

## DIRECTORS' REPORT

The Shareholders  
L&T Finance Limited

Your Directors take pleasure in presenting the Twelfth Annual Report along with the Audited Accounts for the financial year ended March 31, 2007.

### FINANCIAL RESULTS

Your Company's performance during the financial year 2006-07 is summarised below :

Particulars	<i>(Rupees in Lacs)</i>	
	For the year ended <u>31.03.2007</u>	For the year ended <u>31.03.2006</u>
<b>Gross Income</b>	<b>27,537.58</b>	<i>14,905.60</i>
Profit Before Tax	<b>7,722.06</b>	<i>4,284.78</i>
Provision for Tax & Fringe Benefit Tax	<b>1,460.61</b>	<i>771.32</i>
Profit After Tax	<b>6,261.45</b>	<i>3,513.46</i>
<i>Add</i> : Balance brought forward from previous years	<b>399.35</b>	<i>295.89</i>
Balance available for appropriations	<b>6,660.80</b>	<i>3,809.35</i>
<b>Appropriations :</b>		
Reserve u/s 45-IC of Reserve Bank of India Act, 1934	<b>1,260.00</b>	<i>710.00</i>
General Reserve I	<b>1,600.00</b>	<i>1,100.00</i>
General Reserve II	<b>2,000.00</b>	<i>1,600.00</i>
Surplus carried forward to Balance Sheet	<b>1,800.80</b>	<i>399.35</i>

### OPERATIONS

The last twelve months witnessed substantial growth in income, profits and assets. Excellent growth in GDP, buoyant stock market conditions and improved corporate performance has spurred business growth for the company during the year.

Your Company registered significant growth in disbursements across all its business segments and is confident of continuing to show growth in its operations during the coming years.

### DIVIDEND & APPROPRIATION

The Directors do not recommend any dividend for the year. It is thought prudent to plough back profits considering the large business expansion plans.

Your Company proposes to transfer Rs. 16 Crores (*Previous Year : Rs. 11 crores*) to General Reserve I and Rs. 20 crores (*Previous Year : Rs. 16 crores*) to General Reserve II and it is proposed to retain Rs. 18.01 crores (*Previous Year : Rs. 3.99 crores*) in the Profit and Loss Account.

### RE-CLASSIFICATION OF THE COMPANY AS AN "ASSET FINANCE COMPANY (AFC)"

Based on the revised regulatory framework prescribed by Reserve Bank of India (RBI) for NBFCs, your Company was re-classified under the category "Asset Finance Company-Non Deposit Taking". A fresh Certificate of Registration has been obtained from RBI.

### RESOURCES

During the year under review, Larsen & Toubro Limited (L&T), the Holding Company, had subscribed to 2,50,00,000 Equity Shares of Rs. 10/- each, at a premium of Rs. 30/- per share. This resulted in increase of equity share capital and share premium by Rs. 25 crores and Rs. 75 crores, respectively.

The Company has borrowed on different instruments from various sources for varying tenors. The total debt raised and repaid during the year were Rs. 6,808 crores and Rs. 5,393 crores, respectively. The quantum of long-term loans raised during the year was Rs. 844 crores.

### DEPOSITS

Your Company had stopped accepting any fresh deposits as well as renewal of existing public deposits. During the year, the Company has not accepted any public deposits. The existing public deposits have been repaid by the Company along with interest. However, there were 123 deposits totalling Rs. 0.12 crores, which were due for repayment and unclaimed by the depositors. Regular intimations / reminders were sent to the depositors in respect of unclaimed deposits.

### AUDIT COMMITTEE

Consequent upon the resignation of Mr. J. P. Nayak as Director of the Company, the Audit Committee was re-constituted during the year. The present members of the Committee are Mr. Y. M. Deosthalee, Mr. R. Shankar Raman and Mr. S. Raghavan.

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292(A) of the Companies Act, 1956.

The Committee met periodically during the year and had discussions with the auditors on internal control systems and internal audit report.

## L&T FINANCE LIMITED

### DIRECTORS

Pursuant to the provisions of the Companies Act, 1956, Mr. Y. M. Deosthalee and Mr. R. Shankar Raman, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment.

### AUDITORS

M/s. Sharp & Tannan, Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting and have expressed their willingness to continue as Auditors, if re-appointed. The Board commends re-appointment of the firm as Statutory Auditors.

### EMPLOYEES

Your Company has almost doubled its manpower since last year and is hiring people in all its business segments based on the business plans and needs of each of the operating divisions. As of March 2007, the total manpower strength of your Company has gone up to 305 employees.

Your Directors place on record the appreciation of effort and dedication of the employees in achieving good results during the year under review. In line with its policy, your Company continues to place great emphasis on training programmes for all-round development of the staff at all levels. Your Company has been actively concentrating on development of human resources, which is a prime asset for its substantial growth.

### PARTICULARS OF EMPLOYEES

None of the employees are drawing salaries at the levels laid down by the provisions of Section 217(2A) of the Companies Act, 1956, read with The Companies (Particulars of the Employees) Rules, 1975.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of your Company 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; and
4. The Directors have prepared the annual accounts on a going concern basis

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO

Since your Company does not own any manufacturing facility, statement giving details of conservation of energy and technology absorption in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1998, are not applicable.

During the year under review, the company did not have any foreign exchange inflow. There has been foreign exchange outgo of Rs. 50.38 crores in connection with import of lease / hire purchase assets, interest on loans and others.

### FINANCIAL STATEMENTS OF SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the Audited Balance Sheet and Profit & Loss Account of L&T Capital Company Limited for the Financial Year ended March 31, 2007, along with the report of the Auditors and Directors thereon are annexed and form part of this Report.

### AUDITORS' REPORT

The Auditors' Report to the shareholders does not contain any qualification(s). The notes to the Accounts referred to in the Auditors' Report are self-explanatory and do not call for further comments.

### NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT (RESERVE BANK) DIRECTIONS, 1998

Pursuant to the Non Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 1998, a report from the statutory auditors to the Board of Directors, has been received by the Company. The said report confirms compliance by the Company during the Financial Year ended March 31, 2007, of all the Directions and Prudential Norms as prescribed by RBI under the Reserve Bank of India Act, 1934.

### ACKNOWLEDGEMENT

Your Company maintained cordial relationships with Reserve Bank of India (RBI) and other Regulatory Authorities, Financial Institutions, Banks, Vendors, Suppliers and Customers during the period under review. Your Directors are grateful for the support extended by them and look forward to receiving their continued support and encouragement. Lastly, your Directors place on record their appreciation for the dedicated efforts put in by the employees during the year under review.

For and on behalf of the Board

**Y. M. DEOSTHALEE      N. SIVARAMAN**  
*Directors*

*Place : Mumbai*  
*Date : April 26, 2007*

## AUDITORS' REPORT

### TO THE MEMBERS OF L&T FINANCE LIMITED

We have audited the attached Balance Sheet of L&T FINANCE LIMITED as at March 31, 2007, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
  - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) the Balance Sheet and the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;
  - (e) on the basis of the written representations received from directors of the Company as at March 31, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and
  - (f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies in Schedule '13' and the Notes on Accounts in Schedule '14' appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
    - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**SHARP & TANNAN**  
Chartered Accountants

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

Place : Mumbai  
Date : April 26, 2007

## ANNEXURE TO THE AUDITORS' REPORT

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

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) In respect of owned assets as explained to us, all fixed assets have been physically verified by the management during the year. In respect of leased assets the Company has formulated a programme of physical verification of all the fixed assets over a period of three years which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed of any substantial part of its fixed assets during the year so as to affect its going concern status.
2. The Company is a non- banking finance company and does not hold any inventories. Accordingly, reporting on paragraph 4(ii)(a), (b) and (c) of the Order is not applicable.

## L&T FINANCE LIMITED

3. According to the information and explanations given to us, Company has neither granted nor taken any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly reporting on paragraph 4(iii)(b), (c), (d), (f) and (g) of the Order is not applicable.
4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for services rendered. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
5. According to the information and explanations given to us, we are of the opinion that there are no contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act, 1956. Accordingly, reporting on paragraph 4(iii)(b) of the Order is not applicable.
6. The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
7. The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
8. According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
9. (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period exceeding six months from the date they became payable.  
(b) According to the information and explanations given to us, the Company have no dues of Wealth Tax, Service Tax, Excise Duty, Customs Duty, Cess which have not been deposited with the appropriate authorities on account of dispute. However, with respect to Income Tax and Sales Tax, demands amounting to Rs. 177,017,812 and Rs. 22,995,335 respectively are in appeals with various forum / authorities.
10. The Company has no accumulated losses as at March 31, 2007 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.
12. According to the information and explanations given to us, the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting on paragraph 4(xiii) of the Order is not applicable.
14. The Company is dealing and trading in shares, securities, debentures and other investments. The Company has maintained proper records of the transactions and contracts and timely entries have been made therein and the shares, securities, debentures and other investments have been held by the Company, in its own name.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting on paragraph 4(xv) of the Order is not applicable.
16. In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
18. The Company has not made any preferential allotment of shares during the year. Accordingly, reporting on paragraph 4(xviii) of the Order is not applicable.
19. As at the year end 547 secured debentures of Rs. 10,000,000 each were outstanding, out of which the Company has not created security in respect of 297 debentures of Rs. 10,000,000 each.
20. The Company has not raised any money by public issues during the year. Accordingly, reporting on paragraph 4(xx) of the Order is not applicable.
21. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.

**SHARP & TANNAN**  
*Chartered Accountants*

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 33013*

*Place : Mumbai*  
*Date : April 26, 2007*

**BALANCE SHEET AS AT MARCH 31, 2007**

	Schedules	31.03.2007	31.03.2006
		Rupees	Rupees
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	1,241,915,000	991,915,000
Reserves and Surplus	2	<u>2,535,235,824</u>	<u>1,159,090,481</u>
		<b>3,777,150,824</b>	<b>2,151,005,481</b>
<b>Loan Funds</b>			
Secured Loans	3	12,092,788,839	5,787,030,679
Unsecured Loans	4	<u>13,350,398,677</u>	<u>5,518,497,238</u>
		<b>25,443,187,516</b>	<b>11,305,527,917</b>
<b>Total</b>		<b><u>29,220,338,340</u></b>	<b><u>13,456,533,398</u></b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	4,145,658,545	2,416,282,449
Less: Depreciation		<u>737,689,186</u>	<u>420,408,563</u>
Net Block		3,407,969,359	1,995,873,886
Capital work-in-progress		<u>302,699,801</u>	<u>236,076,182</u>
		<b>3,710,669,160</b>	<b>2,231,950,068</b>
<b>Investments</b>	6	457,190,849	116,111,804
<b>Current Assets, Loans and Advances</b>			
Stock-on-Hire	7	10,843,006	41,524,032
Sundry Debtors		594,675,613	222,995,733
Cash and Bank Balances		298,553,984	317,789,700
Other Current Assets		76,026,614	32,649,403
Loans and Advances		<u>25,819,394,538</u>	<u>11,441,408,687</u>
		26,799,493,755	12,056,367,555
Less: Current Liabilities and Provisions	8		
Liabilities		1,594,432,148	865,150,892
Provisions		<u>152,583,276</u>	<u>82,745,137</u>
		1,747,015,424	947,896,029
<b>Net Current Assets</b>		<b>25,052,478,331</b>	<b>11,108,471,526</b>
<b>Total</b>		<b><u>29,220,338,340</u></b>	<b><u>13,456,533,398</u></b>
<b>Significant Accounting Policies</b>	13		
<b>Notes forming part of Accounts</b>	14		
<b>Balance Sheet Abstract &amp; Company's</b>			
<b>General Business Profile</b>	15		

As per our Report attached  
**SHARP & TANNAN**  
Chartered Accountants

For and on behalf of the Board

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**A. N. MANI**  
Manager

**S. KRISHNA KUMAR**  
Company Secretary

**Y. M. DEOSTHALEE**  
Directors

**N. SIVARAMAN**

Place : Mumbai  
Date : April 26, 2007

Place : Mumbai  
Date : April 26, 2007

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2007**

	Schedules	2006-07 Rupees	2005-06 Rupees
<b>INCOME</b>			
Income from operations	9	2,753,758,601	1,490,559,711
<b>Total</b>		<u>2,753,758,601</u>	<u>1,490,559,711</u>
<b>EXPENDITURE</b>			
Personnel Expenses	10	84,726,827	52,018,613
Administration and Other Expenses	11	208,722,402	107,789,198
Interest and Other Finance Charges	12	1,355,945,513	708,133,090
Depreciation		332,157,516	194,141,284
<b>Total</b>		<u>1,981,552,258</u>	<u>1,062,082,185</u>
<b>Profit before taxes</b>		772,206,343	428,477,526
Provision for taxes		143,400,000	75,400,000
Provision for fringe benefit tax		2,661,000	1,731,961
<b>Profit after taxes</b>		<u>626,145,343</u>	<u>351,345,565</u>
Balance brought forward from the previous year		39,934,979	29,589,415
<b>Profit available for appropriation</b>		<u>666,080,322</u>	<u>380,934,979</u>
<b>Appropriations :</b>			
Transfer to Reserve u/s. 45-IC of RBI Act,1934		126,000,000	71,000,000
Transfer to General Reserve - I		160,000,000	110,000,000
Transfer to General Reserve - II		200,000,000	160,000,000
<b>Balance carried to balance Sheet</b>		<u>180,080,322</u>	<u>39,934,979</u>
Basic and Diluted Earnings per Equity Share	See Note No. K(iii)	5.39	4.02
Nominal value per Equity Share		10.00	10.00
<b>Significant Accounting Policies</b>	13		
<b>Notes Forming Part of Accounts</b>	14		
<b>Balance Sheet Abstract &amp; Company's General Business Profile</b>	15		

As per our Report attached

**SHARP & TANNAN**  
Chartered Accountants

For and on behalf of the Board

MILIND P. PHADKE  
Partner  
Membership No. 33013A. N. MANI  
ManagerS. KRISHNA KUMAR  
Company SecretaryY. M. DEOSTHALEE  
Directors

N. SIVARAMAN

Place : Mumbai  
Date : April 26, 2007Place : Mumbai  
Date : April 26, 2007

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2007**

	2006-07 Rupees	2005-06 Rupees
<b>A. Cash flow from Operating Activities</b>		
Net profit before tax as per profit and loss account	772,206,343	428,477,526
<b>Adjustment for</b>		
Depreciation	332,157,516	194,141,284
(Profit) / Loss on sale of investments (net)	(70,950,273)	(49,962,087)
(Profit) / Loss on sale of fixed assets	(2,895,964)	(2,030,678)
Interest and dividend received on investments	(15,380,744)	(29,843,877)
Provision for leave encashment	1,233,855	1,854,927
Provision for diminution in value of investments	21,392,650	(23,967,927)
Provision for non performing assets / write offs	18,123,437	4,736,978
<b>Operating profit before working capital changes</b>	<b>1,055,886,820</b>	<b>523,406,145</b>
<b>Adjustment for</b>		
(Increase) / Decrease in net stock on hire	30,681,026	140,849,088
(Increase) / Decrease in trade and other receivables and advances	(14,811,036,379)	(4,993,437,990)
Increase / (Decrease) in trade and other payables	797,755,540	247,681,248
<b>Cash generated from operations</b>	<b>(12,926,712,993)</b>	<b>(4,081,501,509)</b>
Direct taxes paid	(146,061,000)	(77,131,961)
<b>Net cash flow from Operating Activities (A)</b>	<b>(13,072,773,993)</b>	<b>(4,158,633,470)</b>
<b>B. Cash flows from Investing Activities</b>		
Purchase of fixed assets (including capital work in progress)	(1,882,134,294)	(930,167,968)
Proceeds / Adjustments from sale of fixed assets	74,153,650	14,397,715
Purchase of investments	(32,833,497,241)	(1,370,715,000)
Sale of investments	32,541,975,819	1,952,026,297
Interest or dividend received on investments	15,380,744	29,843,877
<b>Net cash from Investing Activities (B)</b>	<b>(2,084,121,322)</b>	<b>(304,615,079)</b>
<b>C. Cash flows from Financing Activities</b>		
Increase / (Decrease) in secured loans	6,305,758,160	3,014,877,317
Increase / (Decrease) in unsecured loans (net)	7,831,901,439	1,097,796,346
Dividends paid during the year	—	—
Increase / (Decrease) in share capital	1,000,000,000	500,000,000
<b>Net cash generated (used in) / from Financing Activities (C)</b>	<b>15,137,659,599</b>	<b>4,612,673,663</b>
<b>Net cash increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(19,235,716)</b>	<b>149,425,114</b>
Cash and cash equivalents as at beginning of the year	317,789,700	168,364,586
<b>Cash and cash equivalents as at end of the year</b>	<b>298,553,984</b>	<b>317,789,700</b>

## Notes:

- 1) Cash flow statement has been prepared under indirect method as set out in the Accounting Standard (AS) 3 Cash Flow Statements.
- 2) Purchase of fixed assets includes movements of capital work in progress between the beginning and end of the year.
- 3) Cash and cash equivalents represent cash and bank balances.

As per our Report attached  
**SHARP & TANNAN**  
Chartered Accountants

For and on behalf of the Board

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**A. N. MANI**  
Manager

**S. KRISHNA KUMAR**  
Company Secretary

**Y. M. DEOSTHALEE**  
Directors

**N. SIVARAMAN**

Place : Mumbai  
Date : April 26, 2007

Place : Mumbai  
Date : April 26, 2007

**SCHEDULES FORMING PART OF ACCOUNTS**

	31.03.2007	31.03.2006
	Rupees	Rupees
<b>SCHEDULE - 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
175,000,000 Equity share of Rs. 10/- each. (Previous year 100,000,000 Equity share of Rs. 10 each)	1,750,000,000	1,000,000,000
	<u>1,750,000,000</u>	<u>1,000,000,000</u>
<b>Issued and Subscribed</b>		
124,191,500 Equity shares of Rs. 10/- each fully paid up (Previous year 99,191,500 Equity shares of Rs. 10 each)	1,241,915,000	991,915,000
Of the above: 26,691,500 Equity shares are allotted as fully paid up for a consideration other than cash consequent on amalgamation 124,191,493 (Previous year 99,191,494) Equity shares are held by Larsen & Toubro Limited, the holding company		
<b>TOTAL</b>	<u>1,241,915,000</u>	<u>991,915,000</u>
 <b>SCHEDULE - 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Reserve u/s. 45-IC of RBI Act, 1934</b>		
As per last Balance Sheet	236,489,145	165,489,145
Add : Transferred from profit and loss account	<u>126,000,000</u>	<u>71,000,000</u>
	362,489,145	236,489,145
<b>General Reserve - I</b>		
As per last Balance Sheet	140,000,000	70,000,000
Add : Transferred from profit and loss account	160,000,000	110,000,000
Less : Utilised during the year	<u>—</u>	<u>40,000,000</u>
	300,000,000	140,000,000
<b>General Reserve - II</b>		
As per last Balance Sheet	359,441,357	199,441,357
Add : Transferred from profit and loss account	<u>200,000,000</u>	<u>160,000,000</u>
	559,441,357	359,441,357
<b>Capital Redemption Reserve</b>	8,225,000	8,225,000
<b>Securities Premium Account</b>		
As per last Balance Sheet	375,000,000	—
Add : Received during the year	<u>750,000,000</u>	<u>375,000,000</u>
	1,125,000,000	375,000,000
<b>Profit and Loss Account</b>	180,080,322	39,934,979
<b>TOTAL</b>	<u>2,535,235,824</u>	<u>1,159,090,481</u>



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	31.03.2007 Rupees	31.03.2006 Rupees
<b>SCHEDULE - 3</b>		
<b>SECURED LOANS</b>		
Secured Redeemable Non Convertible Debentures	5,470,000,000	2,000,000,000
From Banks :		
Term loan	4,690,000,000	2,754,185,828
Foreign currency loan	1,032,788,839	1,032,844,851
Others	900,000,000	-
<b>TOTAL</b>	<b>12,092,788,839</b>	<b>5,787,030,679</b>
<b>SCHEDULE - 4</b>		
<b>UNSECURED LOANS</b>		
Loans and advances from subsidiary	96,500,000	60,500,000
Short term loans and advances :		
From Banks		
Short term loans	2,449,999,312	3,049,999,312
Commercial papers	7,600,000,000	950,000,000
From Others		
Non Convertible Debentures	1,950,000,000	700,000,000
Others	1,253,176,864	755,714,638
Other loans and advances		
Lease finance	722,501	2,283,288
<b>TOTAL</b>	<b>13,350,398,677</b>	<b>5,518,497,238</b>

**SCHEDULE - 5****FIXED ASSETS**

Assets	GROSS BLOCK (at cost)				DEPRECIATION				NET BLOCK	
	As at 01.04.2006 Rupees	Additions Rupees	Sale / Adjustment Rupees	As at 31.03.2007 Rupees	Upto 01.04.2006 Rupees	For the year Rupees	Deduction / Adjustment Rupees	Upto 31.03.2007 Rupees	As at 31.03.2007 Rupees	As at 31.03.2006 Rupees
<b>Tangible Assets</b>										
<b>Owned Assets</b>										
Building	369,769,203	-	-	369,769,203	26,444,983	6,027,239	-	32,472,222	337,296,981	343,324,220
Plant and machinery	1,294,973,974	1,049,419,733	50,604,209	2,293,789,498	212,624,253	166,936,603	959,627	378,601,229	1,915,188,269	1,082,349,721
Furniture and fixtures	10,700,052	1,026,833	-	11,726,885	1,210,285	712,300	-	1,922,585	9,804,300	9,489,767
Motor car	607,081,919	368,484,327	29,467,710	946,098,536	121,785,618	113,792,972	9,407,938	226,170,652	719,927,884	485,296,301
Vehicles	66,602,242	54,397,936	-	121,000,178	31,976,119	14,346,586	-	46,322,705	74,677,473	34,626,123
Computers	52,205,182	337,878,535	1,687,154	388,396,563	17,455,612	27,139,519	705,824	43,889,307	344,507,256	34,749,570
(A)	2,401,332,572	1,811,207,364	81,759,073	4,130,780,863	411,496,870	328,955,219	11,073,389	729,378,700	3,401,402,163	1,989,835,702
<b>Assets taken on lease</b>										
Plant and machinery	585,000	-	585,000	-	585,000	-	585,000	-	-	-
Vehicles	7,790,607	-	3,790,507	4,000,100	4,992,748	1,046,279	3,218,504	2,820,523	1,179,577	2,797,859
(B)	8,375,607	-	4,375,507	4,000,100	5,577,748	1,046,279	3,803,504	2,820,523	1,179,577	2,797,859
(C) = (A) + (B)	2,409,708,179	1,811,207,364	86,134,580	4,134,780,963	417,074,618	330,001,498	14,876,893	732,199,223	3,402,581,740	1,992,633,561
<b>Intangible Assets</b>										
<b>Owned Assets</b>										
Specialised software	6,574,270	4,303,312	-	10,877,582	3,333,945	2,156,018	-	5,489,963	5,387,619	3,240,325
(D)	6,574,270	4,303,312	-	10,877,582	3,333,945	2,156,018	-	5,489,963	5,387,619	3,240,325
(C) + (D)	2,416,282,449	1,815,510,676	86,134,580	4,145,658,545	420,408,563	332,157,516	14,876,893	737,689,186	3,407,969,359	1,995,873,886
<i>Previous year</i>	1,474,653,349	961,947,413	20,318,313	2,416,282,449	234,218,555	194,141,284	7,951,276	420,408,563		
<b>Add : Capital work-in-progress</b>									302,699,801	236,076,182
									3,710,669,160	2,231,950,068

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	31.03.2007		31.03.2006	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 6</b>				
<b>INVESTMENTS</b>				
At cost				
<b>Long term investments</b>				
Government Securities	4,000		3,000	
Fully paid equity shares	<u>84,999,970</u>		<u>114,999,970</u>	
		85,003,970		115,002,970
<b>Current investments</b>				
Fully paid equity shares	198,629,695		6,159,000	
Mutual funds	200,000,000		—	
Others	<u>1,000</u>		<u>1,000</u>	
		<u>398,630,695</u>		<u>6,160,000</u>
		483,634,665		121,162,970
<i>Less: Provision for diminution in value of investments</i>		<u>26,443,816</u>		<u>5,051,166</u>
<b>TOTAL</b>		<u><u>457,190,849</u></u>		<u><u>116,111,804</u></u>
Note :				
Quoted investments				
Book value		393,643,695		1,173,000
Market value		372,492,718		1,107,830
Unquoted Investments				
Book value		63,547,154		114,938,804
<b>Particulars of investments :</b>				
Long term investments				
<b>Government Securities :</b>				
12% National Saving Certificate 2002 (Rs. 1,000 purchased during the year) (Deposited as security with sales tax authorities)		4,000		3,000
<b>Total (A)</b>		<u>4,000</u>		<u>3,000</u>
<b>Fully paid equity shares</b>				
<b>Subsidiary Company :</b>				
L&T Capital Company Limited (54,99,997 shares of Rs. 10 each)		54,999,970		54,999,970
		<u>54,999,970</u>		<u>54,999,970</u>
<b>Other Companies:</b>				
L&T-Demag Plastics Machinery Limited (30,00,000 shares of Rs. 10 each sold during year)		—		30,000,000
NAC Infrastructure Equipment Limited (30,00,000 shares of Rs. 10 each)		30,000,000		30,000,000
		<u>30,000,000</u>		<u>60,000,000</u>
<b>Total (B)</b>		<u><u>84,999,970</u></u>		<u><u>114,999,970</u></u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	31.03.2007 Rupees	31.03.2006 Rupees
<b>Current Investments</b>		
<b>Fully paid equity shares</b>		
Metropoli Overseas Ltd. (99,400 shares of Rs.10 each)	1,491,000	1,491,000
Anil Chemicals and Industries Ltd. (40,000 shares of Rs.10 each)	800,000	800,000
Elque Polyesters Ltd. (1,94,300 shares of Rs.10 each)	1,943,000	1,943,000
Monnet Industries Ltd. (18,800 shares of Rs.10 each)	752,000	752,000
ICNET Ltd (3,83,334 shares of Rs.10 each)	1,173,000	1,173,000
ACC Ltd. (24,500 shares of Rs.10 each)	23,151,355	—
Areva T&D India Ltd. (5,963 shares of Rs.10 each)	6,586,524	—
Bharat Forge Ltd. (6,000 shares of Rs.2 each)	2,026,236	—
Crompton Greaves Ltd. (10,000 shares of Rs.2 each)	2,015,740	—
Gujarat Ambuja Cements Ltd. (140,015 shares of Rs.2 each)	18,147,867	—
Hindalco Industries Ltd. (50,000 shares of Rs.1 each)	7,459,990	—
Hindustan Zinc Ltd. (14,990 shares of Rs.10 each)	10,829,013	—
Infosys Technologies Ltd. (7,000 shares of Rs.5 each)	15,030,009	—
ITC Ltd. (50,000 shares of Rs.1 each)	9,091,409	—
Jaiprakash Associates Ltd. (22,000 shares of Rs.10 each)	12,761,690	—
Mahindra & Mahindra Ltd. (18,726 shares of Rs.10 each)	15,103,215	—
Maruti Udyog Ltd. (20,000 shares of Rs.5 each)	17,968,908	—
Ranbaxy Laboratories Ltd. (8,600 shares of Rs.5 each)	3,474,186	—
Reliance Communications Ltd. (7,000 shares of Rs.5 each)	3,363,107	—
Reliance Industries Ltd. (4,000 shares of Rs.10 each)	5,494,673	—
Siemens Ltd. (6,600 shares of Rs.2 each)	7,670,043	—
Sterlite Industries (India) Ltd. (17,000 shares of Rs.2 each)	8,404,186	—
Tata Motors Ltd. (17,500 shares of Rs.10 each)	14,567,432	—
Tata Steel Ltd. (19,500 shares of Rs.10 each)	9,325,112	—
<b>Total (C)</b>	<b>198,629,695</b>	<b>6,159,000</b>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	31.03.2007 Rupees	31.03.2006 Rupees
<b>Mutual Funds:</b>		
<b>Principal CMF - Liquid Option - Inst. Premium - Daily Dividend</b> (20,00,817.957 Units of Rs.10 each purchased during the year)	20,000,000	-
<b>HSBC Cash Fund - Institutional Plus - Daily Dividend</b> (1,80,02,011.573 Units of Rs.10 each purchased during the year)	180,000,000	-
<b>Total (D)</b>	<u>200,000,000</u>	<u>-</u>
<b>Others</b>		
LTFL Securitisation Trust 2002	1,000	1,000
<b>Total (E)</b>	<u>1,000</u>	<u>1,000</u>
<b>Total (A+B+C+D+E)</b>	<u>483,634,665</u>	<u>121,162,970</u>
<b>Less: Diminution in value of investments</b>	<u>26,443,816</u>	<u>5,051,166</u>
<b>TOTAL</b>	<u>457,190,849</u>	<u>116,111,804</u>

**Details of investments purchased and sold during the year  
Money Market Mutual Fund :**

	Face Value Rs. Per Unit	Nos.	Cost Rs. Lacs
DSP Merrill Lynch Liquidity Fund - Inst. Plan - Daily Dividend	1,000	99,980	1,000
HDFC Cash Management Fund - Savings Plan - Daily Dividend	10	507,361,513	53,965
HSBC Cash Fund - Institutional Plus - Daily Dividend	10	533,451,267	53,375
HSBC Cash Fund - Institutional Plus - Growth	10	114,764,257	13,350
Kotak Liquid - Institutional Premium - Daily Dividend	10	149,655,302	18,300
Principal CMF - Liquid Option - Inst. Premium - Daily Dividend	10	208,735,389	20,875
Reliance Liquidity Fund - Daily Dividend Reinvestment	10	4,998,450	500
UTI Liquid Fund - Cash Plan - Inst. - Daily Income	1,000	5,485,852	55,925
Standard Chartered Liquidity Manager - Daily Dividend	10	48,245,175	4,825
Standard Chartered Liquidity Manager - Plus - Daily Dividend	1,000	7,057,494	70,582
Birla Cash Plus - Inst. Premium - Daily Dividend	10	167,174,011	16,750
SBI Magnum Institutional Income - Savings - Dividend	10	11,966,552	1,201
<b>Equity Shares :</b>			
ACC Ltd.	10	124,562	1,143
Amtek Auto Ltd.	2	47,886	143
Areva T&D India Ltd.	10	64,753	441
Asian Paints Ltd.	10	3,071	19
ACC Ltd.	10	124,562	1,143
Bajaj Hindustan Ltd.	1	76,784	209
Bharat Heavy Electricals Ltd.	10	28,250	605
Bharati Airtel Ltd.	10	58,318	283
Cipla Ltd.	2	20,500	48
Crompton Greaves Ltd.	2	24,277	58
Gujarat Ambuja Cements Ltd.	2	366,200	468
HDFC Bank Ltd.	10	27,099	233
Hindalco Industries Ltd.	1	365,000	611
Hindustan Zinc Ltd.	10	255,486	1,785
I-Flex Solutions Ltd.	5	10,767	135
Infosys Technologies Ltd.	5	32,500	706
ITC Ltd.	1	20,000	37
Jaiprakash Associates Ltd.	10	51,955	287
Jyoti Ltd.	10	1,119	1
Mahindra & Mahindra Ltd.	10	74,774	501
Maruti Udyog Ltd.	5	72,259	568
Oil & Natural Gas Corporation Ltd.	10	13,000	112
Punj Lloyd Ltd.	2	27,817	250
Ranbaxy Laboratories Ltd.	5	28,400	107
Reliance Communications Ltd.	5	5,000	24
Reliance Industries Ltd.	10	32,000	314
Siemens Ltd.	2	17,835	194
State Bank of India	10	30,000	270
Steel Authority of India Ltd.	10	1,125,000	1,146
Sterlite Industries (India) Ltd.	2	183,000	967
Tata Chemicals Ltd.	10	13,000	28
Tata Consultancy Services Ltd.	1	55,957	762
Tata Motors Ltd.	10	45,285	356
Tata Steel Ltd.	10	67,500	329
UTI Bank Ltd.	10	151,725	622

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	31.03.2007		31.03.2006
	Rupees	Rupees	Rupees Rupees
<b>SCHEDULE - 7</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Stock-on-hire (Secured by hire purchase agreements) (At cost or market value, whichever is less)	10,843,006		41,524,032
		<u>10,843,006</u>	<u>41,524,032</u>
<b>Sundry Debtors</b>			
Unsecured, considered good	19,391,831		13,757,864
Debts outstanding for a period exceeding six months	575,283,782		209,237,869
Others		<u>594,675,613</u>	<u>222,995,733</u>
Cash and Bank Balances			
Cash in hand	183,517		194,980
Balances with Scheduled Banks			
– on current account	296,724,654		315,948,908
– on deposit account (including interest accrued thereon) (pledged with sales tax authorities as security and with banks as margin money against guarantees issued)	1,645,813		1,645,813
		<u>298,553,984</u>	<u>317,789,700</u>
<b>Other Current Assets</b>			
Interest accrued	76,026,614		32,649,403
		<u>76,026,614</u>	<u>32,649,403</u>
<b>Loans and Advances</b>			
Secured, considered good			
Loans against pledge of shares and securities	1,670,964,136		833,661,520
<b>Unsecured, considered good :</b>			
Bills discounted	2,994,094,369		1,661,954,331
Other loans	19,338,127,394		7,641,373,532
(including intercorporate deposits Rs. Nil; Previous year Rs. 157,360,000)	22,332,221,763		9,303,327,863
Unsecured, considered doubtful			
Other loans	52,128,764		15,868,057
Less: Provision for non-performing assets	6,000,000		1,876,563
	<u>46,128,764</u>		<u>13,991,494</u>
Advances towards capital assets	51,427,718		5,355,548
Advances recoverable in cash or in kind or for value to be received	1,718,652,157		1,285,072,262
		<u>25,819,394,538</u>	<u>11,441,408,687</u>
<b>TOTAL</b>		<u>26,799,493,755</u>	<u>12,056,367,555</u>
<b>SCHEDULE - 8</b>			
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
<b>Liabilities</b>			
Sundry creditors	1,370,351,510		697,926,793
Security deposits	25,882,432		54,767,866
Interest accrued but not due	198,198,206		112,456,234
		<u>1,594,432,148</u>	<u>865,150,892</u>
<b>Provisions for</b>			
Taxes	143,400,000		75,400,000
Fringe benefit tax	2,661,000		1,731,961
Gratuity	719,494		1,044,249
Leave encashment	5,802,782		4,568,927
		<u>152,583,276</u>	<u>82,745,137</u>
<b>TOTAL</b>		<u>1,747,015,424</u>	<u>947,896,029</u>

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

	2006-07		2005-06	
	Rupees	Rupees	Rupees	Rupees
<b>SCHEDULE - 9</b>				
<b>INCOME FROM OPERATIONS</b>				
Lease and hire purchase		702,050,953		393,914,080
Bills discounting		194,975,484		84,547,665
Term loan and other financing activities		1,663,946,417		849,364,471
Networking activity		39,906,757		39,863,983
Income from investments				
- Dividend from subsidiary company		—	8,249,996	
- Others			71,555,968	
	86,331,017			
		86,331,017		79,805,964
Other operational income		66,547,973		43,063,548
<b>TOTAL</b>		<b>2,753,758,601</b>		<b>1,490,559,711</b>
<b>SCHEDULE - 10</b>				
<b>PERSONNEL EXPENSES</b>				
Salaries		69,970,883		41,468,269
Contribution to and provision for:				
Provident fund and Pension fund	3,736,815		1,986,760	
Gratuity fund	719,494		1,044,249	
Superannuation fund	728,078		537,768	
Leave encashment	1,789,588		1,967,358	
		6,973,975		5,536,135
Welfare and other expenses		7,781,969		5,014,209
<b>TOTAL</b>		<b>84,726,827</b>		<b>52,018,613</b>
<b>SCHEDULE - 11</b>				
<b>ADMINISTRATIVE &amp; OTHER EXPENSES</b>				
Travelling and conveyance		32,391,609		20,256,411
Printing and stationery		6,069,728		2,646,744
Telephone, postage and telegrams		25,503,423		22,725,350
Directors' sitting fees		34,000		42,000
Brokerage and service charges		8,172,426		10,442,546
Advertising and publicity		945,848		620,721
Repairs and maintenance - Building		—		341,846
- Plant & machinery		95,892		646,225
- Others		12,319,705		6,307,025
Rent		4,410,360		1,986,013
Rates and taxes		4,463,911		7,032,800
Electricity charges		2,369,180		1,360,663
Insurance		12,024,186		6,914,718
Auditors remuneration :				
Audit fees	270,000		270,000	
Tax audit fees	78,000		78,000	
Certification	210,000		118,500	
Expenses reimbursed	42,596		25,689	
		600,596		492,189
Provision for non-performing assets / Write offs	18,123,437		44,736,978	
Less: Transfer from General Reserve - I	—		40,000,000	
		18,123,437		4,736,978
Provision for diminution in value of investments		21,392,650		(23,967,927)
Miscellaneous expenses		59,805,451		45,204,896
<b>TOTAL</b>		<b>208,722,402</b>		<b>107,789,198</b>
<b>SCHEDULE - 12</b>				
<b>INTEREST AND OTHER FINANCE CHARGES</b>				
Fixed loans		943,622,619		616,320,329
Others		412,322,894		91,812,761
<b>TOTAL</b>		<b>1,355,945,513</b>		<b>708,133,090</b>

## ***SCHEDULES FORMING PART OF ACCOUNTS (Contd.)***

### **SCHEDULE - 13**

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **A. BASIS OF ACCOUNTING**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ('GAAP') and in compliance with the Accounting Standards referred to in Section 211(3C) and other requirements of the Companies Act, 1956. Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

The preparation of financial statements in conformity with GAAP requires that the management of the Company makes estimates and assumptions that affects the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. Examples of such estimates includes the useful lives of fixed assets, provisions for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Actual results could differ from these estimates. Any revisions to accounting estimates is recognised prospectively in the current and future periods. Wherever changes in presentation are made, comparative figures of the previous year are regrouped accordingly.

##### **B. FIXED ASSETS**

###### **Owned assets**

Assets held for own use are stated at original cost net of tax / duty credits availed, if any, less accumulated depreciation.

###### **Leased assets**

Assets leased under finance lease are stated as Loans and Advances as required by Accounting Standard (AS) 19 Leases.

Assets under operating lease are stated at original cost less accumulated depreciation.

###### **Assets taken on lease**

Lease transactions entered into prior to April 1, 2001:

Lease rentals in respect of assets acquired under leases are charged to profit and loss account.

Lease transactions entered into on or after April 1, 2001:

- i) Assets acquired under leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability of each period.
- ii) Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

##### **C. INVESTMENTS**

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

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

##### **D. FOREIGN CURRENCY TRANSACTIONS, FORWARD CONTRACTS AND DERIVATIVES**

The reporting currency of the company is the Indian Rupee

Foreign currency transactions are recorded on initial recognition in the reporting currency, using the exchange rate at the date of the transaction. At each balance sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried at historical cost denominated in a foreign currency are reported using the exchange rate at the date of transaction.

Forward contracts other than those entered into to hedge foreign currency risk on unexecuted firm commitments or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly. Exchange differences arising on such contracts are recognised in the period in which they arise and the premium paid/received is accounted as expenses/income over the period of the contract.

Cash flows arising on account of roll over / cancellation of forward contracts are recognised as income/expenses of the period in line with the movement in the underlying exposure.

Derivative transactions are considered as off-balance sheet items and cash flows arising therefrom are recognised in the books of account as and when the settlements take place in accordance with the terms of the respective contracts over the tenor thereof.

##### **E. REVENUE RECOGNITION**

Income from Hire purchase and operating lease transactions are accounted on accrual basis, *pro-rata* for the period, at the rates implicit in the transactions. Processing fees / Management fees, Income from bill discounting, Other financing activities, Other compensation and Investments are accounted on accrual basis.

Revenue is recognised based on the nature of activity when consideration can be reasonably measured and there exists reasonable certainty of its recovery.

## ***SCHEDULES FORMING PART OF ACCOUNTS (Contd.)***

F. The Company complied with the guidelines issued by the Reserve Bank of India in respect of Prudential Norms for Income Recognition and Provisioning for Non-Performing Assets.

### **G. RETIREMENT BENEFITS**

Contributions to provident fund, family pension fund and superannuation are accounted on actual liability basis. Contributions to gratuity fund and provision for leave encashment benefit on retirement are made on the actuarial valuation basis.

### **H. DEPRECIATION**

#### **Owned assets**

Depreciation on assets held for own use has been provided on straight line basis as per Schedule XIV to the Companies Act, 1956, except for computer software. Computer software is depreciated @ 33.33% per annum. These rates are fixed in consonance with the expected useful life of the assets. Depreciation on assets acquired and given to employees under the hard furnishing scheme has been provided @ 18% per annum on straight line basis, except assets costing Rs. 5,000 or less which are depreciated on straight line basis as per Schedule XIV to the Companies Act, 1956.

#### **Assets given on lease**

- i. In respect of the assets given on finance lease, Accounting Standards (AS) 19 Leases has been applied. Investment in leased assets is shown under loans and advances duly adjusted for recoveries during the lease period as required under the said Standard.
- ii. In respect of assets given on operating lease, depreciation is provided on straight line basis *pro-rata* from the month of acquisition/ capitalization at the rates which have been determined on the basis of type of the asset, lease tenor, economic life of the asset, etc. These rates vary from 7% to 20% per annum.

#### **Assets taken on lease**

Assets taken on lease Accounting Standards (AS) 19 Leases, has been applied to the assets taken on lease on or after 1<sup>st</sup> April, 2001. These assets have been depreciated over the period of lease for a value net of its residual value implied in the transactions.

### **I. IMPAIRMENT OF ASSETS**

As at each balance sheet date, the carrying amount of assets is tested for impairment so as to determine:

1. the provision for impairment loss, if any, required; or
2. the reversal, if any, required of impairment loss recognized in previous periods.

Impairment loss, if any, is recognized when the carrying amount of an asset or group of assets, as the case may be, exceeds the recoverable amount.

Recoverable amount is determined:

1. in the case of individual asset, at higher of the net selling price and the value in use;
2. in the case of a cash generating unit (a group of assets that generates identified, independent cash flows), at higher of the cash generating unit's net selling price and the value in use.

Value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life.

### **J. BORROWING COSTS**

Borrowing costs that are attributable to the acquisitions, constructions or production of qualifying assets are capitalised as part of the cost of such assets till the time as the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale.

All other borrowing costs are recognized as an expense in the period in which they are incurred.

K. Brokerage on fixed deposits is charged over the period of deposits.

### **L. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if

1. the company has a present obligation as a result of a past event,
2. a probable outflow of resources is expected to settle the obligation and
3. the amount of the obligation can be reliably estimated

Reimbursement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of

1. a present obligation arising from a past event when it is not probable that an outflow of resources will be required to settle the obligation
2. a possible obligation unless the probability of outflow of resources is remote

Contingent assets are neither recognized nor disclosed.

Provisions, contingent liabilities and contingent assets are reviewed at each balance sheet date.



**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****14. NOTES FORMING PART OF ACCOUNTS****A. Contingent liabilities :**

- i) Income tax liability in respect of matters in appeal **Rs. 1,716.51 lacs;** (Previous year Rs 1,534.43 lacs)
- ii) Interest tax liability in respect of matters in appeal **Rs. 53.67 lacs;** (Previous Year Rs. 53.67 lacs)
- iii) Sales tax liability in respect of matters in appeal **Rs. 229.95 lacs;** (Previous Year Rs.183.27 lacs)
- iv) Bond executed in respect of legal matters **Rs. 10.00 lacs;** (Previous Year Rs. 10.00 lacs)

**B. Secured Redeemable Non-convertible Debentures :**

Sr. No.	Face Value	Date of Allotment	Amount Rs. in Lacs	Interest	Redemption
i)	Rs. 100 lacs each	12/05/2005	2,500.00	NSE MIBOR + 110 bps daily compounding	Redeemable at par at the end of 36 months from the date of allotment or on exercise of put or call option – 24 months from the date of allotment
ii)	Rs. 100 lacs each	24/05/2005	2,500.00	1 Yr Reuters INBMK + 45 bps	Redeemable at par at the end of 36 months from the date of allotment or on exercise of put or call option – 24 months from the date of allotment
iii)	Rs. 100 lacs each	23/06/2005	2,500.00	NSE MIBOR + 120 bps daily compounding	Redeemable at par at the end of 36 months from the date of allotment or on exercise of put or call option – 24 months from the date of allotment
iv)	Rs. 100 lacs each	14/03/2006	2,500.00	8.90	Redeemable at par at the end of 13 months from the date of allotment
v)	Rs. 100 lacs each	28/03/2006	5,000.00	8.82	Redeemable at par at the end of 13 months from the date of allotment
vi)	Rs. 100 lacs each	05/05/2006	2,500.00	1 Yr Reuters INBMK + 158 bps	Redeemable at par at the end of 36 months from the date of allotment or on exercise of put or call option – 18 months from the date of allotment
vii)	Rs. 100 lacs each	08/06/2006	2,500.00	1 Yr Reuters INBMK + 155 bps	Redeemable at par at the end of 36 months from the date of allotment or on exercise of put or call option – 18 months from the date of allotment
viii)	Rs. 100 lacs each	20/06/2006	2,500.00	1 Yr Reuters INBMK + 153 bps compounding	Redeemable at par at the end of 36 months from the date of allotment or on exercise of put or call option – 18 months from the date of allotment
ix)	Rs. 100 lacs each	29/06/2006	2,500.00	NSE MIBOR + 199 bps daily	Redeemable at par at the end of 36 months from the date of allotment or on exercise of put or call option – 18 months from the date of allotment
x)	Rs. 100 lacs each	05/01/2007	5,000.00	9.40	Redeemable at par at the end of 16 months from the date of allotment
xi)	Rs. 100 lacs each	15/01/2007	5,000.00	9.40	Redeemable at par at the end of 16 months from the date of allotment
xii)	Rs. 100 lacs each	15/03/2007	7,200.00	10.65	Redeemable at par at the end of 21 months from the date of allotment
xiii)	Rs. 100 lacs each	23/03/2007	5,000.00	11.25	Redeemable at par at the end of 15 months from the date of allotment
xiv)	Rs. 100 lacs each	26/03/2007	5,000.00	11.25	Redeemable at par at the end of 15 months from the date of allotment
xv)	Rs. 100 lacs each	29/03/2007	2,500.00	11.25	Redeemable at par at the end of 15 months from the date of allotment
<b>TOTAL</b>			<b>54,700.00</b>		

Security: The Debentures are secured by way of first / second charge, having *pari passu* rights, as the case may be, on the Company's specified immovable properties and specified hire purchase / lease / term loan receivables.

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- C. (i) Cash credit / working capital demand loan of Rs. Nil is secured by hypothecation of specified hire purchases / lease assets and book debts relating to lease, hire purchase and other activities.
- (ii) Term loan of Rs. 46,900.00 Lacs is secured by hypothecation of specified hire purchase / lease / term loan receivables.
- (iii) Foreign currency loan of Rs. 10,327.89 Lacs is secured by hypothecation of specified hire purchases / lease assets and term loan receivables and book debts relating to lease, hire purchase and other activities.
- (iv) Term loan of Rs 9,000.00 Lacs is secured by hypothecation of specified fixed assets of the Company and exclusive first charge on specified receivables.
- D. The Company has taken certain assets on lease costing Rs. 40.00 Lacs; (*Previous year Rs. 77.91 Lacs*) the future lease obligation against which is Rs. 7.85 Lacs; (*Previous year Rs.25.50 Lacs*).

- E. i) Finance lease obligations taken on lease on or after April 1, 2001 :  
The Company normally acquires assets/equipments under finance lease with the respective underlying assets/equipments as security. Minimum lease payments outstanding as of March 31, 2007 in respect of these assets are as under:

Due	Total minimum lease payments outstanding as on 31 <sup>st</sup> March, 2007	Interest not due	Present value of minimum lease payments
Within one year	5.62	0.49	5.13
Later than one year and not later than five years	2.23	0.13	2.10
Later than five years	Nil	Nil	Nil
	<u>7.85</u>	<u>0.62</u>	<u>7.23</u>

- ii) Finance lease obligations given on lease on or after April 1, 2001:  
The Company has given assets on finance lease to its customers with respective underlying assets/equipments as security. Minimum lease payments outstanding as of March 31, 2007 in respect of these assets are as under:

Due	Total minimum lease payments outstanding as on 31 <sup>st</sup> March, 2007	Interest not due	Present value of minimum lease payments
Within one year	1,238.89	233.44	1,005.45
Later than one year and not later than five years	2,014.84	217.35	1,797.49
Later than five years	Nil	Nil	Nil
	<u>3,253.73</u>	<u>450.79</u>	<u>2,802.94</u>

- F. Income from other financing activities include interest on loans and advances of Rs. 15,315.02 Lacs (*Previous year Rs. 7414.88 Lacs*) [Tax deducted at source Rs. 874.32 Lacs (*Previous year Rs. 273.27 Lacs*)]

- G. Advances recoverable in cash or in kind include

- i) Loan to officers Rs. 6.96 Lacs (*Previous year Rs. 2.78 Lacs*), Maximum amount outstanding during the year Rs 6.96 Lacs (*Previous year Rs. 5.59 Lacs*)
- ii) Rs. 28.18 Lacs being sales tax paid upto December 31,1997 in various states on inter-state lease / hire purchase transactions. Due to ambiguity in certain provisions of Sales Tax Act in respective states with respect to such transactions, recovery of the same from the customers is kept in abeyance. The Company has since then been paying sales tax on such transactions under protest in various states to the extent it is collected from the customers.

- H. Assignment of receivables:

The Company has assigned / sold some of the lease, hire purchase assets / receivables and term loan receivables amounting to Rs. 16,206.82 lacs. This assignment / sale is without recourse to the Company. The Company does not expect any contingent or other liability in future in respect of these assigned / sold assets / receivables.

- I. Managers salary and perquisites amounting to Rs. 24.80 Lacs (*Previous year Rs. 20.82 Lacs*) have been charged to the accounts.

- J. Value of imports (on CIF basis) :

Capital goods Rs. 4,308.66 Lacs (*Previous year, Rs. 1,863.03 Lacs*)

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****K. (i) Segment Reporting : AS-17**

Primary Segment (Business Segment)

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

Secondary Segment (Geographical Segment)

The company operates only in the domestic market. As a result separate segment information for different geographical segments is also not disclosed.

**(ii) Related Party Disclosure: AS-18**

The following related party transaction were carried out during the year ended 31st March, 2007

*Rs lacs*

No	Controlling Company	Relationship	Nature of transaction	Amount	Amount due to	Amount due from
<b>Transaction</b>						
1	Larsen & Toubro Limited	Holding Company	ICD borrowed	71,765.00	8,531.77	
			ICD lent	—		
			Equity shares issued	10,000.00		
			Lease finance given	15,239.34		
			Investment sold	300.00		
			<b>Expenditure</b>			
			Interest on ICD borrowed	200.97	73.22	
			Service charges	89.27	89.27	
			<b>Income</b>			
			Lease finance charges	36.44		32.22
			Operating lease rental	6,173.72		2,256.65
			Service charges	372.30		183.10
<b>Transaction</b>						
2	India Infrastructure Developers Limited	Fellow Subsidiary Company	Assignment of hire purchase / term loan receivables	—		
			ICD lent	—		
			<b>Income</b>			
			Service charges	14.40		
			Interest	52.80		
<b>Transaction</b>						
3	HPL Cogeneration Limited	Fellow Subsidiary Company	ICD borrowed		4,000.00	
			<b>Expenditure</b>			
			Interest	288.41		
<b>Transaction</b>						
4	L&T Capital Company Limited	Subsidiary Company	ICD borrowed	610.00	965.00	
			<b>Expenditure</b>			
			Interest	61.54	0.01	
			Professional fees	1.00	1.00	

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

No	Controlling Company	Relationship	Nature of transaction	Amount	Amount due to	Amount due from
Transaction						
5	Larsen & Toubro Infotech Limited	Fellow Subsidiary Company	Lease finance given	405.13		
<b>Expenditure</b>						
			Service charges	54.81	54.81	
			Professional fees	5.86		
<b>Income</b>						
			Lease finance charges	4.28		
			Operating lease rentals	173.36	2.62	
Transaction						
6	L&T - Sargent & Lundy Limited	Fellow Subsidiary Company	Lease finance given	44.53		
<b>Income</b>						
			Lease finance charges	4.94		5.11
Transaction						
7	Tractor Engineers Limited	Fellow Subsidiary Company	Lease finance given	33.67		
			Operating lease rentals	4.36		1.40
			Service charges	2.50		1.80

(iii) Earnings per share ("EPS") computed in accordance with Accounting Standard (AS) 20 :

	2006-07	2005-06
Profit after tax as per profit and loss account (Rs.lacs)	6,261.45	3,513.45
Number of equity shares	12,41,91,500	9,91,91,500
Weighted average number of equity shares	11,61,09,308	8,73,42,185
Nominal value of shares (Rs.)	10.00	10.00
Earnings per share (Basic and diluted) (Rs.)	5.39	4.02

L. Disclosure in respect of operating leases as required under Accounting Standard (AS) 19:

a) Gross value of assets and accumulated depreciation as on balance sheet date:

	2006-07 Rs. Lacs	2005-06 Rs. Lacs
<b>Gross value of assets</b>		
Plant and machinery	22,656.63	12,198.93
Vehicles	10,670.98	6,736.84
Computers and others	3,651.89	865.80
<b>Accumulated Depreciation</b>		
Plant and machinery	3,603.63	1,969.95
Vehicles	2,724.93	1,537.62
Computers	313.42	62.79

b) The total lease depreciation recognised in the profit and loss account for the year is Rs. 3,170.12 Lacs (*Previous year Rs 1,758.85 Lacs*). No contingent rent has been recognised in the profit and loss account during the year (*Previous year Rs Nil*).

c) The Company provides vehicles, computers, construction equipment and other plant and machinery on operating lease for varying periods and the lease can be renewed as per mutual agreement. Contractually, the lessee has the option to reduce the lease period and hence the agreements are treated as cancellable in nature.

M. Expenditure in Foreign currency:

On interest	Rs. 617.00 Lacs ( <i>Previous year Rs. 503.92 Lacs</i> )
On other matters	Rs. 1.12 Lacs ( <i>Previous year Rs. 1.12 Lacs</i> )

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

- N. Provision for taxes:
- i) Income tax Rs. 1,416.00 Lacs (*Previous year Rs. 740.00 Lacs*)
  - ii) Wealth tax Rs. 18.00 Lacs (*Previous year Rs. 14.00 Lacs*)
  - iii) Fringe benefit tax Rs. 26.61 Lacs (*Previous year Rs. 17.32 Lacs*)
- (b) Deferred tax liability: In terms of the interim injunction dated December 6, 2001 restraining the Institute of Chartered Accountants of India from implementing the Accounting Standard (AS) 22 Accounting for Taxes on Income, with reference to Non-Banking Finance Companies, issued by the High Court of Judicature at Madras in response to the Miscellaneous Petition no. 27682 of 2001 in Writ Petition No. 18827 of 2001 filed by the Association of Leasing & Financial Services Companies of which the Company is a member. Pending final disposal of this Petition, no provision has been made in the accounts towards deferred tax liability. The Hon'ble Court, however, in an interim order has made it clear that the company so opting would have to furnish figures by way of a note of the quantum of tax worked out on the basis of Accounting Standard. Accordingly, the aggregate of deferred tax liability (net) upto March 31, 2007 is Rs. 2,013.00 Lacs (*Previous year Rs. 1,476.00 Lacs*).
- O. The Company has entered into certain derivative transactions including transactions involving foreign currencies. These derivative transactions, being considered as off-balance sheet transactions, the cash flows arising therefrom are recognised in the books of account as and when the settlements take place in accordance with the terms of the respective contracts over the tenor thereof.
- P. Miscellaneous expenditure includes Rs. Nil (*Previous year Rs. 10.58 Lacs*) on account of loss on foreclosure of certain hire purchase agreements.
- Q. Schedule to the Balance Sheet of a Non-Banking Financial Company as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

		Rs Lacs	
Particulars	Amount	Amount	
Liability Side	Outstanding	Overdue	
1. Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid			
(a) Debentures : Secured	54,700.00		
: Unsecured	19,500.00		
(Other than falling within the meaning of Public Deposits)			
(b) Deferred Credits	—		
(c) Term Loans	80,400.00		
(d) Inter-Corporate Loans and borrowings	13,496.77		
(e) Commercial Paper	76,000.00		
(f) Public Deposits*	—		
(g) Other Loans (Foreign Currency Loan)	10,327.89		
(h) Lease Finance	7.23		
2. Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :			
(a) In the form of Unsecured debentures		—	
(b) in the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security		—	
(c) Other Public deposits		—	
3. Break-up of Loans and Advances including bills receivables [Other than those included in (4) below]			
(a) Secured	177,785.72		
(b) Unsecured	59,764.47		

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**

4. Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards EL/HP activities	—
(i) Lease assets including lease rentals under sundry debtors :	
(a) Financial Lease	2,802.95
(b) Operating Lease	30,337.52
(ii) Stock on hire including hire charges under sundry debtors	
(a) Assets on Hire	108.43
(b) Repossessed Assets	—
(iii) Hypothecation loans counting towards EL/HP activities	
(a) Loans where assets have been repossessed	—
(b) Loans other than (a) above	—
5. Break-up of Investments	
Current Investments	
1. Quoted	
(i) Shares :	
(a) Equity	—
(b) Preference	1,721.86
(ii) Debentures and Bonds	—
(iii) Units of Mutual Funds	2,000.00
(iv) Government Securities	—
(v) Others (please specify)	—
2. Unquoted :	
(i) Shares :	
(a) Equity	—
(b) Preference	—
(ii) Debentures and Bonds	—
(iii) Units of Mutual Funds	—
(iv) Government Securities	—
(v) Others (please specify)	0.01
Long Term Investments	
1. Quoted	
(i) Shares :	
(a) Equity	—
(b) Preference	—
(ii) Debentures and Bonds	—
(iii) Units of Mutual Funds	—
(iv) Government Securities	—
(v) Others (please specify)	—
2. Unquoted :	
(i) Shares :	
(a) Equity	850.00
(b) Preference	—
(ii) Debentures and Bonds	—
(iii) Units of Mutual Funds	—
(iv) Government Securities	0.04
(v) Others (please specify)	—

**SCHEDULES OF FORMATING PART OF ACCOUNTS (Contd.)**

	Secured	Unsecured	Total
6. Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances Category Amount net of provisions			
1. Related Parties			
(a) Subsidiaries			
(b) Companies in the same group	27,137.68	—	27,137.68
(c) Other related parties			
2. Other than related parties	183,896.94	59,764.47	243,661.41
Total	<u>211,034.62</u>	<u>59,764.47</u>	<u>270,799.09</u>

	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
7. Investor group-wise classification of all investments (current and long term (in shares and securities) (both quoted and unquoted):		
Category		
1. Related Parties		
a) Subsidiaries	550.00	550.00
b) Companies in the same group	300.00	300.00
c) Other related parties	—	—
2. Other than related parties	3,724.98	3,721.91
Total	<u>4,574.98</u>	<u>4,571.91</u>

Particulars Amount

8. Other information	
(i) Gross Non-Performing Assets	
(a) Related parties	—
(b) Other than related parties	629.45
(ii) Net Non-Performing Assets	
(a) Related parties	—
(b) Other than related parties	569.45
(iii) Assets acquired in satisfaction of debt	424.08

R. Sundry Creditors include unclaimed matured fixed deposits of Rs 12.30 Lacs. There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2007.

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

Signatures to Schedule 1 to 14

As per our Report attached  
**SHARP & TANNAN**  
Chartered Accountants

For and on behalf of the Board

**MILIND P. PHADKE**  
Partner  
Membership No. 33013

**A. N. MANI**  
Manager

**S. KRISHNA KUMAR**  
Company Secretary

**Y. M. DEOSTHALEE**      **N. SIVARAMAN**  
Directors

Place : Mumbai  
Date : April 26, 2007

Place : Mumbai  
Date : April 26, 2007

**SCHEDULES FORMING PART OF ACCOUNTS (Contd.)****15. BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE****I. Registration Details**Registration Number 

1	1		8	3	1	4	7		
---	---	--	---	---	---	---	---	--	--

State Code 

1	1
---	---

Balance Sheet Date 

3	1		0	3		2	0	0	7
---	---	--	---	---	--	---	---	---	---

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

Note: 2,50,00,000 equity shares of Rs. 10/- each issued for cash at a premium of Rs. 30/- per share aggregating to Rs. 10,00,000.00 (Rs. in Thousand)

## Public Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

## Rights Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

## Bonus Issue

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

## Private Placement

			1	0	0	0	0	0	0	0
--	--	--	---	---	---	---	---	---	---	---

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

## Total Liabilities

		2	9	2	2	0	3	3	8
--	--	---	---	---	---	---	---	---	---

## Total Assets

		2	9	2	2	0	3	3	8
--	--	---	---	---	---	---	---	---	---

**Source of Funds:**

## Paid-up Capital

			1	2	4	1	9	1	5
--	--	--	---	---	---	---	---	---	---

## Reserves &amp; Surplus

			2	5	3	5	2	3	5
--	--	--	---	---	---	---	---	---	---

## Secured loans

		1	2	0	9	2	7	8	9
--	--	---	---	---	---	---	---	---	---

## Unsecured loans

		1	3	3	5	0	3	9	8
--	--	---	---	---	---	---	---	---	---

**Application of Funds:**

## Net Fixed Assets

			3	7	1	0	6	6	9
--	--	--	---	---	---	---	---	---	---

## Investments

			4	5	7	1	9	1
--	--	--	---	---	---	---	---	---

## Net Current Assets

		2	5	0	5	2	4	7	8
--	--	---	---	---	---	---	---	---	---

## Misc. Expenditure

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

## Accumulated Losses

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

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

## Turnover

			2	7	5	3	7	5	8
--	--	--	---	---	---	---	---	---	---

## Total Expenditure

			1	9	8	1	5	5	2
--	--	--	---	---	---	---	---	---	---

## Profit/(Loss) before Tax

			7	7	2	2	0	6
--	--	--	---	---	---	---	---	---

## Profit/(Loss) after Tax

			6	2	6	1	4	5
--	--	--	---	---	---	---	---	---

## Earning per Share Rs. (Basic and Diluted)

					5	.	3	9
--	--	--	--	--	---	---	---	---

## Dividend Rate (%)

								-	-
--	--	--	--	--	--	--	--	---	---

**V. Generic Names of three Principal Products / Services of Company (as per monetary terms)**Item Code 

			N	A					
--	--	--	---	---	--	--	--	--	--

(ITC Code)

Product Description

Loans

Leasing / Hire Purchase

Bills Discounting

As per our Report attached  
**SHARP & TANNAN**  
Chartered Accountants

For and on behalf of the Board

MILIND P. PHADKE  
Partner  
Membership No. 33013  
Place : Mumbai  
Date : April 26, 2007A. N. MANI  
ManagerS. KRISHNA KUMAR  
Company SecretaryY. M. DEOSTHALEE      N. SIVARAMAN  
DirectorsPlace : Mumbai  
Date : April 26, 2007



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANIES**

Name of the subsidiary company	L&T Capital Company Limited
Financial year of the subsidiary ended on	March 31, 2007
Number of shares of the subsidiary company held by L&T Finance Limited and / or its nominee at the above date	55,00,000
The net aggregate of profits / (losses), of the subsidiary company so far as it concerns the members of L&T Finance Limited	
(i) Dealt with in the accounts of L&T Finance Limited amounted to	
a) for the subsidiary's financial year ended 31/03/2007	—
b) for the previous years of the subsidiary since it became subsidiary of L&T Finance Limited	Rs. 137.49 lacs
(ii) Not dealt with in the accounts of L&T Finance Limited amounted to:	
a) for the subsidiary's financial year ended 31/03/2007	Rs. 247.78 lacs
b) for the previous years of the subsidiary since it became subsidiary of L&T Finance Limited	Rs. 187.85 lacs

As per our Report attached  
**SHARP & TANNAN**  
*Chartered Accountants*

For and on behalf of the Board

**MILIND P. PHADKE**  
*Partner*  
*Membership No. 33013*

**A. N. MANI**  
*Manager*

**S. KRISHNA KUMAR**  
*Company Secretary*

**Y. M. DEOSTHALEE**      **N. SIVARAMAN**  
*Directors*

*Place : Mumbai*  
*Date : April 26, 2007*

*Place : Mumbai*  
*Date : April 26, 2007*