	27,746
Profit before tax (III)=(I)-(II)		6,536	7,103
Tax expenses			
Current tax		-	7
Deferred tax		(1,100)	(1,600)
Total tax expense (IV)		(1,100)	(1,593)
Profit for the year (III)-(IV)		7,636	8,696
Earnings per equity share (Basic and Diluted) [nominal value of share ₹ 10 (March 31, 2013: ₹ 10)]	24	4.28	6.19
Significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For and on behalf of the Board of Directors of FamilyCredit Limited

For S. R. BATLIBOI & CO. LLP

ICAI's Firm Registration No.: 301003E
Chartered Accountants

Dinanath Dubhashi

Director

C.S.Damle

Director

per Viren H. Mehta

Partner
Membership No. 048749

G.C.Rangan

Chief Executive and Manager

Abhijit Chatterjee

Company Secretary

Date: 17-April-2014

Mumbai

Cash Flow Statement for the year ended March 31, 2014

(₹ in Lakh)

Particulars	For the year ended 31-Mar-14	For the year ended 31-Mar-13
A. Cash Flows From Operating Activities :		
Net Profit / (Loss) before Taxation	6,536	7,103
Adjustments for :		
Depreciation and amortization	282	278
Profit on sale of fixed assets (net)	(9)	(6)
Provision for loans	(3,272)	(4,028)
Bad debts written off	5,488	5,356
Interest on fixed deposits	(100)	(1,780)
Income from mutual fund	(291)	-
Interest on inter corporate deposit	(54)	(2)
Liabilities no longer required written back	(6)	(193)
Operating profit /(loss) before Working Capital changes	8,574	6,728
Movements in Working Capital:		
Decrease/(increase) in long term loans and advances	(72,629)	(31,036)
Decrease/(increase) in short term loans and advances	(58,006)	(22,974)
Decrease/(increase) in other current assets	(2,016)	(596)
Decrease/(increase) in other non-current assets	(122)	-
Increase/(decrease) in other current liabilities	899	(2,143)
Increase/(decrease) in other long term liabilities	196	(1,389)
Cash generated from / (used in) operations	(123,104)	(51,410)
Direct taxes paid (Including TDS)	(60)	(172)
Net cash used in Operating Activities (A)	(123,164)	(51,582)
B. Cash Flows from Investing Activities :		
Purchase of fixed assets, including capital work in progress and capital advances	(461)	(102)
Proceeds from sale of fixed assets	9	7
Purchase of non-current investments in Equity	(2,300)	-
Purchase of current investments	(830,600)	-
Proceeds from sale/maturity of current investments	812,391	-
Interest received	845	2,555
Decrease/(increase) in fixed deposits greater than three months	8,000	9,903
Net cash from / (used in) Investing Activities (B)	(12,116)	12,363
C. Cash Flows from Financing Activities :		
Proceeds from issuance of share capital including securities premium	9,992	2,500
Proceeds from short-term borrowings	353,790	39,928
Repayment of short-term borrowings	(301,767)	(31,000)
Proceeds from long-term borrowings	175,102	194,250
Repayment of long-term borrowings	(102,662)	(167,008)
Net cash from Financing Activities (C)	134,455	38,670
Net Increase/(Decrease) in Cash and Cash Equivalents (A)+(B)+(C)	(825)	(549)
Cash and Cash Equivalents at the beginning of the year	367	916
Cash and Cash Equivalents at the end of the year	(458)	367
Components of Cash and Cash Equivalents at the year end		
Cash on Hand	454	261
With Banks - on current account (net of book overdraft)	(912)	106
	(458)	367

As per our report of even date

For and on behalf of the Board of Directors of FamilyCredit Limited

For S. R. BATLIBOI & CO. LLP
ICAI's Firm Registration No.: 301003E
Chartered Accountants

Dinanath Dubhashi
Director

C.S.Damle
Director

per Viren H. Mehta
Partner
Membership No. 048749

G.C.Rangan
Chief Executive and Manager

Abhijit Chatterjee
Company Secretary

Date: 17-April-2014
Mumbai

Notes to the Financial Statements for the year ended March 31, 2014

1. Corporate Information

FamilyCredit Limited ('the Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company is a non-deposit accepting non-banking financial company or NBFC-ND registered with the Reserve Bank of India (RBI).

The Company is engaged in the business of financing of two wheelers, automobiles, loyalty personal loans, loans against shares, term loans and loans against property.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). 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), the relevant provisions of the Companies Act, 1956 and the provisions of the Reserve Bank of India ('RBI') as applicable to a non banking financial company. The financial statements have been prepared under historical cost convention on an accrual basis except for interest on loan, which have been classified as non performing assets and is accounted on realised basis.

The accounting policies applied by the Company are consistent with those used in the previous year.

2.1 Significant Accounting Policies

(a) 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.

(b) Tangible fixed assets

Fixed assets are stated at historical cost, less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Gains or losses arising from sale of fixed assets are measured as difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss.

(c) Depreciation on tangible fixed assets

i. Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Company has used the following rates to provide depreciation on its fixed assets.

	Rates (SLM)	Schedule XIV Rates (SLM)
Plant and Machinery	20.00%	4.75 %
Computers	33.33%	16.21 %
Furniture and Fittings	20.00%	6.33 %
Vehicles	20.00%	9.50 %

ii. Leasehold improvements are amortised over the primary lease period.

iii. Fixed assets costing upto ₹ 5,000 individually are depreciated fully in the year of purchase.

(d) Intangible assets

i. Intangible assets in the nature of software license are amortized over license period.

ii. All others intangible assets are amortized over a period of 3 to 5 years.

(e) Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/

Notes to the Financial Statements for the year ended March 31, 2014

external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

(f) Classification and provisioning of loan portfolio

- i. Loans and other credit facilities are classified as standard, sub-standard, doubtful, and loss assets in accordance with Non - Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time.
- ii. Provision in respect of non-performing assets are made based on management's assessment of the degree of impairment of the loans and advances subject to the minimum provision required as per Non - Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time.

(g) Leases

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.

(h) 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.

- i. Interest income on loans given is

recognised under the accrual method. Income including interest or any other charges on non-performing asset is recognized only when realized. Any such income recognized before the asset became non-performing and remaining unrealized have been reversed.

- ii. Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.
- iii. Loan origination income i.e. processing fees and other charges collected upfront, are recognised at the inception of the loan.

(i) Foreign currency transactions

i. Initial recognition

Foreign currency transactions are recorded in the reporting currency by applying the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

ii. Conversion

Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.

iii. Exchange differences

Exchange differences arising on the settlement of monetary items, or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or expenses in the year in which they arise.

(j) Retirement and other employee benefits

- i. Retirement benefit in the form of provident fund is a defined contribution scheme. The contributions to the provident fund are charged to the Statement of profit and loss for the year when the contributions are due. The Company has no obligation, other than the contribution payable to the provident fund.

Notes to the Financial Statements for the year ended March 31, 2014

- ii. Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on project unit credit method made at the end of each financial year.
- iii. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the Statement of profit and loss and are not deferred.
- iv. Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. Since the Company does not have an unconditional right to defer its leave settlement beyond 12 months, entire leave provision is disclosed in current liability in the balance sheet.

(k) Income Taxes

Tax expense comprises current and deferred tax. Current income-tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available

against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax asset to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized.

(l) Earnings per share

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(m) Provisions

The Company recognises a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and reliable estimates can be made of the amount of the obligation. Provision are not discounted to its present value and are determined based on best estimated require to settle the obligation at the balance sheet date. These estimates are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(n) Contingent liabilities

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

Notes to the Financial Statements for the year ended March 31, 2014

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.

(o) Investments

Investments which are readily realisable and intended to be held for not more than a 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 statement 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 recognise a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and disposal proceeds are charged or credited to the statement of profit and loss.

(p) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank, cash in hand, and short term investments with original maturity of three months or less.

(q) Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. Share capital

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Authorized shares		
354,309,610 (March 31, 2013: 154,309,610) Equity Shares of ₹ 10 each	35,431	15,431
1,000,000 (March 31, 2013: 1,000,000) Cumulative Preference Shares of ₹ 100 each	1,000	1,000
Issued, subscribed and fully paid-up shares		
204,309,610 (March 31, 2013: 154,309,610) Equity Shares of ₹ 10 each fully paid	20,431	15,431
Total issued, subscribed and fully paid-up share capital	20,431	15,431

The entire share capital of the Company held by Societe Generale Consumer Finance('SGCF') has been transferred to L&T Finance Holdings Limited('LTFH') on December 31, 2012 as per the Share Purchase Agreement between the above parties signed on October 19, 2012.

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

Equity shares

	31-Mar-14		31-Mar-13	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the year	154,309,610	15,431	140,420,860	14,042
Issued during the year- Fresh Issue	50,000,000	5,000	13,888,750	1,389
Outstanding at the end of the year	204,309,610	20,431	154,309,610	15,431

Notes to the Financial Statements for the year ended March 31, 2014

(b) Terms/ rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Dividend declared and paid would be in Indian rupees.

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.

(c) Shares held by holding/ ultimate holding company and/ or their subsidiaries/ associates

Out of equity shares issued by the Company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

	31-Mar-14		31-Mar-13	
	No. of Shares	Amount	No. of Shares	Amount
L & T Finance Holdings Limited ('LTFH'), the Holding Company and its Nominees	204,309,610	20,431	154,309,610	15,431
204,309,610 (March 31, 2013: 154,309,610) Equity Shares of ₹ 10 each fully paid.				

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

Equity shares of ₹ 10 each fully paid	As at March 31, 2014		As at March 31, 2013	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class
L & T Finance Holdings Limited('LTFH'), the Holding Company	204,309,610	100%	154,309,610	100%

As per the records of the Company, including its register of shareholders / members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

4. Reserves and surplus

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Capital redemption reserve	320	320
Securities premium account		
Balance as per the last financial statements	40,833	39,722
Add: Additions on fresh issue of equity shares	5,000	1,111
Less: Share & NCD issue expenses	(8)	-
Closing Balance	45,825	40,833
Statutory reserve		
Balance as per the last financial statements	2,140	401
Add: Amount transferred from surplus balance in the statement of profit and loss	1,527	1,739
Closing Balance	3,667	2,140
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(29,065)	(36,022)
Add: Profit for the year	7,636	8,696
Less: Transferred to Statutory Reserve [@ 20% of profit after tax as required by section 45-IC of Reserve Bank of India Act, 1934]	(1,527)	(1,739)
Net surplus/ (deficit) in the statement of profit and loss	(22,956)	(29,065)
Total reserves and surplus	26,856	14,228

Notes to the Financial Statements for the year ended March 31, 2014

5. Long-term borrowings

(₹ in Lakh)

	Non-current portion		Current maturities	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Non Convertible Debenture				
Secured	32,900	-	-	-
Unsecured	7,500	-	-	-
Term loans				
Indian rupee loan from banks (secured)	45,000	87,643	96,766	50,082
Demand Loan				
Indian rupee loan from banks (secured)	24,666	-	3,333	-
	110,066	87,643	100,099	50,082
The above amount includes				
Secured borrowings*	102,566	87,643	100,099	50,082
Unsecured borrowings	7,500	-	-	-
Net amount	110,066	87,643	100,099	50,082

*Indian rupee loan from banks are term loans & demand loan secured by exclusive charge on specific book debt and future receivables.

Refer note 5 long-term borrowings
Terms of repayment of Term Loan borrowings as on March 31, 2014

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
1-3 Yrs	10%-11%	1	17,477	1	833	-	-	-	-	18,310
		3	4,166	2	4,998	-	-	-	-	9,164
		4	55,083	3	7,500	-	-	-	-	62,583
Above 3 years	11%-12%	-	-	1	20,000	-	-	-	-	20,000
		4	15,000	2	7,500	-	-	-	-	22,500
Above 3 years	12%-13%	1	14	-	-	-	-	-	-	14
		11	1,694	-	-	-	-	-	-	1,694
		4	3,332	4	3,332	1	837	-	-	7,501
			96,766		44,163		837		-	141,766

(₹ in Lakh)

Refer note 5 long-term borrowings
Terms of repayment of Demand Loan borrowings as on March 31, 2014

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
1-3 Yrs	10%-11%	-	-	1	20,000	-	-	-	-	20,000
		4	3,333	4	3,333	2	1,333	-	-	7,999
			3,333		23,333		1,333		-	27,999

(₹ in Lakh)

Refer note 5 long-term borrowings
Terms of repayment of NCD (Secured) as on March 31, 2014

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
1-3 Yrs	10%-11%	-	-	-	-	-	-	-	-	32,900
					32,000		900		-	-

(₹ in Lakh)

**Refer note 5 long-term borrowings
Terms of repayment of NCD (Unsecured) as on March 31, 2014**

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount							
Monthly repayment schedule										
Above 3 years	10%-11%	-	-	-	-	-	-	-	7,500	7,500
									7,500	7,500

**Refer note 5 long-term borrowings
Terms of repayment of borrowings as on March 31, 2013**

(₹ in Lakh)

Original maturity of loan	Interest rate	Due within 1 year		Due in 1 to 2 Years		Due in 2 to 3 Years		Due after 3 Years		Total
		No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	No. of installments	Amount	
Monthly repayment schedule										
1-3 Yrs	10%-11%	4	46,000	4	46,000	3	31,250	-	-	123,250
		-	-	-	-	4	4,334	-	-	4,334
	-	-	-	-	-	-	-	-	-	-
Above 3 years	12%-13%	12	2,633	1	14	-	-	-	-	2,647
		-	-	11	1,161	-	-	-	-	1,161
	-	-	12	533	-	-	-	-	-	533
Above 3 years	10%-11%	3	1,449	4	1,933	4	1,933	1	485	5,800
		-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
			50,082		49,641		37,517		485	137,725

Notes to the Financial Statements for the year ended March 31, 2014

6. Other long-term liabilities

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Debt Service Reserve Account	196	-
	196	-

7. Provisions

	(₹ in Lakh)			
	Long-term		Short-term	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Provision for employee benefits				
Provision for leave benefits	-	-	121	152
	-	-	121	152
Other provisions				
Contingent provision against standard assets (refer note 2.1 f)	440	303	569	461
	440	303	569	461
	440	303	690	613

8. Short-term borrowings

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
A. Secured		
Cash credit from banks*	406	1,600
	(A) 406	1,600
B. Unsecured		
Commercial Papers		
Less: Unamortised discount	51,000 (456)	7,500 (172)
Revolving Credit		
From Bank	10,000	-
	(B) 60,544	7,328
Total (A+B)	60,950	8,928

*Cash credit from banks are term loans secured by exclusive charge on book debt and future receivables. The cash credit is repayable on demand and carries interest @ 12% p.a.

9. Other current liabilities

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Trade payables (including acceptances) (refer note 34 for dues payable to Micro and small enterprises)		
Expenses and other payable	2,007	927
Employee benefits payable	167	336
Other liabilities		
Interest accrued but not due on borrowings	646	1,028
Advance from customers	684	404
Bank balance (book overdraft)	1,842	1,409
Statutory dues payable	243	128
	5,589	4,232

Notes to the Financial Statements for the year ended March 31, 2014

10. Tangible assets

(₹ in Lakh)

	Gross Block (at cost)			Depreciation/ Amortisation			Net Block	
	As at April 01, 2013	Addition during the year	Disposal during the year	As at March 31, 2014	For the year	Disposal during the year	As at March 31, 2014	As at March 31, 2013
(i) Asset for own use								
Vehicles	10	-	-	10	-	-	10	-
Furniture and Fixture	187	6	8	185	8	8	184	1
Computers	1,016	190	8	1,198	83	8	1,033	165
Office Equipment	308	40	16	332	44	16	258	74
Sub-Total (i)	1,521	236	32	1,725	135	32	1,485	240
(ii) Leasehold asset								
	764	14	85	693	32	85	682	11
Sub-Total (ii)	764	14	85	693	32	85	682	11
Total [(i)+(ii)]	2,285	250	117	2,418	167	117	2,167	168
Previous year	2,328	67	110	2,285	173	109	2,117	168

The Company does not have any other leasehold assets except as disclosed above.

All assets have been recognized at cost

11. Intangible assets

(₹ in Lakh)

	Gross Block (at cost)			Depreciation/ Amortisation			Net Block	
	As at April 01, 2013	Addition during the year	Disposal during the year	As at March 31, 2014	For the year	Disposal during the year	As at March 31, 2014	As at March 31, 2013
Computer software	1,037	212	-	1,249	919	116	1,035	214
Total	1,037	212	-	1,249	919	-	1,035	214
Previous year	992	45	-	1,037	814	105	919	118

10. Tangible assets

(₹ in Lakh)

10. Tangible assets	Gross Block (at cost)			Depreciation/ Amortisation			Net Block		
	As at April 01, 2012	Addition during the year	Disposal during the year	As at March 31,2013	As at April 01, 2012	For the year	Disposal during the year	As at March 31,2013	As at March 31,2012
(i) Asset for own use									
Vehicles	22	-	12	10	22	-	12	10	-
Furniture and Fixture	188	3	4	187	179	10	5	184	3
Computers	1,021	23	28	1,016	929	57	28	958	58
Office Equipment	300	20	12	308	186	54	10	230	78
Sub-Total (i)	1,531	46	56	1,521	1,316	121	55	1,382	139
(ii) Leasehold asset									
	797	21	54	764	737	52	54	735	29
Sub-Total (ii)	797	21	54	764	737	52	54	735	29
Total [(i)+(ii)]	2,328	67	110	2,285	2,053	173	109	2,117	168
Previous year	2,364	124	160	2,328	1,930	279	156	2,053	275

The Company does not have any other leasehold assets except as disclosed above.

All assets have been recognized at cost

11. Intangible assets

(₹ in Lakh)

11. Intangible assets	Gross Block (at cost)			Depreciation/ Amortisation			Net Block		
	As at April 01, 2012	Addition during the period	Disposal during the period	As at March 31,2013	As at April 01, 2012	For the year	Disposal during the year	As at March 31,2013	As at March 31,2012
Computer software	992	45	-	1,037	814	105	-	919	118
Total	992	45	-	1,037	814	105	-	919	118
Previous year	914	78	-	992	637	177	-	814	178

Notes to the Financial Statements for the year ended March 31, 2014

12. Investments

(₹ in Lakh)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Non-trade investment (Unquoted)				
Investment in associates				
23,000,000 Number of shares of ₹ 10 Each fully paid in L&T infrastructure Debt Fund	2,300	-	-	-
Investment in Mutual Fund (Unquoted)				
1,052,705.55 units of ₹ 1757.38 each in L&T Liquid Fund Direct Plan-Growth	-	-	18,500	-
	2,300	-	18,500	-
Aggregate amount of quoted investments	-	-	-	-
Aggregate amount of unquoted investments	2,300	-	18,500	-

13. Loans and advances

(₹ in Lakh)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
A. Portfolio Loans secured				
Considered Good*				
Loans against Hypothecated Asset	120,571	77,480	113,383	79,049
Loans Against Shares	10,550	1,000	9,256	-
Term Loan	998	-	1,153	-
Loan Against Property	15,193	-	1,158	-
Short Term Loan***	-	-	8,997	-
	147,312	78,480	133,947	79,049
Considered Doubtful**				
Loans against Hypothecated Asset	7,806	4,994	-	-
Less: Provision for non performing assets (refer note 2.1 f)	(5,639)	(4,534)	-	-
(A)	149,479	78,940	133,947	79,049
B. Portfolio Loans unsecured				
Considered Good*				
Personal Loans	1,983	1,851	5,507	4,561
	1,983	1,851	5,507	4,561
Considered Doubtful**				
Personal Loans	380	5,003	-	-
Less: Provision for non performing assets (refer note 2.1 f)	(380)	(5,002)	-	-
(B)	1,983	1,852	5,507	4,561

* Represents standard assets in accordance with classification of assets as per RBI Prudential norms for NBFCs

** Represents sub-standard & doubtful assets in accordance with classification of assets as per RBI Prudential norms for NBFCs

***The short term loans outstanding as at the Balance Sheet date include ₹ 3,400 (Previous year: Nil) for which the Company is in the process of creating of charge for security.

Notes to the Financial Statements for the year ended March 31, 2014

(₹ in Lakh)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
C. Capital advances				
Unsecured, considered good	1	2	-	-
(C)	1	2	-	-
D. Security deposits				
Unsecured, considered good	295	306	-	-
(D)	295	306	-	-
E. Loan and advances to related parties				
Inter Corporate Deposit (unsecured considered good)	-	-	-	1,524
(E)	-	-	-	1,524
F. Advances recoverable in cash or kind				
Unsecured, considered good	-	-	4,056	320
Unsecured, considered doubtful	33	33	-	-
	33	33	4,056	320
Provision for doubtful advances	(33)	(33)	-	-
(F)	-	-	4,056	320
G. Other loans and advances				
Employee Advances (Secured, considered good)	-	-	2	3
Advance fringe benefit tax (Net of provision)	-	2	-	-
Advance income tax (Net of provision)	282	220	-	-
Prepaid expenses	4	5	123	172
(G)	286	227	125	175
Total (A+B+C+D+E+F+G)	152,044	81,327	143,635	85,629

14. Deferred tax asset (net)

(₹ in Lakh)

	31-Mar-14	31-Mar-13
Deferred tax asset		
Fixed assets: Impact of difference between tax depreciation and depreciation charged for the financial reporting	268	313
Provision for doubtful debts and advances	2,389	3,501
Provision for leave availment	41	51
Interest income on Non performing loan recognised for tax purpose	531	1,607
Net Deferred tax asset	3,229	5,472
Net Deferred tax asset recognised	2,700	1,600

Note: The Company has recognised a net deferred tax asset of ₹ 2,700 lakhs as at March 31, 2014 based on the reasonable certainty of making future taxable profits. The company has recognised DTA of ₹ 16 crore in FY 2012-13 and ₹ 11 crore in current financial year.

Notes to the Financial Statements for the year ended March 31, 2014

15. Other assets

(₹ in Lakh)

	Non Current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Non-current bank balances (refer note 16)	-	-	-	-
Interest accrued but not due on portfolio loans	-	-	3,169	1,983
Interest accrued and due on portfolio loans	-	-	976	155
Redemption premium accrued but not due on LAS	122	-	-	-
Interest accrued but not due on deposits placed with banks	-	-	-	689
Interest accrued but not due on trade advance	-	-	9	-
Interest accrued but not due on Inter corporate deposit	-	-	-	2
	122	-	4,154	2,829

16. Cash and bank balances

(₹ in Lakh)

	Non-current		Current	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Cash and cash equivalents				
Balances with banks:				
On current accounts	-	-	930	1,515
Cash on hand	-	-	454	261
	-	-	1,384	1,776
Other bank balances				
Deposits with original maturity of more than 3 months but less than 12 months	-	-	13	9
Deposits with original maturity of more than 12 months	-	-	-	8,000
Margin money deposits*	-	-	-	4
	-	-	13	8,013
Amount disclosed under non-current assets (refer note 15)	-	-	-	-
	-	-	1,397	9,789

* Margin money deposit includes margin money against bank guarantee ₹ 0.04 [Previous year: ₹ 0.03]

17. Revenue from operations

(₹ in Lakh)

	31-Mar-14	31-Mar-13
Interest income		
Interest income on portfolio loans	36,361	22,576
Other operating revenue		
Loan origination income (refer note 2.1 h)	6,307	8,885
Prepayment and other charges	1,884	1,262
Recovery against loans written off	51	5
Other operating fees collected	227	77
	44,830	32,805

Notes to the Financial Statements for the year ended March 31, 2014

18. Other income

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Interest on fixed deposits	100	1,780
Interest on inter corporate deposits	54	2
Insurance commission	27	61
Income from mutual fund	291	-
Profit on sale of assets	9	6
Liabilities no longer required written back	6	193
Miscellaneous income	61	2
	548	2,044

19. Employee benefit expenses

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Salaries and bonuses	2,233	2,515
Leave benefits	(31)	47
Contribution to Provident Fund & Employees State Insurance	108	122
Contribution to Matching Grant Scheme	10	-
Gratuity expenses (refer note 33)	10	42
Staff welfare expenses	104	118
ESOP expenses (refer note 36)	2	-
	2,436	2,844

20. Finance costs

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Interest		
On term loans from banks	15,286	12,424
On cash credit from banks	63	1
On inter-corporate deposits	208	195
On commercial papers	2,955	8
On non convertible debenture	240	-
On demand loan	47	-
On revolving credit	20	-
Loan processing fees	13	22
Brokerage & issue expense	45	-
	18,877	12,650

Notes to the Financial Statements for the year ended March 31, 2014

21. Other expenses

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Rent	746	700
Electricity charges	179	159
Communication expenses	191	174
Printing and stationery	219	160
Rates and taxes	337	770
Bank charges	680	538
Legal and professional charges	759	284
Rating Expense	24	22
Postage and telegram	206	157
Service charges of outsourced employees	2,440	1,684
Advertisement expenses	79	67
Seizure and parking charges	185	84
Brokerage and commission	3,135	1,842
Marketing incentives	844	486
Collection charges	2,975	2,015
Field investigation expenses	920	583
Travelling and conveyance	197	145
Hire charges	7	7
Auditors' remuneration (refer details below)	23	44
Computer network charges	188	145
Repairs and maintenance		
Computer Software and Hardware	258	268
Others	67	62
Insurance premium	5	44
Filing Fees	108	-
Corporate support charges paid to LTF	209	130
Miscellaneous expenses	50	76
	15,031	10,646
As auditor:		
Audit fees	8	8
Tax audit fees	2	2
Limited review	3	2
Fees in relation to interim audit	-	20
In other capacity:		
Other services including certification fees	3	4
Reimbursement of expenses	7	8
	23	44

22. Depreciation and amortization expenses

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Depreciation of tangible assets	166	173
Amortization of intangible assets	116	105
	282	278

Notes to the Financial Statements for the year ended March 31, 2014

23. Provisions and write-offs

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Contingent provision against standard assets	245	128
Provision for non-performing assets	(3,517)	(4,154)
Provision for loan management services	-	(2)
Portfolio loans and other balances written off	5,488	5,356
	2,216	1,328

24. Earnings per share (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	(₹ in Lakh)	
	31-Mar-14	31-Mar-13
Net profit for calculation of basic EPS	7,636	8,696
Net profit for calculation of diluted EPS	7,636	8,696
	No. of shares	No. of shares
Weighted average number of equity shares in calculating basic EPS	178,213,720	140,573,065
Effect of dilution:		
Weighted average number of equity shares in calculating diluted EPS	178,213,720	140,573,065

25. Change in accounting estimates:

During the current year, the Company has changed its estimate of provision for loss on automobile loan to align the provisioning policy followed by the other retail entities of L & T Finance Holdings Limited ('the Holding Company'). Had the Company continued to use earlier estimate the write back to the statement of profit and loss would have been lower by ₹ 2, 228 lacs.

26. Segment Information

The Company has a single reportable segment i.e. financing which has similar risk and return for the purpose of AS-17 on 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006 (as amended). The Company operates in a single geographical segment i.e domestic.

27. Related Party Transactions

List and details of related parties

Holding Company	L&T Finance Holdings Limited ('LTFH') Larsen & Toubro Limited('L&T')-Ultimate Holding Company Société Générale Consumer Finance ('SGCF') (Till December 30, 2012) Société Générale Bank ('SG')-Ultimate Holding Company (Till December 30, 2012)
Fellow Subsidiaries	L&T Finance Limited ('LTF') L&T FinCorp Limited L&T Housing Finance Limited ('LTHF') L&T Infrastructure Debt Fund L&T Capital Market Ltd. ('LTCM') ALD Automotive Private Limited ('ALD') (Till December 30, 2012) Societe Generale (Mumbai / Delhi banking operations) (Till December 30, 2012)
Key Management Personnel	G C Rangan – Chief Executive and Manager Guy Tamby - Whole time Director (From Jan 01, 2010 till December 31, 2012)

Notes to the Financial Statements for the year ended March 31, 2014

Transaction during the year :	Holding Company		Fellow subsidiaries		Key Management Personnel		Total	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	(₹ in Lakh)							
Personnel expenses paid to Guy Tamby	-	-	-	-	-	-	-	81
Car Lease Rentals paid to ALD	-	-	-	9	-	-	-	9
Term Loan repaid to SG (Mumbai/Delhi Banking operations)	-	-	-	2,083	-	-	-	2,083
Interest on Term Loan from SG (Mumbai/Delhi Banking operations)	-	-	-	129	-	-	-	129
Corporate support charges paid to LTF	-	-	235	146	-	-	235	146
Branch sharing cost from LTFH	-	-	24	1	-	-	24	1
Branch sharing cost to LTFH	-	-	12	-	-	-	12	-
Branch sharing cost from LTF	-	-	33	-	-	-	33	-
Branch sharing cost to LTF	-	-	64	-	-	-	64	-
Investment in L&T Infrastructure debt fund	-	-	2,300	-	-	-	2,300	-
ICD taken from LTFH	64,250	29,500	-	-	-	-	64,250	29,500
Repayment of ICD taken from LTFH	64,250	29,500	-	-	-	-	64,250	29,500
Interest on ICD taken from LTFH	121	193	-	-	-	-	121	193
ICD taken from LTF	-	-	43,000	500	-	-	43,000	500
Repayment of ICD taken from LTF	-	-	43,000	500	-	-	43,000	500
Interest on ICD taken from LTF	-	-	70	0.3	-	-	70	0.3
ICD taken from L&T FinCorp Ltd.	-	-	300	1,000	-	-	300	1,000
Repayment of ICD taken from L&T FinCorp Ltd.	-	-	300	1,000	-	-	300	1,000
Interest on ICD taken from L&T FinCorp Ltd.	-	-	0.4	1.6	-	-	0.4	1.6
ICD given to LTF	-	-	11,369	2,124	-	-	11,369	2,124
Repayment received -ICD given to LTF	-	-	12,893	600	-	-	12,893	600
Interest on ICD given to LTF	-	-	20	2	-	-	20	2
ICD given to L&T FinCorp Ltd.	-	-	9,300	-	-	-	9,300	-
Repayment received -ICD given to L&T FinCorp Ltd.	-	-	9,300	-	-	-	9,300	-
Interest on ICD given to L&T FinCorp Ltd.	-	-	34	-	-	-	34	-
Purchase of loan portfolio from LTF	-	-	46,192	42,440	-	-	46,192	42,440
Collection amount received on loan portfolio from LTF	-	-	21,265	-	-	-	21,265	-
Collection charges under portfolio purchase to LTF	-	-	27	0.2	-	-	27	0.2
ESOP expenses to LTFH	1.6	-	-	-	-	-	1.6	-
Arrangers fees paid to LTCM	-	-	1	-	-	-	1	-
Processing fees to L&T	7	-	-	-	-	-	7	-
Issue of NCD - L&T	2,000	-	-	-	-	-	2,000	-
Issue of NCD - LTFH	7,000	-	-	-	-	-	7,000	-
Interest on NCD issued to LTFH	31	-	-	-	-	-	31	-
Issue of NCD - LTF	-	-	5,900	-	-	-	5,900	-
Issue of Equity Share capital to LTFH (including securities premium)	10,000	-	-	-	-	-	10,000	-

Notes to the Financial Statements for the year ended March 31, 2014

(₹ in Lakh)

Balance outstanding as at the year end:	Holding Company		Fellow subsidiaries		Key Management Personnel		Total	
	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Equity Share capital – LTFH	20,431	15,431	-	-	-	-	20,431	15,431
Non Convertible Debentures - LTFH	7,000	-	-	-	-	-	7,000	-
Interest accrued but not due on NCD issued to LTFH	31	-	-	-	-	-	31	-
ICD given to LTF	-	-	-	1,524	-	-	-	1,524
Interest accrued on ICD given to LTF	-	-	-	2	-	-	-	2
Investment in L&T Infrastructure debt fund	-	-	2,300	-	-	-	2,300	-
Receivable from LTF under portfolio purchase agreement	-	-	3,063	223	-	-	3,063	223
Payable to LTF for collection charges	-	-	3	0.2	-	-	3	0.2
Expenses reimbursable from L&T Ltd.	8	-	-	-	-	-	8	-
Expenses reimbursable to L&T Ltd.	21	0.2	-	-	-	-	21	0.2

Notes to the Financial Statements for the year ended March 31, 2014

28. Disclosure U/S 186 of Companies Act 2013 :

Details of Loans and Investments - FY 2013-14				
S. No.	Nature of the transaction (loans given / investment made / guarantee given / security provided)	Name of party	Purpose for which the loan / guarantee / security is proposed to be utilised by the recipient	Amount (₹)
1	Inter-Corporate Deposit	L & T Finance Limited	Working Capital	11,369
2	Inter-Corporate Deposit	L&T Fincorp Limited	Working Capital	9,300
3	Equity Investment	L&T Infrastructure Debt Fund	The Company acquired equity stake in the IDF, which was set up under the sponsorship of L& T Infrastructure Finance Company Ltd.	2,300
Total				22,969

29. Leases

Office premises and vehicles are taken on operating lease. The non-cancelable lease term is for 11 months to 60 months and renewable at the option of the Company. Certain lease agreements contain clause for escalation of lease payments. There are no restrictions imposed by lease arrangements. There are no subleases. Lease payments during the year are charged to the Statement of profit and loss.

Description	March 31, 2014	March 31, 2013
Operating lease payments recognized during the year	677	711
Minimum Lease Obligations		
Not later than one year	684	652
Later than one year but not later than five years	945	166
Later than five years	-	-

30. Contingent Liabilities not provided for

Description	March 31, 2014	March 31, 2013
Bank Guarantees to Assistant Commissioner of Commercial Taxes	0.3	0.3
Total	0.3	0.3

31. Capital and other commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for as at March 31, 2014 is ₹ 19 (Previous Year ₹ 6).

32. Expenditure in foreign currency

Expenditure in foreign currency (Accrual basis)	For the Year Ended March 31, 2014	For the Year Ended March 31, 2013
Foreign Traveling	-	22
Subscription Fees	1	-
Transportation Charges	-	4
Software License fee	-	1
Total	1	27

33. Gratuity:

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following table summarises the component of net benefit expense recognised in the Statement of profit and loss and the funded status and amounts recognised in the balance sheet for the respective plans.

Notes to the Financial Statements for the year ended March 31, 2014

Statement of profit and loss

Net employee benefits expense recognised in the employee cost:

Particulars	Gratuity	
	March 31, 2014	March 31, 2013
Current service cost	22	20
Interest cost on benefit obligation	10	7
Expected return on plan assets	(10)	(10)
Net actuarial (gain) / loss recognised in the year	(12)	22
Amount not recognize as asset	-	-
Gratuity expense	10	39
Actual return on plan assets	12	10

Balance Sheet

Details of Provision for gratuity

Particulars	March 31, 2014	March 31, 2013
Defined benefit obligation	103	101
Fair value of plan assets	128	123
	25	22
Less: Amount not recognize as asset	-	-
Plan asset / (liability)	25	22

Changes in the present value of the defined benefit obligation are as follows:

Particulars	March 31, 2014	March 31, 2013
Opening defined benefit obligation	101	63
Interest cost	10	7
Current service cost	22	20
Benefits paid	(20)	(12)
Actuarial (gains) / losses on obligation	(10)	23
Closing defined benefit obligation	103	101

Changes in the fair value of plan assets are as follows:

Particulars	March 31, 2014	March 31, 2013
Opening fair value of plan assets	123	124
Expected return	10	10
Contributions by employer	13	-
Benefits paid	(20)	(12)
Actuarial gains / (losses)	2	1
Closing fair value of plan assets	128	123

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	March 31, 2014	March 31, 2013
Investments with insurer (%)	100	100

Notes to the Financial Statements for the year ended March 31, 2014

The principal assumptions used in determining gratuity obligation for the Company's plans are shown below:

Particulars	March 31, 2014	March 31, 2013
Discount rate (%)	9.35	8.10
Expected rate of return on assets (%)	8.00	8.00
Employee Turnover (%)		
Age (Years) 21-44	2.00	2.00
Age (Years) 45-59	1.00	1.00

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous period are as follows:

Particulars	Gratuity				
	March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
Defined benefit obligation	103	101	63	44	47
Plan assets	128	123	124	91	75
Surplus / (deficit)	25	22	61	47	28
Experience adjustments on plan liabilities	(6)	11	-	(9)	(3)
Experience adjustments on plan assets	2	1	-	-	-

34. Dues to Micro and Small Enterprises

There are no amounts that need to be disclosed pursuant to Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED')

For the year ended Mar 31, 2014, no supplier has intimated the Company about its status as Micro or Small Enterprises or its registration with the appropriate authority under MSMED.

35. Value Added Tax

The Company received an order from West Bengal Taxation Tribunal (WBTT) for payment of VAT on sale of repossessed assets. In its decision dated April 16, 2010, WBTT concluded that Non-banking financial companies are 'dealers' within the meaning of definition of dealer under Section 2(11)(d) of West Bengal VAT Act, 2003 and accordingly liable for payment of VAT. The Company being one of the petitioners to the Tribunal on the above matter has provided for VAT liability of ₹ 162. However the Company has paid VAT under protest amounting to ₹ 100 out of the above liability, on the sale value of repossessed vehicles after claiming benefit of Rule 26K of West Bengal VAT Rules, 2005. The Company had filed a petition before the Calcutta High Court against the order of the WBTT. However, the Calcutta High

Court has dismissed the petition in favour of WBTT. The Company along with other petitioners has filed petition before the Supreme Court against the order of the Calcutta High Court.

Further, the Company has received an order from VAT authorities in the state of Orissa in December 2012 levying an amount of ₹ 17 on sale of repossessed assets in Orissa. The Company has made an appeal against the order of the Deputy Commissioner of Sales Tax and made a provision of ₹ 16 as at March 31, 2014 out of which ₹ 8 has been paid. Apart from the above proceedings, there are no other proceedings against the Company for payment of VAT on sale of repossessed assets.

36. Pursuant to the Employees Stock Options Scheme established by ['the holding company'] L&T Finance Holdings Limited, stock options were granted to the employees of the Company during the financial year 2013-14. The total cost incurred by the holding company, in respect of options granted to employees of the Company amounts to ₹ 2.36. This sum is being recovered from the Company over the period of vesting. Accordingly, sum of ₹ 1.6 has been recovered from the Company during the year which has been charged to the Statement of Profit and Loss. The balance sum of ₹ 0.76 will be recovered in future periods.

Notes to the Financial Statements for the year ended March 31, 2014

37. Additional disclosure required by RBI

a) Capital to Risk-Asset Ratio (CRAR)

Sl. No.	Items	Current year	Previous year
(i)	CRAR (%)	16.49%	16.91%
(ii)	CRAR- Tier I Capital (%)	13.84%	16.46%
(iii)	CRAR- Tier II Capital (%)	2.65%	0.45%

b) Exposures to Real Estate Sector

Category	Current year	Previous Year
a) Direct exposure		
(i) Residential Mortgages - Lending fully 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 lakh may be shown separately)	Nil	Nil
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	22,999	Nil
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures - a) Residential b) Commercial Real Estate	Nil	Nil
b) Indirect Exposure Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

c) Disclosure on fraud

Type of fraud	Number of cases	Amount involved(₹)	Amount recovered(₹)	Provision/ Loss (₹)
Fraudulent misrepresentation	15	19.2	13.1	6.1

Previous year

Type of fraud	Number of cases	Amount involved(₹)	Amount recovered(₹)	Provision/ Loss (₹)
Fraudulent misrepresentation	2	11.0	0.2	10.8

Notes to the Financial Statements for the year ended March 31, 2014

d) Maturity pattern of certain items of assets and liabilities

Particulars	Upto 1 mth	1 to 2 mths	2 to 3 mths	3 to 6 mths	6 mths to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Liabilities									
Borrowings	20,567	41,530	24,316	22,950	51,687	102,566	-	7,500	271,116
Assets									
Advances	15,012	17,770	12,559	36,599	62,102	113,982	26,388	11,234	295,646
Investments	18,500	-	-	-	-	-	-	2,300	20,800

Previous Year

Particulars	Upto 1 mth	1 to 2 mths	2 to 3 mths	3 to 6 mths	6 mths to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Liabilities									
Borrowings	1,819	219	19,047	12,641	25,283	87,157	485	-	146,651
Assets									
Advances	10,318	8,493	7,811	21,813	36,778	68,059	12,827	20	166,118

Note: Advances considered above are as per note 13 of the financial statement, net of Provision for Non-performing asset and contingency provision for standard assets given in note 7 of the financial statements.

38. Previous year figures

Figures for the previous year have been regrouped, rearranged or reclassified, where necessary to conform to the current period's classification.

For and on behalf of the Board of directors of FamilyCredit Limited

Dinanath Dubhashi
Director

C.S Damle
Director

G.C.Rangan
Chief Executive and Manager

Abhijit Chatterjee
Company Secretary

Notes to the Financial Statements for the year ended March 31, 2014

Schedule to the Balance Sheet of a Non-Banking Financial Company

Disclosure as required in terms of Paragraph 13 of Non- Banking Financial (Non-Deposit Accepting or Holding) Companies

Prudential Norms (Reserve Bank) Directions ,2007 .

(₹ in Lakh)

SL No.	Particulars	Amount Outstanding	Amount Overdue
	Liabilities side :		
(1)	Loans and Advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	(a) Debentures : Secured	32,900	-
	: Unsecured (other than falling within the meaning of public deposits*)	7,500	-
	(b) Deferred Credits	-	-
	(c) Term Loans	141,766	-
	(d) Inter-corporate loans and borrowing	-	-
	(e) Commercial Paper	50,544	-
	(f) Public Deposits*	-	-
	(g) Other Loans (specify nature)		-
	- Cash Credit from Bank and WCDL	406	-
	- Revolving Credit	10,000	-
	- Demand Loan	27,999	-
	- Temporary Overdraft	1,842	-
	(h) Accrued Interest on above borrowings (a to g)	646	-
	Assets Side	Amounts Outstanding	
(2)	Break-up of Loans and Advances including bills receivables [other than those included in (3) below]:		
	(a) Secured		283,426
	(b) Unsecured		7,490
(3)	Break up of Leased Assets and stock on hire & hypothecation loans counting towards AFC activities		
	(i) Lease assets including lease rentals under sundry debtors:		
	(a) Financial lease		-
	(b) Operating lease		-
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire		-
	(b) Repossessed Assets		-
	(iii) Hypothecation loans counting towards AFC activities		
	(a) Loans where assets have been repossessed		-
	(b) Loans other than (a) above		-

Notes to the Financial Statements for the year ended March 31, 2014

(5) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:			
Category			
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	283,426	7,490	290,916
Total	283,426	7,490	290,916
(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):			
Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)	
1. Related Parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	20,822	20,800	
(c) Other related parties	-	-	-
2. Other than related parties	-	-	-
Total	20,822	20,800	
(7) Other information		Amount	
(i) Gross Non-Performing Assets			
(a) Related parties			-
(b) Other than related parties			8,186
(ii) Net Non-Performing Assets			
(a) Related parties			-
(b) Other than related parties			2,167
(iii) Assets acquired in satisfaction of debt			-

Notes:

- As defined in Paragraph 2 (1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investment and other assets as also assets acquired in satisfaction of debt. However, market value in respect of unquoted investment should be disclosed irrespective of whether they are classified as long term or current in (4) above.