

Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Eighteenth Annual Report with the Audited Accounts for the Financial Year ended March 31, 2013.

FINANCIAL HIGHLIGHTS

The summarized financial results for the Financial Year ended March 31, 2013 are as under:

(₹ In Lakhs)

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Gross Income	207,939.99	178,345.90
Profit before Tax	31,340.86	29,497.31
Provision for Tax	10,522.50	11,478.20
Deferred tax	(284.50)	(1,882.20)
Profit after Tax	21,102.86	19,901.31
Add: Balance brought forward from previous years	17,525.18	24,849.87
Profit available for appropriation	38,628.04	44,751.18
Appropriations:		
Interim Dividend	10,013.74	2,622.64
Proposed final dividend	1,025.22	-
Dividend Distribution Tax	1,798.71	425.46
Transfer to General Reserve	2,110.30	497.60
Transfer to Special reserve U/S 45-IC of RBI Act, 1934	4,220.60	3,980.30
Transfer to / (from) Debenture Redemption Reserve	(32,100.00)	19,700.00
Surplus carried forward to Balance sheet	51,559.47	17,525.18

APPROPRIATIONS

Your Company proposes to transfer ₹ 2,110.30 Lakhs (previous year ₹ 497.60 Lakhs) to General Reserve. Your Company proposes to transfer ₹ 4,220.60 Lakhs (Previous Year ₹ 3,980.30 Lakhs) to Special Reserve Created U/S 45-IC of Reserve Bank of India Act, 1934. The Company has reviewed the requirements of Debenture Redemption Reserve pursuant to the Circular No. 04/2013 dated February 11, 2013 issued by the Ministry of Corporate Affairs and accordingly, ₹ 32,100.00 Lakhs has been transferred from Debenture Redemption Reserve to Surplus in the Statement of Profit and Loss as against the previous year appropriation of ₹ 19,700.00 Lakhs to Debenture Redemption Reserve.

It is proposed to retain ₹ 51,559.47 Lakhs (Previous Year ₹ 17,525.18 Lakhs) in the Statement of Profit and Loss of the Company.

DIVIDEND

During the year, your Company has declared an interim dividend of ₹ 4.20 per equity share.

The Directors propose a final dividend of ₹ 0.43 per equity share for the Financial Year ended March 31, 2013.

PERFORMANCE OF THE COMPANY

❖ The Company has achieved enhanced business performance during the year under review, in comparison to the year ended March 31, 2012, in spite of the challenging economic environment and slowdown in several sectors. Gross portfolio assets (including operating lease*) recorded 11.50% growth from ₹ 1,287,200 Lakhs as at March 2012, to ₹ 1,435,200 Lakhs as at March 2013.

* Amount of operating lease included in 2012 is ₹ 22,910 Lakhs and ₹ 22,127 Lakhs in 2013.

❖ Income from operations has grown from ₹ 176,171 Lakhs in the year ended March 31, 2012 to ₹ 2,06,054 Lakhs in the year under review, an increase of 17%. Total income has also grown 17% from ₹ 1,78,346 Lakhs to ₹ 2,07,940 Lakhs in the same period.

❖ During the Financial Year 2013, your Company had undertaken several initiatives with an objective to enhance customer reach, improve operating efficiencies, reduce operating cost and build up a leadership pool at various levels.

Two such major initiatives which your Company had undertaken were:

- **Project Srijan** – This project has led to re-alignment of the business model, with emphasis on a multi product, branch based structure in place of the product based verticals earlier.
- **Project Prayaag** – As a logical extension of Project Srijan, Project Prayaag has focused on creation of a distribution platform with multi product capability, enhancing customer experience and enhancement of the efficiency and productivity of the sales force.

❖ **Corporate/ Strategic initiatives**

- The Company has divested its entire stake in L&T Investment Management Limited and L&T Mutual Fund Trustee Limited to its parent Company, L&T Finance Holdings Limited, after complying with regulatory requirements.
- A substantial portion of the immovable properties owned by the Company has been transferred to L&T Unnati Finance Limited, a co-subsidiary of the Company.
- The car financing business of the Company has been transferred to Family Credit Limited, a co-subsidiary of the Company to enable the Company to focus on Asset Financing business and also considering that Family Credit Limited, acquired during the year by the parent Company, has a sizeable car financing portfolio and its acquisition of this business from the Company would facilitate economies of scale.
- The Company being an Asset Finance Company had identified a few non-asset finance business exposures that could be shifted out of it in order to focus on the core business activities. Accordingly, your Company had assigned a portion of its corporate portfolio to L&T FinCorp Limited, a co-subsidiary of the Company.

❖ **Performance of businesses:**

Retail Finance segment

Small Commercial Vehicles, Passenger Vehicles and Farm business have grown at a reasonable rate whilst Construction Equipment, Medium and Heavy Commercial Vehicle and Light Commercial Vehicle loan businesses showed stressed growth in line with the performance of the respective sectors.

Mid Market Loans segment

Interest Margin of this segment saw improvement over the last financial year. Further, the total disbursement, average business assets and average networth also saw an increase over the last financial year. However, overall profitability of the said segment was under strain due to increased credit costs.

Small Business Loans segment (which includes Supply Chain Finance and Rural Enterprise Finance)

showed considerable growth despite pressure on yields.

Microfinance Business segment has seen positive contribution especially towards the end of the Financial Year 2013.

RESOURCES

The growth in Loans and Advances towards financing activities has led to increased funding requirement.

The Company has raised funds through a mix of borrowings. During the year the net borrowings have increased from ₹ 10,992.33 Lakhs to ₹ 11,805.18 Lakhs.

FIXED DEPOSITS

The Company had stopped accepting fresh deposits as well as renewal of existing deposits a long time ago and as such, during the year, the Company has not accepted any public deposits. The Company has outstanding unclaimed fixed deposits of ₹ 0.15 Lakhs pertaining to 2 deposit holders. The Company had received claims from the respective Fixed Deposit Holder/ legal heirs for the 2 matured deposits and awaits completion of the necessary formalities for repayment of the redeemed amounts.

DIRECTORS

Mr. Subramaniam N, who would be retiring by rotation at the ensuing Annual General Meeting, has expressed his intention not to seek re-appointment, pursuant to other commitments. Mr. Subramaniam was a Director of the Company since September 25, 2010. The Directors place on record the valuable services rendered by Mr. Subramaniam as a Director of the Company.

The Company has received a notice pursuant to Section 257 of the Companies Act, 1956, signifying the candidature of Mr. M. Venugopalan for the office of Director of the Company.

Pursuant to the provisions of the Companies Act, 1956, Mr. R. Shankar Raman would retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

The Board of Directors have taken note of the 'Corporate Governance Voluntary Guidelines 2009' issued by the Ministry of Corporate Affairs (MCA) in December 2009. A gist of our compliance with the said guidelines forms part of Corporate Governance Report.

AUDITORS

The Auditors, M/s. Sharp & Tannan, Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

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

Information under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, and the rules made thereunder is given in a separate Annexure to this report and forms part of this report. The same would be furnished to the Members on request. None of the employees listed in the said Annexure is related to any Director of the Company.

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.

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 (RBI) GUIDELINES

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

ACKNOWLEDGEMENT

Your 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. Your Directors wish to thank the Company's clients and business associates for their support to the growth of the Company. Your 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

Y. M. Deosthalee
Chairman

N. Sivaraman
Director

Mumbai
April 23, 2013

Registered Office:

L&T House,
Ballard Estate,
Mumbai - 400001

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 of six Directors viz. Mr. Y. M. Deosthalee, Mr. S. Raghavan, Mr. R. Shankar Raman, Mr. N. Sivaraman, Mr. P. V. Bhide and Mr. Subramaniam N. All the Directors are Non-Executive Directors, whilst Mr. Deosthalee is the Non-Executive Chairman. Mr. Raghavan and Mr. R. Shankar Raman are connected with Larsen & Toubro Limited, the ultimate Holding Company in various capacities. Mr. Deosthalee, who has been appointed as the Chairman of the Board in Non-Executive capacity during the year, is the Chairman and Managing Director of L&T Finance Holdings Limited, the Holding Company, while Mr. Sivaraman is the President & Whole-time Director of the same. Mr. Bhide and Mr. Subramaniam are Independent Directors on the Board of L&T Finance Holdings Limited.

During the period under review, six meetings of the Board of Directors were held on April 25, 2012, July 18, 2012, October 18, 2012, December 14, 2012, January 28, 2013 and March 21, 2013.

Mr. Dinanath Dubhashi is the Chief Executive and Manager 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 six core Committees constituted by the Board in this connection are:

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Credit Committee
- Nomination & Compensation Committee
- Risk Management Committee
- Investment 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 comprises of 3 Directors as per details given below:

Composition of Audit Committee

Mr. P.V. Bhide – Chairman
Mr. S. Raghavan
Mr. R. Shankar Raman

Role of the Committee

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

During the fiscal year 2012-13, the Committee met 6 times.

2) Committee of Directors:

The Committee currently comprises of 3 Directors as per details given below.

Composition of Committee of Directors (COD)

Mr. Y. M. Deosthalee
Mr. N. Sivaraman
Mr. R. Shankar Raman

Role of the Committee

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

During the fiscal year 2012-13, the Committee met 37 times.

3) Asset-Liability Management Committee (ALCO):

During the year, the Committee was re-constituted.

The Committee is chaired by Mr. Sivaraman and consists of 8 other members holding senior executive positions in the Company, group companies and the ultimate parent company.

Role of the Committee

1. 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;

2. 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;
3. 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;
4. Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
5. Product pricing for financial assistance, desired maturity profile and mix of the incremental assets and liabilities, based on market conditions;
6. Articulating the current interest rate view of the Company and deciding the future business strategy on this view; and
7. Deciding on the source and mix of liabilities and recommending the desired asset mix.

During the fiscal year 2012-13, the Committee met 11 times.

4) **Credit Committee:**

The Credit Committee was re-constituted during the year. The Credit Committee of the Company is broad-based, consisting of Mr. Sivaraman and 5 other senior executives from the Company, group Company and the ultimate parent Company.

Role of the Committee

The Credit Committee reviews and approves various credit proposals as per the credit and lending authorisations approved by the Board. Credit decisions are supported by risk management guidelines and norms approved by the Board of Directors of the Company.

During the fiscal year 2012-13, the Committee met 48 times.

5) **Nomination & Compensation Committee:**

The Committee was re-constituted during the year. The Committee currently comprises the following members:

Mr. Y. M. Deosthalee
 Mr. N. Sivaraman
 Mr. Dinanath Dubhashi
 Head HR, L&T Financial Services (Secretary)

Role of the Committee

- 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.
- To focus on evaluating senior level employees, their remuneration, promotions etc.

6) **Risk Management Committee:**

During the year, the Risk Management Committee was re-constituted. The Committee currently comprises Mr. Sivaraman and 4 other members.

Role of the Committee

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

7) **Investment Committee**

The Investment Committee (IC) was constituted in January 2013. The Investment Committee comprises Mr. Sivaraman and 4 other members.

Role of the Committee

- ❖ To evaluate proposals for buyback of instruments issued by the Company and approve the same and decide on extinguishing of the instrument or holding as investment.
- ❖ The Committee decides on investments in/ divestments of:
 - Units of Mutual Fund Schemes
 - Units of collective investment schemes
 - Inter-corporate deposits
 - Government securities and Treasury Bills
 - Debentures
 - Bank Fixed deposits

- Inter Corporate Deposits (to group companies). The Investment Committee sets up limits for investments in individual companies subject to regulatory norms.

Disclosures

During the Financial Year ended March 31, 2013:

- ❖ 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.
- ❖ The Company has implemented some of the recommendations given in the "Corporate Governance – Voluntary Guidelines 2009" by the Ministry of Corporate Affairs and is examining the possibility of implementing the remaining recommendations.

Means of Communication

- ❖ Half Yearly Results are communicated through newspaper advertisements in prominent national and regional dailies.
- ❖ The investors (debenture holders) are also sent a 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 <http://www.ltfinance.com>.

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

The Company has familiarized itself with the requirement of the Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs, Government of India. A gist of the compliance of the Company with the said guidelines is given below, to the extent not covered by the Corporate Governance Statement in the earlier part of this Report.

Separation of Offices of Chairman & Chief Executive Officer

The roles and offices of Chairman and Chief Executive are separated. Mr. Y. M. Deosthalee is the Non-Executive Chairman of the Board whereas Mr. Dinanath Dubhashi is the Chief Executive of the Company.

Remuneration of Directors

All the Directors of the Company are Non-Executive. The Directors on the Board who are in the services of the parent holding companies, Larsen and Toubro Limited and L&T Finance Holdings Limited, draw remuneration from their respective companies. Other Directors on the Board are paid sitting fees for attending the meetings of the Board and / or any Committee thereof and do not draw any other remuneration.

Independent Directors

All the members of the Board of the Company are independent in the sense that none of them is a full time employee of the Company. However, Mr. R. Shankar Raman and Mr. S Raghavan are associated with the ultimate Holding company, Larsen and Toubro Limited. Mr. Y.M. Deosthalee and Mr. N. Sivaraman are associated with the Holding Company, L&T Finance Holdings Limited and play a strategic and supervisory role over 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.

Statutory Auditors

The Company has obtained a certificate from the auditors certifying its independence and arm's length relationship with the Company. The Company does not currently advocate rotation of Auditors as envisaged in these guidelines in view of the domain knowledge acquired by the Auditors over a period of time.

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.

For and on behalf of the Board of Directors

Y. M. Deosthalee
Chairman

N. Sivaraman
Director

Place: Mumbai
Date: April 23, 2013

Independent Auditors' Report

TO THE MEMBERS OF L&T FINANCE LIMITED

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

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

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956; and
 - (e) On the basis of the written representations received from the directors as on March 31, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

SHARP & TANNAN

Chartered Accountants
Registration No. 109982W
by the hand of

MILIND P. PHADKE

Partner
Membership No. 033013
Mumbai, April 23, 2013

Annexure to Independent Auditors' Report

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

- (i) (a) The Company is maintaining proper records to show full particulars, including quantitative details and situation of all fixed assets.
- (b) In respect of owned assets as explained to us, all fixed assets have been physically verified by the management, in accordance with a phased programme of verification, which in our opinion, is reasonable, considering the size of the Company and nature of its assets. In respect of leased assets the Company has formulated a programme of physical verification for all the fixed assets over the period of three years which in our opinion is reasonable having regard to size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets during the year, so as to affect its going concern status.
- (ii) The Company is a non-banking finance company and does not hold any inventories. Accordingly, the Paragraph 4 (ii) (a), (b) and (c) of the Order is not applicable.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the Paragraphs 4(iii) (b), (c) and (d) of the Order, are not applicable to the Company.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the Paragraphs 4 (iii) (f) and (g) of the Order, are not applicable to the Company.
- (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 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 the internal control system.
- (v) According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act, 1956. Accordingly, the Paragraph 4 (v) (b) of the Order is not applicable.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply. Accordingly, the Paragraph 4 (vi) of the Order is not applicable.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
- (viii) According to the information and explanations given to us, the Company, is a non-banking finance company. Accordingly, the Paragraph 4 (viii) of the Order is not applicable.
- (ix) (a) According to the information and explanations given to us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, 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, no undisputed amounts were in arrears as at March 31, 2013, for a period of more than six months from the date they become payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of sales tax, service tax and income tax as at March 31, 2013, which have not been deposited on account of a dispute, are as under:

Annexure to Independent Auditors' Report

Name of the Statute	Nature of the disputed dues	Amount Rupees*	Period to which the amount relates	Forum where disputes are pending
The Central Sales Tax Act, 1956, Local Sales Tax Acts	Disallowance of exemption claimed for deemed sale in the course of inter-state and import transactions	30,197,687	1995-96 to 1996-97, 2000-01, 2004-05, 2009-10	Joint Commissioner (Appeal)
		9,673,708	1997-98 to 1998-99, 2000-01	Deputy Commissioner (Appeal)
		704,540	1999-2000	High Court
		4,700,405	1995-96 to 1999-2000, 2003-04	Sales Tax Tribunal
		21,019,286	2007-08	Appellate Board
The Finance Act, 1994		8,440,175	2005-06 to 2010-11	Joint Commissioner (Appeal)
The Income Tax Act, 1961	Tax, Interest and Penalty	11,916,550	1995-96 to 1999-00	ITAT, Mumbai
	Tax, Interest and Penalty	74,591,596	2000-01 to 2003-04	CIT (Appeals), Mumbai
	Tax, Interest and Penalty	411,154,120	2006-07 to 2010-11	CIT (Appeals), Mumbai

* Net of pre-deposit paid in getting the stay / appeal admitted.

- (x) The Company has no accumulated losses as at March 31, 2013 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in the repayment of dues to any financial institutions or bank or debenture holders as at the balance sheet date.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the loans and advances are granted on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The provisions of any special statute applicable to chit fund/ nidhi/ mutual benefit fund/ society are not applicable to the Company. Accordingly, the Paragraph 4 (xiii) of the Order is not applicable.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing in or trading in shares, securities and debentures. The Company has invested surplus fund in the schemes of mutual funds. According to the information and explanations given to us, proper records have been made of the transactions and contracts and timely entries have been made therein.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, the Paragraph 4 (xv) of the Order is not applicable.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the balance sheet of the Company, we report that no

funds raised on short-term basis have been used for long-term investments.

- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956, during the year. Accordingly, the Paragraph 4 (xviii) of the Order is not applicable.
- (xix) According to the information and explanation given to us and records examined by us, securities have been created in respect of debentures issued.
- (xx) The Company has not raised any money by public issues during the year. Accordingly, Paragraph 4 (xx) of the Order is not applicable to the Company.
- (xxi) During the course of our examination of books and records of the Company, carried out in accordance

with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

SHARP & TANNAN

Chartered Accountants
Registration No. 109982W
by the hand of
MILIND P. PHADKE
Partner
Membership No. 033013
Mumbai, April 23, 2013

Balance Sheet as at March 31, 2013

(₹ Lakh)

	Note No	As at March 31, 2013	As at March 31, 2012
EQUITY AND LIABILITIES:			
Shareholders' funds			
Share capital	2	23,842.23	23,842.23
Reserves and surplus	3	187,046.86	179,009.57
		210,889.09	202,851.80
Non-current liabilities			
Long-term borrowings	4	618,192.78	764,036.03
Other long-term liabilities	5	14,558.94	7,035.91
Long-term provisions	6	1,886.00	1,816.61
		634,637.72	772,888.55
Current liabilities			
Short-term borrowings	7	201,088.40	124,260.27
Current maturities of long-term borrowings	4	361,236.36	210,936.86
Trade payables	8	12.95	70.77
Other current liabilities	9	76,775.84	68,744.54
Short-term provisions	10	7,098.97	2,403.68
		646,212.52	406,416.12
Total		1,491,739.33	1,382,156.47
ASSETS:			
Non-current assets			
Fixed assets	11		
Tangible assets		27,512.64	46,485.10
Intangible assets		549.31	549.85
Capital work-in-progress		565.17	3,179.24
Non-current investments	12	7,613.81	20,918.64
Deferred tax assets (net)	13	4,073.80	3,789.30
Long-term loans and advances	14	8,120.99	9,963.66
Long-term loans and advances towards financing activities	15	769,137.52	698,276.70
Other non-current assets	16	288.17	1,598.37
		817,861.41	784,760.86
Current assets			
Current investments	17	-	9,680.83
Trade receivables	18	1,116.48	904.73
Cash and bank balances	19	10,578.73	9,462.77
Current maturities of long-term loans and advances towards financing activities	15	456,386.92	386,198.88
Short-term Loans and advances towards financing activities	20	176,909.65	166,623.11
Other current assets	21	28,886.14	24,525.29
		673,877.92	597,395.61
Total		1,491,739.33	1,382,156.47
Significant accounting policies	1		
The accompanying notes are an integral part of financial statements	28		

As per our report attached

For and on behalf of Board

SHARP & TANNAN

Chartered Accountants
Registration No. 109982W
by the hand of

Milind P. Phadke

Partner
Membership No. 033013

Mumbai, April 23, 2013

Y. M. Deosthalee

Chairman

Dinanath Dubhashi

Chief Executive & Manager

Mumbai, April 23, 2013

N. Sivaraman

Director

Manoj Harlalka

Company Secretary

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

(₹ Lakh)

	Note No	2012-2013	2011-2012
INCOME:			
Income from operations	22	206,053.66	176,170.92
Other income	23	1,886.33	2,174.98
Total Income		207,939.99	178,345.90
EXPENSES:			
Finance costs	24	120,621.83	101,005.58
Employee benefits expense	25	10,199.03	9,643.78
Administration and Other expenses	26	20,970.68	17,691.61
Allowances and write offs	27	18,764.67	14,621.56
Depreciation and amortisation expense		6,042.92	5,886.06
Total expenses		176,599.13	148,848.59
Profit before exceptional and extraordinary items and taxes		31,340.86	29,497.31
Exceptional and extraordinary Items		-	-
Profit before tax		31,340.86	29,497.31
Tax expense:			
Current tax		10,522.50	11,478.20
Deferred tax		(284.50)	(1,882.20)
Profit after tax		21,102.86	19,901.31
Earnings per equity share before and after extraordinary items:	28.10		
Basic earnings per equity share (₹)		8.85	8.48
Diluted earnings per equity share (₹)		8.85	8.42
Face value per equity share (₹)		10.00	10.00
Significant accounting policies	1		
The accompanying notes are an integral part of financial statements	28		

As per our report attached

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

Milind P. Phadke
Partner
Membership No. 033013

Mumbai, April 23, 2013

For and on behalf of Board

Y. M. Deosthalee
Chairman

Dinanath Dubhashi
Chief Executive & Manager

Mumbai, April 23, 2013

N. Sivaraman
Director

Manoj Harlalka
Company Secretary

Cash Flow Statement for the year ended March 31, 2013

(₹ Lakh)

	2012-2013	2011-2012
A. Cash flow from operating activities		
Profit before taxes as per Statement of Profit and Loss	31,340.86	29,497.31
Adjustment for:		
Depreciation and amortisation	6,042.92	5,886.06
(Profit)/Loss on sale of investments (net)	(429.63)	64.98
(Profit)/Loss on sale of fixed assets (net)	2,090.03	1,625.32
Provision for compensated absences/leave encashment and gratuity	357.64	332.67
(Gain)/loss on translation of foreign currency monetary assets and liabilities and mark to market of derivatives	-	871.72
Cumulative interest on long term NCDs, payable at maturity	7,694.10	1,459.94
Provision for diminution in value of investments	(1.92)	(0.12)
Write offs/loss on foreclosure of loans	21,209.66	12,517.46
Provision for non-performing assets	(2,628.07)	1,375.22
Provision for standard assets	185.00	729.00
Operating profit before working capital changes	65,860.59	54,359.56
Adjustment for:		
(Increase)/Decrease loans and advances towards financing activities	(169,917.00)	(265,916.59)
(Increase)/Decrease in trade and other receivables and advances	(6,159.43)	(11,668.39)
Increase/(Decrease) in trade and other payables	9,598.95	20,871.73
Cash (used in)/generated from operations	(100,616.89)	(202,353.69)
Direct taxes paid	(8,702.11)	(14,474.56)
Net cash flow from operating activities (A)	(109,319.00)	(216,828.25)
B. Cash flows from investing activities		
Add: Inflows from investing activities		
Proceeds/Adjustments from sale of fixed assets	19,989.35	1,453.93
Sale of investments (net)	11,228.30	1,715.51
Sale of shares of subsidiary/associate companies	16,688.92	-
	47,906.57	3,169.44
Less: Outflow from investing activities		
Purchase of fixed assets	6,144.37	14,230.97
Interest Capitalised	390.89	219.41
investment in the shares of subsidiary companies	4,500.00	1,500.00
	11,035.26	15,950.38
Net cash from investing activities (B)	36,871.31	(12,780.94)

(₹ Lakh)

	2012-2013	2011-2012
C. Cash flows from financing activities		
Add: Inflows from financing activities		
Proceeds from issue of share capital including securities premium	-	15,000.00
Proceeds from long-term borrowings	2,542,500.00	123,050.00
Proceeds/repayment of short term borrowing (net)	69,046.66	146,440.40
	2,611,546.66	284,490.40
Less: Outflows from financing activities		
Repayment of long-term borrowings	2,527,635.25	55,000.00
Dividend distribution tax paid	425.47	2,622.64
Interim dividend paid	10,013.74	-
	2,538,074.46	57,622.64
Net cash flow from financing activities (C)	73,472.20	226,867.76
Net cash increase/(decrease) in cash and cash equivalents (A + B + C)	1,024.51	(2,741.43)
Cash and cash equivalents as at beginning of the year	9,442.70	12,184.14
Cash and cash equivalents as at end of the year	10,467.21	9,442.70
Reconciliation of Cash and Cash Equivalents		
Closing Balance as per Balance Sheet	10,578.73	9,462.77
Less: Deposits with original maturity for more than 3 months	84.48	20.07
Less: Unclaimed Interest	27.04	-
Cash and Cash Equivalents as at end of the period/year	10,467.21	9,442.70

Notes:

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

As per our report attached

For and on behalf of Board

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

Mumbai, April 23, 2013

Y. M. Deosthalee

Chairman

Dinanath Dubhashi

Chief Executive & Manager

Mumbai, April 23, 2013

N. Sivaraman

Director

Manoj Harlalka

Company Secretary

Notes forming part of Financial Statements March 31, 2013

1 Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof along with the applicable guidelines issued by Reserve Bank of India ("RBI").

B. Use of Estimate

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. Tangible and Intangible Fixed Assets

Tangible fixed assets are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.

Intangible fixed assets comprising of software licenses are stated at cost of acquisition including any cost attributable for bringing the asset to its working condition, less accumulated amortisation. Any expenses on such software licenses for support and maintenance payable annually are charged to the Statement of Profit and Loss.

D. Investments

The Company being regulated as a Non-Banking Financial Company (NBFC) by the RBI, investments are classified under two categories i.e. Current and Long-Term and are valued in accordance with the RBI guidelines and the Accounting Standard (AS) 13 on 'Accounting for Investments' issued by the Institute of Chartered Accountants of India.

'Long-Term Investments' are carried at acquisition/amortised cost. A provision is made for diminution other than temporary on an individual investment basis.

'Current Investments' are carried at the lower of cost or fair value on an individual investment basis.

E. Advances

Advances are classified under four categories i.e. (i) Standard Assets, (ii) Sub-standard Assets, (iii) Doubtful Assets and (iv) Loss Assets in accordance with the RBI Guidelines.

In respect of Loans and Debentures/Bonds in the nature of an advance, where interest is not serviced, provision for diminution is made as per the parameter applicable to Non-Performing Advances.

Provision on Standard Assets is made as per the provisioning policy of the Company subject to minimum as stipulated in RBI Guidelines or where additional specific risks are identified by the management, based on such identification.

F. Foreign Currency Transactions, Forward Contracts and Derivatives

Foreign currency transactions are accounted at the exchange rates prevailing on the date of each transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit and Loss.

Premium in respect of forward contracts is charged to Statement of Profit and Loss over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

G. Revenue Recognition

- (a) 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 and there exists reasonable certainty of its recovery.
- (b) Interest from interest-bearing assets is recognised on an accrual basis.
- (c) Revenues from the various services that the Company renders are recognised when the following criteria are met: persuasive evidence

Notes forming part of Financial Statements March 31, 2013

of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectability is reasonably assured.

- (d) Gains arising on direct assignment of assets/receivable are recognized over the tenure of agreements as per guidelines on securitization of standard assets issued by RBI, loss, if any is recognised upfront.
- (e) Income from operating lease is recognised as rental, as accrued on straight line basis over the period of the lease.
- (f) Dividend is accounted when the right to its receipt is established.

H. Employee Benefits

Short-Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the services are classified as short-term employee benefits. Benefits such as salaries, wages, short term compensated absences etc. and expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

Post Employment Benefits

- Defined – Contribution Plans

The Company's superannuation scheme and pension scheme are a defined contribution plans. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related services.

- Defined – Benefits Plans

The employee's gratuity fund scheme and provident fund scheme managed by trust are the company's defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method, which recognizes each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount

rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities of a maturity period equivalent to the weighted average maturity profile of the related obligation at the balance sheet date.

Actuarial gains and losses are recognized immediately in the Statement of profit and loss.

The fair value of the plan assets is reduced from the gross obligation under the defined benefit plans, to recognize the obligation on net basis.

Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

Long Term Employee Benefits:

The obligation for long-term employee benefits such as long term compensated absences is recognised as defined benefits plan.

I. Depreciation and Amortisation

Depreciation/Amortisation on fixed assets is calculated on a straight-line which reflect the management's estimate of the useful lives of respective fixed assets and are greater than or equal to the corresponding rate prescribed in Schedule XIV of the Act, The assets for which higher rates used are as follows.

Particulars	Nature	Rates (SLM)	Schedule XIV Rates (SLM)
Office Equipments	Owned use / Operating Lease	10%	4.75%
Computer	Owned use / Operating Lease	20%	16.21%
Plant & Equipments	Operating Lease	11.31%	4.75%
Motor car	Operating Lease	15%	9.5%
Vehicle	Operating Lease	16.21%	9.5%

- Leasehold improvements are amortised over the period of lease term.
- Specialized software amortised over the period of 3 years.
- Fixed assets costing ₹ 5,000/- or less are fully depreciated in the year of purchase.
- Depreciation is charged for the full month in the month of purchase/sale even used for part of the month.

Notes forming part of Financial Statements March 31, 2013

J. Impairment of assets

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

K. Operating Leases

Where the Company is lessee

Operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

Where the Company is lessor

Leases in which the company transfers substantially all the risks and benefits of ownership of the asset are classified as finance leases. Assets given under finance lease are recognised as a receivable at an amount equal to the net investment in the lease. After initial recognition, the Company apportions lease rentals between the principal repayment and interest income so as to achieve a constant periodic rate of return on the net investment outstanding in respect of the finance lease. The interest income is recognized in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the statement of profit and loss on a straight-line basis over the lease term. Costs, including depreciation, are recognized as an expense in the statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the statement of profit and loss.

L. Income taxes

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provision of Income Tax Act, 1961.

Deferred tax is recognised on timing differences, between taxable income and accounting income that originated in one period and is capable of reversal in one or more subsequent periods. Deferred tax assets are recognised with regard to all deductible timing differences to the extent it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unused tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised. The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the deferred tax asset to be utilised.

M. Provisions, Contingent liabilities and Contingent assets

A provision is recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to their present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are not recognised.

N. Cash and Cash Equivalents

Cash and Bank Balances that have insignificant risk of change in value including term deposits, which have original durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

O. Employee Stock Option Plan

The Employees Stock Option Scheme (the Scheme) provides for grant of equity shares of L&T Finance

Notes forming part of Financial Statements March 31, 2013

Holdings Limited (the holding company) and Larsen & Toubro Limited (the ultimate holding company) to employees of the company. The scheme provides that employees are granted an option to subscribe to equity share of the holding company that vest in a graded manner. The options may be exercised with in specified period. The holding company follows the intrinsic value method to account for its stock based employee compensation plans. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

P. Earnings per share

Basic and diluted earnings per share are computed in accordance with Accounting Standard-20 – Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year, except where the results are anti-dilutive.

Q. Debenture Issue Expenses

Debenture issue expenses are debited against the Share Premium Account in accordance with the provisions of Section 78 of the Companies Act, 1956.

2 Share capital

The Company has issued Equity Share Capital, the details in respect of which are given below

2. (I) Number, face value and amount of shares authorised, issued, subscribed and paid-up

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Authorised				
Equity shares of ₹ 10 each	2,000,000,000	200,000.00	2,000,000,000	200,000.00
Issued, Subscribed and Paid up				
Equity shares of ₹ 10 each	238,422,269	23,842.23	238,422,269	23,842.23

2. (II) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Equity Shares				
Balance at the beginning of the period	238,422,269	23,842.23	230,922,269	23,092.23
Issued during the period				
- Capital infusion from Holding Company	-	-	7,500,000	750.00
Balance at the end of the year	238,422,269	23,842.23	238,422,269	23,842.23

2. (III) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

Notes forming part of Financial Statements March 31, 2013

2. (IV) Shares held by holding company

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
L&T Finance Holdings Limited and its nominees(Equity Shares of ₹ 10 each fully paid)	238,422,269	23,842.23	238,422,269	23,842.23

2. (V) Details of shareholders holding more than 5% shares in the Company

	As at March 31, 2013		As at March 31, 2012	
	No. of Shares*	% holding	No. of Shares*	% holding
Equity Shares of ₹ 10 each fully paid	238,422,269	100%	238,422,269	100%

*Held by L&T Finance Holdings Limited (Holding company) and its nominee.

3 Reserves and Surplus

3. (I) Capital redemption reserves

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Balance as per last financial statements	82.25	82.25

3. (II) Securities premium account

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Balance as per last financial statements	90,088.04	78,076.92
Add: Addition during the year	-	14,250.00
Less: Debenture issue expenses adjusted during the year	227.90	2,238.88
{Net of tax ₹ 60.36 Lakhs (Previous year ₹ 917.20 Lakhs)}		
Closing Balance	89,860.14	90,088.04

3. (III) Debenture redemption reserve

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Balance as per last financial statements	44,700.00	25,000.00
Add: Transferred from/ (to) surplus in the statement of Profit and Loss	(32,100.00)	19,700.00
Closing Balance	12,600.00	44,700.00

Debenture redemption reserve has been maintained in accordance with Section 117C of the Companies Act, 1956 read with Circular No. 11/02/2012-CL-V(A) dated February 11, 2013 in respect of public issue of debentures.

3.(IV) Reserve u/s 45-IC of Reserve Bank of India Act, 1934

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Balance as per last financial statements	19,632.19	15,651.89
Add: Transferred from surplus in the statement of Profit and Loss	4,220.60	3,980.30
Closing Balance	23,852.79	19,632.19

Notes forming part of Financial Statements March 31, 2013

3. (V) General reserves

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Balance as per last financial statements	6,981.91	6,484.31
Add: Transferred from surplus in the statement of Profit and Loss	2,110.30	497.60
Closing Balance	9,092.21	6,981.91

3. (VI) Surplus in the statement of Profit and Loss

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Balance as per last financial statements	17,525.18	24,849.87
Add: Net Profit for the year	21,102.86	19,901.31
Less: Appropriations		
Interim equity dividend (amount per share ₹ 4.20 (March 31, 2012 : ₹ 1.10))	10,013.74	2,622.64
Proposed final dividend (amount per share ₹ 0.43 (March 31, 2012 : ₹ NIL))	1,025.22	-
Tax on equity dividend	1,798.71	425.46
Transferred to/(from) debenture redemption reserve	(32,100.00)	19,700.00
Transferred to reserve u/s 45-IC of Reserve Bank of India Act, 1934	4,220.60	3,980.30
Transferred to General Reserves	2,110.30	497.60
Net surplus in the statement of profit and loss	51,559.47	17,525.18
Total reserves and surplus	187,046.86	179,009.57

4 Long-term borrowings

4. (I) Secured

(₹ Lakh)

	As at March 31, 2013		As at March 31, 2012	
	Non-current portion	Current maturities	Non-current portion	Current maturities
Redeemable non-convertible debentures	241,200.00	107,850.00	234,550.00	67,500.00
Less : Buy Back (Refer Note 4(i)(vi))	(1,507.22)	-	-	-
	239,692.78	107,850.00	234,550.00	67,500.00
Term loans				
- From banks	113,500.00	253,386.36	401,986.03	131,028.36
- Foreign currency loan	-	-	-	12,000.00
Total I	353,192.78	361,236.36	636,536.03	210,528.36

Notes forming part of Financial Statements March 31, 2013

4. (II) Unsecured

(₹ Lakh)

	As at March 31, 2013		As at March 31, 2012	
	Non-current portion	Current maturities	Non-current portion	Current maturities
Redeemable non convertible debentures	35,000.00	-	7,500.00	-
Term loans				
From banks	210,000.00	-	100,000.00	-
Perpetual debt	20,000.00	-	-	-
Loans and advances from related parties				
Perpetual debt	-	-	20,000.00	-
Intercompany borrowings	-	-	-	408.50
Total II	265,000.00	-	127,500.00	408.50
Total (I + II)	618,192.78	361,236.36	764,036.03	210,936.86

4

4. (I).(iii) Security: The Debentures are secured by way of first/second charge, having *pari passu* rights, as the case may be, on the Company's specified immovable properties and specified Lease/Term Loan receivables.

4. (I).(iv) Utilisation of Proceeds: The funds raised through the above issues have been utilised for the Company's financing activities, repayment of existing loans and for its business operations including capital expenditure and working capital requirements.

4. (I).(v) Term loan from bank is secured by hypothecation of specified lease/term loan receivables.

4. (I) (vi) During the year, the Company has bought back and extinguished 45,195 Nos. debentures of ₹ 1,000 each aggregating to ₹ 45,195,000 and is holding 150,722 Nos. debentures of ₹ 1,000 each aggregating to ₹ 150,722,000 as on March 31, 2013, pending extinguishment/re-issue of the same.

Notes forming part of Financial Statements March 31, 2013

Particulars of terms of redemption / repayment

Secured :

Non-Current :

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

Series	Face value per Debentures	Date of Allotment	Amount (₹ Lakh)	Non-Current Portion (₹ Lakh)	Current Maturities (₹ Lakh)	Interest rate % p.a.	Date of redemption	Redeemable term
L of FY 2012-13	₹ 10 lakhs each	18/Dec/12	2,500.00	2,500.00	-	9.45%	18/Dec/15	Redeemable at par at the end of 1095 days from the date of allotment
E of FY 2011-12	₹ 10 lakhs each	15/Dec/11	3,000.00	3,000.00	-	10.04%	15/Dec/14	Redeemable at par at the end of 1096 days from the date of allotment
D of FY 2011-12	₹ 10 lakhs each	5/Dec/11	5,000.00	5,000.00	-	10.25%	4/Nov/14	Redeemable at par at the end of 1065 days from the date of allotment
I of FY 2012-13	₹ 10 lakhs each	25/Oct/12	4,000.00	4,000.00	-	9.48%	24/Oct/14	Redeemable at par at the end of 729 days from the date of allotment
G of FY 2012-13	₹ 10 lakhs each	18/Oct/12	5,000.00	5,000.00	-	9.48%	17/Oct/14	Redeemable at par at the end of 729 days from the date of allotment
H of FY 2012-13	₹ 10 lakhs each	19/Oct/12	1,500.00	1,500.00	-	9.48%	17/Oct/14	Redeemable at par at the end of 728 days from the date of allotment
B of FY 2009-10	₹ 10 lakhs each	29/Sep/09	11,500.00	11,500.00	-	9.62%	29/Sep/14	Redeemable at par at the end of 60 months from the date of allotment
D of FY 2012-13	₹ 10 lakhs each	27/Jul/12	6,000.00	6,000.00	-	9.97%	25/Jul/14	Redeemable at par at the end of 728 days from the date of allotment
M of FY 2012-13	₹ 10 lakhs each	7/Jan/13	2,500.00	2,500.00	-	9.35%	7/Jul/14	Redeemable at par at the end of 546 days from the date of allotment
C of FY 2012-13	₹ 1 crore each	29/Jun/12	30,000.00	30,000.00	-	10.05%	29/Jun/14	Redeemable at par at the end of 730 days from the date of allotment
B of FY 2012-13	₹ 10 lakhs each	14/Jun/12	34,500.00	34,500.00	-	10.15%	13/Jun/14	Redeemable at par at the end of 729 days from the date of allotment
A of FY 2011-12	₹ 10 lakhs each	31/May/11	10,000.00	10,000.00	-	NSE M + 245 bps	31/May/14	Redeemable at par at the end of 36 months from the date of allotment
G of FY 2011-12	₹ 10 lakhs each	22/Mar/12	2,500.00	2,500.00	-	9.83%	30/Apr/14	Redeemable at par at the end of 769 days from the date of allotment
G of FY 2011-12	₹ 10 lakhs each	22/Mar/12	1,100.00	1,100.00	-	9.83%	29/Apr/14	Redeemable at par at the end of 768 days from the date of allotment
A of FY 2012-13	₹ 10 lakhs each	27/Apr/12	13,500.00	13,500.00	-	9.80%	25/Apr/14	Redeemable at par at the end of 728 days from the date of allotment
G of FY 2012-13	₹ 10 lakhs each	18/Oct/12	5,000.00	5,000.00	-	9.41%	17/Apr/14	Redeemable at par at the end of 546 days from the date of allotment

Notes forming part of Financial Statements March 31, 2013

Series	Face value per Debentures	Date of Allotment	Amount (₹ Lakh)	Non Current Portion (₹ Lakh)	Current Maturities (₹ Lakh)	Interest rate % p.a.	Date of redemption	Redeemable term
G of FY 2011-12	₹ 10 lakhs each	22/Mar/12	2,200.00	2,200.00	-	9.84%	8/Apr/14	Redeemable at par at the end of 747 days from the date of allotment
G of FY 2011-12	₹ 10 lakhs each	22/Mar/12	1,400.00	1,400.00	-	9.84%	3/Apr/14	Redeemable at par at the end of 742 days from the date of allotment
G of FY 2011-12	₹ 10 lakhs each	22/Mar/12	400.00	-	400.00	9.85%	17/Mar/14	Redeemable at par at the end of 725 days from the date of allotment
E of FY 2011-12	₹ 10 lakhs each	15/Dec/11	16,300.00	-	16,300.00	10.15%	16/Dec/13	Redeemable at par at the end of 732 days from the date of allotment
E of FY 2011-12	₹ 10 lakhs each	15/Dec/11	24,150.00	-	24,150.00	10.15%	2/Dec/13	Redeemable at par at the end of 718 days from the date of allotment
C of FY 2011-12	₹ 10 lakhs each	23/Nov/11	12,000.00	-	12,000.00	10.15%	18/Nov/13	Redeemable at par at the end of 726 days from the date of allotment
F of FY 2012-13	₹ 10 lakhs each	8/Oct/12	5,000.00	-	5,000.00	9.37%	5/Nov/13	Redeemable at par at the end of 393 days from the date of allotment
F of FY 2012-13	₹ 10 lakhs each	8/Oct/12	5,000.00	-	5,000.00	9.75%	8/Oct/14	Redeemable at par at the end of 730 days from the date of allotment
B of FY 2011-12	₹ 10 lakhs each	9/Sep/11	11,000.00	-	11,000.00	9.96%	4/Sep/13	Redeemable at par at the end of 726 days from the date of allotment
E of FY 2011-12	₹ 10 lakhs each	15/Dec/11	1,000.00	-	1,000.00	10.00%	24/Jun/13	Redeemable at par at the end of 557 days from the date of allotment
D of FY 2011-12	₹ 10 lakhs each	5/Dec/11	3,000.00	-	3,000.00	10.15%	12/Jun/13	Redeemable at par at the end of 555 days from the date of allotment
E of FY 2011-12	₹ 10 lakhs each	15/Dec/11	5,500.00	-	5,500.00	10.04%	11/Jun/13	Redeemable at par at the end of 544 days from the date of allotment
D of FY 2011-12	₹ 10 lakhs each	5/Dec/11	2,500.00	-	2,500.00	10.15%	3/Jun/13	Redeemable at par at the end of 546 days from the date of allotment
D of FY 2011-12	₹ 10 lakhs each	5/Dec/11	3,000.00	-	3,000.00	10.15%	30/May/13	Redeemable at par at the end of 542 days from the date of allotment
D of FY 2011-12	₹ 10 lakhs each	5/Dec/11	1,500.00	-	1,500.00	10.15%	30/May/13	Redeemable at par at the end of 542 days from the date of allotment
C of FY 2011-12	₹ 10 lakhs each	23/Nov/11	17,500.00	-	17,500.00	10.15%	23/May/13	Redeemable at par at the end of 547 days from the date of allotment
Total			249,050.00	141,200.00	107,850.00			

Notes forming part of Financial Statements March 31, 2013

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

Series	Face value per Debentures	Date of Allotment	Amount (₹ Lakh)	Non Current Portion (₹ Lakh)	Current Maturities (₹ Lakh)	Interest rate % p.a.	Date of redemption	Redeemable term
NCD 2009 Series 4	₹ 1,000 each	17/Sep/09	46,592.47	46,592.47	-	10.24%	17/Sep/19	Redeemable at par at the end of 120 months from the date of allotment
NCD 2009 Series 3	₹ 1,000 each	17/Sep/09	12,523.36	12,523.36	-	9.95%	17/Jan/17	Redeemable at par at the end of 88 months from the date of allotment
NCD 2009 Series 2	₹ 1,000 each	17/Sep/09	29,044.73	29,044.73	-	9.62%	17/Sep/14	Redeemable at par at the end of 60 months from the date of allotment
NCD 2009 Series 1	₹ 1,000 each	17/Sep/09	10,332.22	10,332.22	-	9.51%	17/Sep/14	Redeemable at par at the end of 60 months from the date of allotment
			98,492.78	98,492.78	-			
Grand Total			347,542.78	239,692.78	107,850.00			

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

Repayment terms	Tenure	Non-Current Portion	Current Maturities
Bullet	upto 5 years	63,500.00	-
Quarterly	upto 5 years	-	226,000.00
		30,000.00	-
		20,000.00	-
		-	20,303.03
		-	3,333.33
		-	3,750.00
Grand Total		113,500.00	253,386.36

Unsecured :

Non-Current :

4.(II).(i) Unsecured Redeemable Non-convertible Subordinate Debt :

Series	Face value per Debentures	Date of allotment	Amount (₹ Lakh)	Non-Current Portion (₹ Lakh)	Current Maturities (₹ Lakh)	Interest rate % P.a.	date of redemption
Series J of FY 2012-13	₹ 10 lakhs each	21/Dec/2012	27,500.00	27,500.00	-	9.80%	21/Dec/22
Series H of FY 2007-08	₹ 10 lakhs each	20/Feb/2008	7,500.00	7,500.00	-	10.50%	20/Feb/18
			35,000.00	35,000.00	-		

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

Repayment terms	Tenure	Non Current Portion (₹ Lakh)
Bullet	up to 5 years	210,000.00
Grand Total		210,000.00

Notes forming part of Financial Statements March 31, 2013

4.(II).(iii) Perpetual debt

Series	Face value per Debentures	Date of allotment	Amount (₹ Lakh)	Non-Current Portion (₹ Lakh)	Current Maturities (₹ Lakh)	Interest rate % p.a.
F of FY 2011-12	₹ 10 lakhs each	30/Dec/2011	20,000.00	20,000.00	-	11.50%

Note:

Outstanding balance of perpetual debt is 9.15% of Tier I Capital of ₹ 218,512.65 lakh as at March 31, 2013.

5 Other long-term liabilities

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Interest accrued but not due on non convertible debentures	11,153.01	3,458.91
Security deposits and margin money received	2,287.07	2,799.37
Deferred income on assignment	718.86	777.63
Other Long-term Liability	400.00	-
Total	14,558.94	7,035.91

6 Long-term provisions

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Contingent provision against standard assets	1,886.00	1,816.61
	1,886.00	1,816.61

7 Short-term borrowings

(₹ Lakh)

7.(I) Secured

	As at March 31, 2013	As at March 31, 2012
Term loans		
- from banks	15,000.00	25,000.00
Loans repayable on demand		
- Cash Credit	5,000.00	-
Total I	20,000.00	25,000.00

7.(II) Unsecured

Term loans		
- from banks	10,000.00	95,000.00
Bank Overdraft	3,971.16	-
Commercial papers	150,995.00	-
Less: Unexpired discounting charge	2,627.03	-
Loans and advances from related parties		
- Inter corporate borrowings	18,749.27	4,260.27
Total II	181,088.40	99,260.27
Total (I + II)	201,088.40	124,260.27

Notes forming part of Financial Statements March 31, 2013

Short- Term borrowings

Secured

7. (I) (i) Term loans from Bank

(₹ Lakh)

Repayment terms	Tenure	
Bullet	7 to 12 month	15,000.00
Grand Total		15,000.00

Short-Term borrowings

Unsecured

7.(II) (i) Term loans from Bank

(₹ Lakh)

Repayment terms	Tenure	
Bullet	7 to 12 month	10,000.00
Grand Total		10,000.00

7. (II) (ii) Intercompany borrowings

Name of Lender	Relation	Date of Financing	₹ Lakh	Date of redemption	Redemption Terms
L & T Finance Holdings Ltd.	Holding Company	30/Mar/2013	1,400.00	30/Mar/2014	Bullet
L & T Fincorp Ltd.	Fellow subsidiary	30/Mar/2013	300.00	30/Mar/2014	Bullet
FamilyCredit Ltd.	Fellow subsidiary	28/Mar/2013	1,400.00	28/Mar/2014	Bullet
L & T Finance Holdings Ltd.	Holding Company	28/Mar/2013	6,425.00	28/Mar/2014	Bullet
L & T Fincorp Ltd.	Fellow subsidiary	28/Mar/2013	4,100.00	28/Mar/2014	Bullet
L & T Housing Finance Ltd.	Fellow subsidiary	28/Mar/2013	2,000.00	28/Mar/2014	Bullet
FamilyCredit Ltd.	Fellow subsidiary	22/Mar/2013	124.27	22/Mar/2014	Bullet
Metro Tunnelling Group	Joint Venture of Ultimate Holding Company	12/Apr/2012	3,000.00	12/Apr/2013	Bullet
Grand Total			18,749.27		

8 Trade payable

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
- Dues to Micro Enterprises and Small Enterprises	-	-
- Others	12.95	70.77
Total	12.95	70.77

Notes forming part of Financial Statements March 31, 2013

9 Other current liability	(₹ Lakh)	
	As at March 31, 2013	As at March 31, 2012
Interest accrued but not due on borrowings	15,297.81	9,636.55
Security deposits and margin money received	813.44	530.94
Short-term obligations	33,640.57	34,626.84
Deferred income on assignment	613.17	770.99
Bank book credit balance	12,087.72	10,401.63
Unclaimed Interest	27.05	-
Other liabilities		
Advance from customers	6,257.45	5,812.31
Sundry creditors for capital goods	36.11	12.22
Accrued Expenses	3,413.87	1,755.82
Statutory liabilities	2,893.53	3,019.88
Other liabilities	1,695.12	2,177.36
	76,775.84	68,744.54
10 Short-term provisions	(₹ Lakh)	
	As at March 31, 2013	As at March 31, 2012
Contingent provision against standard assets	1,578.00	1,462.39
For Employee benefits		
- Gratuity	126.16	100.68
- Leave Encashment	535.24	415.15
Provision of income tax for Current year (net)	2,035.64	-
Proposed final dividend	1,025.22	-
For Tax on equity dividend	1,798.71	425.46
	7,098.97	2,403.68

Notes forming part of Financial Statements March 31, 2013

11 - FIXED ASSETS

Particulars	Gross Block (at cost)			Depreciation / Amortisation		Net Block	
	As at April 1, 2012	As at Additions	Sales	Upto March 31, 2012	For the Period	As at March 31, 2013	As at March 31, 2012
Tangible Assets							
Owned Assets							
Land - freehold	15,593.44	-	15,593.44	-	-	-	15,593.44
Buildings	5,976.26	-	2,858.55	632.27	97.41	2,584.21	5,343.99
Office equipments	758.71	136.26	22.53	351.88	66.08	461.21	406.83
Furniture and fixtures	1,328.87	56.27	202.23	326.54	85.97	816.46	1,002.33
Leasehold renovation	39.24	241.10	-	2.92	42.57	234.85	36.32
Computers	2,453.85	585.59	0.25	1,262.20	488.85	1,288.20	1,191.65
Owned Assets Leased out							
Plant and machinery	9,688.30	220.48	2,997.51	3,390.21	1,110.44	4,133.87	6,298.09
Office equipment	73.01	1.16	8.20	14.24	7.11	49.85	58.77
Furniture and fixtures	1,553.26	-	2.41	232.93	98.23	1,220.28	1,320.33
Motor cars	16,944.99	7,433.50	4,615.98	5,011.40	2,736.27	14,590.32	11,933.59
Vehicles	904.80	-	-	218.61	144.61	541.58	686.19
Computers	5,976.81	36.00	1,335.24	3,363.24	725.87	1,591.81	2,613.57
(A)	61,291.54	8,710.36	27,636.34	14,806.44	5,603.41	27,512.64	46,485.10
Intangible Assets							
Owned Assets							
Specialised software	1,939.40	438.97	-	1,389.55	439.51	549.31	549.85
(B)	1,939.40	438.97	-	1,389.55	439.51	549.31	549.85
(A) + (B)	63,230.94	9,149.33	27,636.34	16,195.99	6,042.92	28,061.95	47,034.95
Previous Year	57,072.01	12,898.29	6,739.36	13,970.03	5,886.06	16,195.99	
Add : Capital Work-in-Progress						565.17	3,179.24
						28,627.12	50,214.19

Notes forming part of Financial Statements March 31, 2013

	Face value (fully paid up) per share/ units	No. of shares/ units	₹ Lakh	No. of shares/ units	₹ Lakh
12 Non-current investments					
12. (I) Trade Investments (valued at cost unless stated otherwise)					
Unquoted equity instruments					
Investment in subsidiaries					
L&T Investment Management Limited	10	-	-	165,000,000	12,183.92
L&T Mutual Fund Trustee Limited	10	-	-	50,000	5.00
Total (A)			-		12,188.92
12. (II) Other Investments (valued at cost unless stated otherwise)					
Quoted instruments					
Investment in Debentures					
Infrastructure Development Finance Limited					
Infrastructure Development Finance Limited					
IDFC Ltd. (M+150bps) May 16, 2017	1,000,000	400	4,683.98	400	4,683.98
Investment in equity					
Integrated Digital Info Services Limited	10	383,334	11.73	383,334	11.73
Monnet Industries Limited	10	5,640	2.26	5,640	2.26
Monnet Ispat And Energy Ltd.	10	3,008	0.75	3,008	0.75
Monnet Sugar Ltd.	10	11,280	4.51	11,280	4.51
Elque Polyesters Limited	10	194,300	19.43	194,300	19.43
Less: Provision for diminution in the value of investments			(31.16)		(33.08)
Unquoted instruments					
Investment in equity shares					
Invent Assets Securitisation & Reconstruction Private Limited	10	7,100,000	1,597.51	5,420,000	1,219.50
Alpha Micro Finance Consultants Private Limited	10	200,000	20.00	200,000	20.00
Metropoli Overseas Limited	10	99,400	14.91	99,400	14.91
Anil Chemicals and Industries Limited	10	40,000	8.00	40,000	8.00
Less: Provision for diminution in the value of investments			(22.91)		(22.91)
Investment in Government/ Trust securities					
LTFI Securitisation Trust 2002			0.01		0.01
12% National Saving Certificate 2002 (Deposited as security with sales tax authorities)			0.04		0.04
Other investment					
Invent Assets Securitisation & Reconstruction Private Limited					
Security receipt			-		1,629.50
Share application money paid pending allotment			-		378.00

Notes forming part of Financial Statements March 31, 2013

	Face value (fully paid up) per share/ units	No. of shares/ units	₹ Lakh	No. of shares/ units	₹ Lakh
Phoenix ARC Private Limited					
Security receipt					
Phoenix ARF Scheme 5	905	8,501	76.93	8,501	80.33
Phoenix ARF Scheme 6	1,000	9,843	98.43	9,843	98.43
Phoenix ARF Scheme 7	985	23,238	228.89	23,238	232.38
Phoenix ARF Scheme 8	545	38,195	208.16	38,195	381.95
Phoenix ARF Scheme 9	1,000	6,612	66.12	-	-
Phoenix ARF Scheme 10	1,000	18,889	188.89	-	-
Security application money paid pending allotment			437.33		-
	Total (B)		7,613.81		8,729.72
	Total (A + B)		7,613.81		20,918.64

Note:

Aggregate amount of quoted investments		
Book value	4,722.66	4,722.66
Market value	4,694.62	4,689.58
Aggregate amount of unquoted investments		
Book value	2,945.22	16,251.97
Aggregate provision for diminution in the value of Investments	54.07	55.99

13 Deferred tax assets (net)

In compliance with the Accounting Standard (AS) 22 on 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India, the Company has provided for deferred tax assets (net) in the Statement of Profit & Loss on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

Component	As at March 31, 2013	As at March 31, 2012
(₹ Lakh)		
Deferred tax liability		
Difference between book depreciation and tax depreciation	161.80	1,129.94
Other item giving rise to timing difference	721.60	817.67
	883.40	1,947.61
Deferred tax assets		
Provision for NPA	3,597.90	5,353.86
Unpaid statutory liabilities/provision for leave encashment	181.90	104.34
Other item giving rise to timing difference	1,177.40	278.71
	4,957.20	5,736.91
Net deferred tax assets/(liability)	4,073.80	3,789.30

Notes forming part of Financial Statements March 31, 2013

14 Long-term loans and advances Unsecured (Considered goods)

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Capital Advances	329.00	112.81
Advances recoverable in cash or in kind or for value to be received	535.67	4,220.48
Advance taxes (net)	7,256.32	5,630.37
	8,120.99	9,963.66

(₹ Lakh)

15 Long-term loans and advances towards financing activities

15. (I) Secured

	As at March 31, 2013		As at March 31, 2012	
	Non current portion#	Current maturities	Non current portion#	Current maturities
Term loans	686,322.64	416,802.29	639,082.26	361,569.45
Finance Lease	9,167.49	5,645.13	10,948.46	5,405.08
Debentures	14,333.33	5,666.67	23,446.22	-
	709,823.46	428,114.09	673,476.94	366,974.53
Less: Allowance for non performing assets	7,286.88	-	6,443.67	-
Total I	702,536.58	428,114.09	667,033.27	366,974.53

15. (II) Unsecured

Term loans	65,908.32	28,272.83	35,222.10	19,224.35
Debentures	4,000.00	-	2,800.00	-
	69,908.32	28,272.83	38,022.10	19,224.35
Less : Allowance for non-performing assets	3,307.38	-	6,778.67	-
Total II	66,600.94	28,272.83	31,243.43	19,224.35

Total (I + II)

769,137.52 456,386.92 698,276.70 386,198.88

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

16 Other non current assets

(₹ Lakh)

	As at March 31, 2013	As at March 31, 2012
Income accrued but not due on NCD and loans	288.17	1,598.37
	288.17	1,598.37

Notes forming part of Financial Statements March 31, 2013

17 Current investments (₹ Lakh)

	Face value (fully paid ₹ per unit)	As at March 31, 2013		As at March 31, 2012	
		No. of units	₹ Lakh	No. of units	₹ Lakh
Non-trade Investments (valued at cost unless stated otherwise)					
Quoted instruments					
Investment in Debentures					
Infrastructure Development Finance Limited					
IDFC Ltd (M+170bps) May 16, 2012	1,000,000	-	-	700	7,087.19
IDFC Ltd (M+183bps) December 4, 2012	1,000,000	-	-	250	2,593.64
	Total		-		9,680.83
Note:					
Aggregate amount of quoted investments					
Book value			-		9,680.83
Market value			-		9,680.83

18 Trade receivable (₹ Lakh)

	As at March 31, 2013		As at March 31, 2012	
Secured				
Considered good				
Debts outstanding for a period exceeding six months	358.78		-	
Other	418.60		377.78	
		777.38		377.78
Unsecured				
Considered good				
Debts outstanding for a period exceeding six months	139.83		83.75	
Other	199.27		443.20	
		339.10		526.95
		1,116.48		904.73

19 Cash and bank balance

Cash and cash equivalents (₹ Lakh)

	As at March 31, 2013		As at March 31, 2012	
Cash and cash equivalents				
Balances with Banks				
Current account		10,411.79		9,401.75
Deposit account (with original maturity of less than three months)		41.59		39.03
Cash on hand		13.83		1.92
Other bank balances				
Deposits with original maturity for more than 12 months		2.38		2.38
Deposits with original maturity for more than 3 months but less than 12 months		82.10		17.69
Unclaimed Interest		27.04		-
		10,578.73		9,462.77

Notes forming part of Financial Statements March 31, 2013

20 Short-term loans and advances towards financing activities		(₹ Lakh)	
	As at March 31, 2013	As at March 31, 2012	
20. (I) Secured			
Finance Lease	-	7.94	
Term loans	65,733.52	73,590.42	
Total I	65,733.52	73,598.36	
20. (II) Unsecured			
Term loans	111,176.13	93,024.75	
Total II	111,176.13	93,024.75	
Total (I + II)	176,909.65	166,623.11	
21 Other current assets		(₹ Lakh)	
	As at March 31, 2013	As at March 31, 2012	
Advances recoverable in cash or in kind or for value to be received	4,076.25	9,901.99	
Billed interest and other receivable	7,132.90	6,159.22	
Less : Allowances for income reversal	1,955.02	2,418.09	3,741.13
Interest accrued on loan	19,632.01	10,882.17	
	28,886.14	24,525.29	
22 Income from operations		(₹ Lakh)	
	2012-13	2011-12	
Term Loans and other financing activity	191,177.28	160,344.89	
Lease	9,954.28	9,101.61	
Bill Discounting	4,447.65	5,955.16	
Networking activity	28.11	24.91	
Other operational income	446.34	744.35	
	206,053.66	176,170.92	
23 Other Income		(₹ Lakh)	
	2012-13	2011-12	
Income from investments			
- Interest and dividend on securities	1,089.90	1,772.02	
- Profit on sale/redemption of investments (net)	429.63	-	
	1,519.53	1,772.02	
Others	366.80	402.96	
	1,886.33	2,174.98	

Notes forming part of Financial Statements March 31, 2013

24 Finance cost	(₹ Lakh)			
	2012-2013		2011-2012	
Interest on debentures		40,366.48		24,231.26
Fixed loans				
Interest on term loan	54,623.13		53,261.49	
Interest on inter corporate borrowing	964.53		2,597.36	
Commercial paper discounting charges	23,322.85	78,910.51	18,770.47	74,629.32
Interest on bank overdraft/Cash Credit		126.30		150.96
Exchange difference on foreign currency borrowings/ derivatives		305.40		700.70
Others		913.14		1,293.34
		120,621.83		101,005.58

25 Employee benefit expenses	(₹ Lakh)			
	2012-2013		2011-2012	
Salaries		10,038.00		8,523.25
Contribution to and provision for:				
Provident fund and Pension fund	392.87		369.75	
Gratuity fund	126.16		90.68	
Superannuation fund	54.36		42.93	
Compensated absences/ leave encashment	231.48		241.99	
		804.87		745.35
Expenses on ESOP		213.06		407.07
Welfare and other expenses		252.96		489.85
Shared Service Cost Recovered		(1,109.86)		(521.74)
		10,199.03		9,643.78

Notes forming part of Financial Statements March 31, 2013

26 Administration and Other expenses

(₹ Lakh)

	2012-2013	2011-2012
Travelling and conveyance	1,569.32	1,567.81
Printing and stationery	290.50	290.13
Telephone and Communication	1,045.60	955.56
Directors' Sitting fees	3.96	2.00
Brokerage	1,329.23	632.55
Stamping charges	166.12	175.62
Advertising and publicity	449.96	239.96
Repairs and maintenance	1,593.46	- 946.14
Rent	2,306.45	2,574.13
Rates and taxes	235.23	306.28
Electricity charges	340.08	294.49
Insurance charges	293.33	161.76
Auditors' remuneration		
Audit fees	10.00	10.00
Tax audit fees	2.50	2.50
Limited review fees	6.00	6.00
Certification	6.79	16.45
Expenses reimbursed	1.72	1.40
	27.01	36.35
Professional fees	6,248.75	5,484.43
Bank Charges	1,104.37	460.37
Corporate support charges	671.08	808.54
Loss on sale of fixed assets	2,090.03	1,625.32
Loss on sale/redemption of investments (net)	-	64.98
Brand license fees	649.60	298.55
Corporate social responsibilities expenses	109.07	136.06
Miscellaneous expenses	614.01	708.84
Shared Service Cost Recovered	(166.48)	(78.26)
	20,970.68	17,691.61

27 Allowances and write offs

(₹ Lakh)

	2012-2013	2011-2012
Allowance for standard assets	185.00	729.00
Allowance for non-performing assets	(2,628.07)	1,375.22
Allowance for diminution in value of investments	(1.92)	(0.12)
Loss on foreclosure of loans (net)	3,031.20	2,545.14
Bad debts write off	18,178.46	9,972.32
	18,764.67	14,621.56

Notes forming part of Financial Statements March 31, 2013

NOTE NO. – 28: NOTES ON FINANCIAL STATEMENTS

28.1 Contingent Liabilities and commitments:

(₹ lakh)

Contingent Liabilities:	As at March 31, 2013	As at March 31, 2012
a) Claim against the Company not acknowledged as debt:		
- Income Tax matter in dispute	9,083.47	4,528.10
- Sales tax/ VAT / Service Tax matter in dispute	896.34	911.43
- Legal matter in dispute	121.06	13.63
b) Bank Guarantees;	237.69	560.38
c) Other money for which the Company is contingently liable; Liability towards Letter of Credit	24,604.62	18,345.33
Commitments		
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	206.96	10,173.69
b) Undisbursed Commitment*	69,298.00	92,700.00

* This disclosure is given pursuant to the notification no. DNBS. CC. PD. No. 252/03.10.01/2011-12 dated 26th December 2011 issued by Reserve Bank of India.

28.2 Finance Lease:

In accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of Finance Leases are made:

Assets given on lease:

The Company has given assets on finance lease to its customers with respective underlying assets as security. The details of gross investments, unearned finance income and present value of rentals as at 31-03-2013 in respect of these assets are as under:

(₹ lakh)

Particulars	2012-13	2011-12
Gross Investments :		
- Within one year	6,405.54	6,914.65
- Later than one year and not later than five years	11,259.79	12,934.99
- Later than five years	23.68	184.83
Total	17,689.01	20,034.47
Unearned Finance Income :		
- Within one year	1,505.18	1,686.78
- Later than one year and not later than five years	1,654.93	2,162.64
- Later than five years	1.20	8.74
Total	3,161.31	3,858.16
Present Value of Rentals :		
- Within one year	4,900.36	5,227.87
- Later than one year and not later than five years	9,604.86	10,772.35
- Later than five years	22.48	176.09
Total	14,527.70	16,176.31

Notes forming part of Financial Statements March 31, 2013

28.3 Operating Lease :

In accordance with Accounting Standard 19 on 'Leases' as notified under the Companies (Accounting Standards) Rules, 2006, the following disclosures in respect of operating Leases are made:

- (i) The Company has taken vehicles for certain employees under Operating Leases, which expire between September 2014 to February 2018 (Previous Year September 2014 to February 2017). Salaries include gross rental expenses of ₹ 53.44 lakh (Previous Year ₹ 35.14 lakh). The committed lease rentals in futures are :

(₹ lakh)

Particulars	2012-13	2011-12
	Minimum Lease Payments	
- Within one year	50.76	33.46
- Later than one year and not later than five years	139.24	148.57
- Later than five years	-	-
Total	190.00	182.03

- (ii) The Company has taken premises on non-cancellable operating lease. Lease Payments includes ₹ 2,253.01 lakh (previous year ₹ 2,538.98 lakh) recognised in the Statement of Profit and Loss. The committed minimum lease payments are as follows:

(₹ lakh)

Particulars	2012-13	2011-12
	Minimum Lease Payments	
- Within one year	487.19	384.04
- Later than one year and not later than five years	218.99	437.90
- Later than five years	-	-
Total	706.18	821.94

Assets given on lease:

The committed lease rentals in futures are

(₹ lakh)

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

28.4 Assignment of Receivables :

The Company has assigned/sold receivables amounting to ₹ 153,001.67 lakh (previous year ₹ 290,551.76 lakh). This assignment/ sale is without recourse to the Company.

28.5 Employee Benefits :

i) Defined Contribution Plans :

Amount of ₹ 156.55 lakh (previous year ₹ 143.68 lakh) towards contribution to superannuation and pension fund is recognized as an expense and included in Employee benefits Expenses in the Statement of Profit and Loss.

Notes forming part of Financial Statements March 31, 2013

ii) Defined Benefit Gratuity Plans :

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

(₹ lakh)

Particulars	Gratuity Plan	
	As at 31-03-2013	As at 31-03-2012
A. Amount to be recognized in Balance Sheet		
Present Value of Defined Benefit Obligation		
- Wholly Funded	415.03	297.11
- Wholly Unfunded	—	—
Less: Fair value of Plan Assets	(288.87)	(196.43)
Unrecognised Past Service Costs	—	—
Amount to be recognised as liability or (asset)	126.16	100.68
B. Amounts reflected in the Balance Sheet		
Liability	126.16	100.68
Assets	—	—
Net Liability/(asset)	126.16	100.68

b) The amount recognised in the Statement of profit and loss are as follows:

(₹ lakh)

Particulars	Gratuity Plan	
	2012-13	2011-12
1 Current Service Cost	91.45	67.65
2 Interest on Defined Benefit Obligation	33.18	22.09
3 Expected Return on Plan Assets	(18.13)	(11.36)
4 Actuarial Losses/(Gains)	19.66	12.30
5 Past Service Cost	—	—
Total included in Employee Benefit Expenses	126.16	90.68
Actual Return on Plan Assets	19.87	12.12

c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows:

(₹ lakh)

Particulars	Gratuity Plan	
	As at 31-03-2013	As at 31-03-2012
Opening balance of the present value of Defined Benefit Obligation	297.11	200.68
Add: Current Service Cost	91.45	67.65
Add: Interest Cost	33.18	22.09
Add/(less): Actuarial Losses/(Gain)	21.40	13.06
Less: Benefits paid	(28.11)	(6.37)
Closing balance of the present value of Defined Benefit Obligation	415.03	297.11

Notes forming part of Financial Statements March 31, 2013

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

(₹ lakh)

Particulars	Gratuity Plan	
	As at 31-03-2013	As at 31-03-2012
Opening balance of the fair value of the plan assets	196.43	119.32
Add: Expected Return on plan assets	18.13	11.36
Add/(less): Actuarial gains/(losses)	1.75	0.76
Add: Contributions by Employer	100.67	71.36
Less: Benefits Paid	(28.11)	(6.37)
Closing balance of the plan assets	288.87	196.43
Expected Employers Contribution Next Year	70.00	70.00

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

Particulars	Gratuity Plan				
	As at 31-03-2013		As at 31-03-2012		
	%	₹ lakh	%	₹ lakh	
1. Government of India Securities	52%	150.50	47%	91.72	
2. Corporate Bonds	30%	87.29	–	–	
3. Special Deposit Scheme	07%	21.28	11%	21.29	
4. Equity Shares of Listed Companies	10%	29.67	–	–	
5. Property	–	–	–	–	
6. Insurer Managed Funds	–	–	–	–	
7. Others	–	0.14	42%	83.42	

Basis used to determine the overall expected return:

The Trust formed by the Company manages the Investments of Gratuity Fund. Expected rate of return on investment is determined based on the assessment made at the beginning of the year on the return expected on its existing portfolio, along with the estimated increment to the plan assets and expected yield on the respective asset in the portfolio during the year.

f) Principal actuarial assumptions at the balance sheet date :

Particulars	As at 31-03-2013	As at 31-03-2012
1. Discount rate	8.00%	8.65%
2. Expected return on plan assets	8.00%	8.00%
3. Salary growth rate :	6.00%	6.00%

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

(₹ lakh)

Particulars	As at				
	31-03-2013	31-03-2012	31-03-2011	31-03-2010	31-03-2009
Gratuity Plan					
Defined Benefit Obligation	415.04	297.12	200.69	125.26	102.30
Plan Assets	288.87	196.43	119.32	97.35	69.58
Surplus/(Deficit)	(126.17)	(100.69)	(81.37)	(27.91)	(32.72)
Exp. Adj. on Plan Liabilities	(12.54)	27.20	33.84	(11.17)	7.15
Exp. Adj. on Plan Assets	1.75	0.76	(2.36)	(1.25)	3.45

Notes forming part of Financial Statements March 31, 2013

iii) Defined Benefit Provident Fund Plan:

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

(₹ lakh)

Particulars	Provident Fund Plan	
	As at 31-03-2013	As at 31-03-2012
A. Net (Liability) / Asset recognized in the Balance Sheet		
Present Value of Funded Obligation	(2,653.31)	(1,987.28)
Present Value of Unfunded obligation	(19.37)	(24.45)
Less: Fair value of Plan Assets	2,632.27	1,962.86
Amount to be recognised in the Balance Sheet as (liability) or asset	(40.41)	(48.87)
B. Amounts to be recognised in the Balance Sheet		
Liability	40.41	48.87
Assets	—	—

b) Expenses recognised in the statement of Profit & Loss Account:

(₹ lakh)

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

c) The changes in value of defined benefit Obligation representing reconciliation of opening and closing balance thereof are as follows:

(₹ lakh)

Particulars	Provident Fund Plan	
	As at 31-03-2013	As at 31-03-2012
Opening balance of the present value of Defined Benefit Obligation	2,011.73	1404.69
Add: Current Service Cost	316.18	269.00
Add: Interest Cost	156.64	122.00
Add: Contribution by Plan Participants	428.52	384.44
Add: Actuarial Losses / (Gain)	(5.08)	24.45
Less: Benefits paid	(236.87)	(192.85)
Closing balance of the present value of Defined Benefit Obligation	2,672.68	2,011.73

Notes forming part of Financial Statements March 31, 2013

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

(₹ lakh)

Particulars	Provident Fund Plan	
	As at 31-03-2013	As at 31-03-2012
Opening balance of the fair value of the plan assets	1,962.86	1,364.85
Add: Expected Return on plan assets	156.64	122.00
Add/(less): Actuarial gains/(losses)	7.09	22.00
Add: Contributions by Employer	314.05	261.00
Add: Contribution by Plant participants	428.50	385.86
Less: Benefits Paid	(236.87)	(192.85)
Closing balance of the plan assets	2,632.27	1,962.86

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

Particulars	Provident Fund Plan	
	As at 31-03-2013	As at 31-03-2012
1. Government of India Securities	24%	24%
2. State Government Scheme	13%	12%
3. Special Deposit Scheme	14%	16%
4. Public Sector Unit Bond	42%	41%
5. Corporate Bonds	7%	7%
Others (cheques on hand)		
	100%	100%

Note: The interest payment obligation of trust-managed provident fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognised immediately in the statement of Profit and Loss as actuarial losses. Pursuant to the guidance note issued by the Institute of Actuaries, ₹ 21.04 lakh has been recognized in Statement of Profit & Loss on account of interest rate guarantee on Exempt Provident fund.

iv) General description of defined benefit plans:

1. Gratuity Plan:

The Company operates gratuity plan through a trust wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier. i.e. The benefit vests after five years of continuous service. The Company's scheme is more favorable compared to the obligation under the Payment of Gratuity Act, 1972.

2. Provident Fund Plan:

The Company manages Provident Fund Plan through a Provident Fund Trust for its employees which is permitted under the Provident Fund and Miscellaneous Provisions Act, 1952. The Plan envisages contributions by employer and employees and guarantees interest at the rate notified by the Provident Fund Authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

3. Leave Encashment:

The Company provides leave encashment benefit on all types of separation from the company. It is calculated on the last basic salary drawn at the time of separation. Maximum leave encashment allowable at the time of separation is 180 days.

Notes forming part of Financial Statements March 31, 2013

28.6 Pursuant to the Employees Stock Options Scheme established by the ultimate holding company (i.e. Larsen & Toubro Limited) and by the holding company (i.e. L&T Finance Holdings Limited), the details of the stock options granted to the employees of the Company are as under:

(₹ lakh)

Company	Status	Incurred during the year
Larsen & Toubro Limited	Ultimate Holding Company	0.84 (53.08)
L&T Finance Holdings Limited	Holding Company	212.22 (353.99)

(previous year figures in bracket)

28.7 Borrowing Cost : Accounting Standard (AS) 16

Borrowing costs capitalised during the year are ₹ 390.89 lakh (Previous year ₹ 219.41 lakh)

28.8 Segment Reporting : Accounting Standard (AS) 17

Primary Segment (Business Segment)

The Company operates mainly in the business segment of fund based financing activity. All other activities revolve around the main business. Further, all activities are carried out within India. As such, there are no separate reportable segments as per the provisions of AS 17 on 'Segment Reporting' issued by the Institute of Chartered Accountants of India.

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.

28.9 Related Party Disclosures:

(a) List of Related Parties (with whom transactions were carried out during current or previous year)

A. Ultimate Holding Company

1. Larsen & Toubro Limited

B. Holding Company

2. L&T Finance Holdings Limited

C. Subsidiary Companies

3. L&T Investment Management Limited (Up to 28.03.2013, from 29.03.2013 to 31.03.2013 Fellow subsidiary Company)
4. L&T Mutual Fund Trustee Limited (Up to 28.03.2013, from 29.03.2013 to 31.03.2013 Fellow subsidiary Company)

D. Fellow Subsidiary Companies

5. L&T Infrastructure Finance Company Limited
6. L&T FinCorp Limited
7. L&T Capital Company Limited
8. Larsen & Toubro Infotech Limited
9. Ewac Alloys Limited
10. L&T General Insurance Company Limited
11. Family Credit Limited
12. L&T Capital Markets Limited
13. L&T Housing Finance Limited
14. L&T Unnati Finance Limited

Notes forming part of Financial Statements March 31, 2013

E. Key Management Personnel

Mr. Dinanath M. Dubhashi – Chief Executive and Manager

(b) Disclosure of related party transactions :-

(₹ Lakh)

Sr. No.	Nature of Transaction	2012-2013	2011-2012
1.	Corporate Support charges paid to		
	L&T Finance Holdings Limited	0.32	-
	L&T Investment Management Limited	0.96	-
	Larsen & Toubro Limited	275.44	170.19
2.	Dividend Paid		
	L&T Finance Holdings Limited	10,013.74	2,622.64
3.	ESOP cost Debited by		
	L&T Finance Holdings Limited	212.22	353.99
	Larsen & Toubro Limited	0.84	53.08
4.	Professional fees paid to		
	Larsen & Toubro Infotech Limited	186.98	232.53
5.	Interest paid to		
	Family Credit Limited	2.04	-
	L&T Capital Company Limited	36.83	63.52
	L&T Finance Holdings Limited	2,473.43	2,617.70
	L&T FinCorp Limited	103.48	513.36
	L&T Housing Finance Ltd	2.03	-
	Larsen & Toubro Limited	378.13	391.20
6.	Rent paid to		
	L&T Finance Holdings Limited	62.02	108.51
	L&T FinCorp Limited	578.48	49.00
	L&T Housing Finance Ltd.	0.70	-
	L&T Investment Management Limited	24.25	-
	Larsen & Toubro Limited	298.76	299.89
7.	Brand license fees paid to		
	Larsen & Toubro Limited	649.60	329.30
8.	Employee deputation cost Paid to		
	Larsen & Toubro Limited	84.17	153.04
	Larsen & Toubro Infotech Limited	-	9.19
	L&T Capital Company Limited	-	1.11
9.	Data Centre charges Paid to		
	Larsen & Toubro Limited	94.35	213.42
10.	Data processing charges paid to		
	Larsen & Toubro Limited	60.09	-
11.	Management fees paid to		
	L&T Finance Holdings Limited	710.12	843.40
12.	Corporate support charges recovered from		
	Family Credit Limited	146.29	-
	L&T Capital Markets Ltd.	26.89	-
	L&T Finance Holdings Limited	2.79	250.61
	L&T FinCorp Limited	137.08	-

Notes forming part of Financial Statements March 31, 2013

Sr. No.	Nature of Transaction	2012-2013	2011-2012
	L&T General Insurance Company Limited	242.67	10.72
	L&T Housing Finance Ltd.	224.72	-
	L&T Infrastructure Finance Company Limited	681.83	672.85
	L&T Investment Management Limited	138.81	16.51
	Larsen & Toubro Limited	-	0.37
13.	Employee Deputation cost recovered from		
	Larsen & Toubro Limited	4.65	63.59
	L&T Capital Company Limited	-	15.79
	Larsen & Toubro Infotech Limited	-	3.90
14.	Interest income on Intercompany deposits		
	Family Credit Limited	0.25	-
	L&T FinCorp Limited	72.70	161.59
	L&T Infrastructure Finance Company Limited	79.37	-
	L&T Finance Holdings Limited	-	1.08
15.	Interest income on Term loan given		
	Ewac Alloys Limited	298.26	29.19
16.	Rent recovered from		
	L&T General Insurance Company Limited	33.51	-
	L&T Housing Finance Ltd	5.66	-
	L&T Infrastructure Finance Company Limited	352.13	242.48
	L&T Investment Management Limited	81.20	112.04
	Larsen & Toubro Limited	14.73	14.46
17.	Networking charges recovered from		
	Larsen & Toubro Limited	31.14	30.73
18.	Rent income on operating lease		
	Larsen & Toubro Infotech Limited	5.81	18.01
	Larsen & Toubro Limited	-	27.35
19.	Interest income on Finance Lease		
	Larsen & Toubro Limited	-	0.13
20.	Other Income		
	Larsen & Toubro Limited	-	3.36
21.	Inter corporate deposit given		
	Family Credit Limited	500.00	-
	L&T FinCorp Limited	43,461.62	24,315.83
	L&T Infrastructure Finance Company Limited	68,850.00	-
	L&T Finance Holdings Limited	-	66.00
22.	Investment made in Equity shares		
	L&T Investment Management Limited	4,500.00	1,500.00
23.	Recovery of Capital WIP Cost		
	L&T Unnati Finance Ltd.	963.81	-
24.	Inter corporate borrowings taken		
	Larsen & Toubro Limited	-	10,000.00
	Family Credit Limited	2,124.27	-

Notes forming part of Financial Statements March 31, 2013

Sr. No.	Nature of Transaction	2012-2013	2011-2012
	L&T Capital Company Limited	48.30	1,793.00
	L&T Finance Holdings Limited	278,651.36	94,542.79
	L&T FinCorp Limited	39,525.00	13,290.97
	L&T Housing Finance Ltd.	2,000.00	-
25.	Sale of Immovable property to		
	L&T Unnati Finance Ltd.	25,635.51	-
26.	Sale of Investment to		
	L&T Finance Holdings Ltd.	16,688.92	-
27.	Sale of Loan Portfolio to		
	Family Credit Limited	42,440.14	-
	L&T FinCorp Limited	82,979.46	281,143.76
	L&T Infrastructure Finance Company Limited	27,369.38	9,408.00
28.	Term Loan Given		
	Evac Alloys Limited	3,200.00	1,600.00
29.	Operating lease given		
	Larsen & Toubro Infotech Limited	18.84	-
30.	NCD Issued to		
	L&T Finance Holdings Limited	8,400.00	20,000.00
31.	Equity Shares issued (Including Security Premium)		
	L&T Finance Holdings Limited	-	15,000.00
32.	Managerial Remuneration		
	D. M. Dubhashi	110.56	75.85
(c)	Amount due to/from related parties :-		
33.	Account Payables		
	Family Credit Limited	222.82	-
	L&T Finance Holdings Limited	39.35	98.43
	L&T FinCorp Limited	5,934.82	49.00
	Larsen & Toubro Infotech Limited	38.59	-
	Larsen & Toubro Limited	1,822.65	351.14
34.	Interest accrued but not due on NCD		
	L&T Finance Holdings Limited	227.79	-
	Larsen & Toubro Limited	189.84	-
35.	Interest accrued but not due on Perpetual Debt		
	L&T Finance Holdings Limited	-	586.03
36.	Outstanding balance of NCD Issued		
	L&T Finance Holdings Limited	8,400.00	20,000.00
	Larsen & Toubro Limited	3,697.70	3,697.70
37.	Interest accrued but not due on Inter Corporate deposit taken		
	Family Credit Limited	1.56	-
	L&T Finance Holdings Limited	6.50	-
	L&T FinCorp Limited	3.88	-

Notes forming part of Financial Statements March 31, 2013

Sr. No.	Nature of Transaction	2012-2013	2011-2012
38.	Outstanding balance of Inter Corporate deposit taken		
	Family Credit Limited	1,524.27	-
	L&T Capital Company Limited	-	928.50
	L&T Finance Holdings Limited	7,825.00	576.29
	L&T FinCorp Limited	4,400.00	163.98
	L&T Housing Finance Ltd.	2,000.00	-
39.	Account Receivable		
	L&T Infrastructure Finance Company Limited	-	196.20
	L&T FinCorp Limited	123.98	15.41
	L&T Investment Management Limited	-	59.59
	L&T General Insurance Company Limited	203.76	352.94
	L&T Unnati Finance Ltd.	725.15	-
40.	Interest accrued on Inter Corporate Deposit Given		
	L&T FinCorp Limited	0.55	-
41.	Loan Outstanding balance		
	Larsen & Toubro Limited	-	80.19
	Larsen & Toubro Infotech Limited	-	0.38
	Ewac Alloys Limited	2,480.00	1,600.00
42.	Outstanding Balance of Inter Corporate Deposit Given		
	L&T FinCorp Limited	242.62	-
43.	Interest accrued but not due on Term Loan given		
	Ewac Alloys Limited	71.01	-

Note: Transactions shown above are inclusive of Service Tax, if any.

28.10 Earnings Per Share

		2012-13	2011-12
Basic			
Profit after tax as per statement of profit and loss (₹ lakh)	A	21,102.86	19,901.31
Weighted average number of equity shares outstanding during the year	B	238,422,269	234,754,236
Basic EPS (₹)	A/B	8.85	8.48
Diluted			
Profit after tax as per statement of profit and loss (₹ lakh)	A	21,102.86	19,901.31
Add: Weighted average number of equity shares outstanding	B	238,422,269	234,754,236
Add: Weighted average no. of equity shares on account of share application money	C	-	1,639,344
Weighted average number of shares outstanding during the year	D=B+C	238,422,269	236,393,580
Diluted EPS (₹)	A/D	8.85	8.42
Face value of shares (₹)		10.00	10.00

Notes forming part of Financial Statements March 31, 2013

28.11 Expenditure in foreign currency:

Interest payment	₹ 71.54 lakh	(previous year ₹ 1,862.57 lakh)
On other matters	₹ 23.77 lakh	(previous year ₹ 5.69 lakh)

28.12 During the year, the company has sold fixed assets including capital work in progress aggregating to ₹ 25,635.50 lakh to L&T Unnati Finance Limited, a fellow subsidiary company.

28.13 During the year the company has sold its investment in L&T Investment Management Limited and L&T Mutual Fund Trustee Limited to L&T Finance Holding Limited, the holding company. The Company, therefore, ceases to be sponsor of L&T Mutual Fund.

28.14 Disclosure relating to frauds committed against the company:

No of fraud occurred during the year	:	8
Amount involved	:	₹ 42.32 lakh
Amount recovered	:	₹ 5.16 lakh
Amount provided	:	₹ 49.35 lakh

28.15 On the basis of replies received by the Company in response to enquiries made, there are no dues payable as at the year end to Micro, Small and Medium Enterprises nor are there other particulars that are required to be disclosed under the Companies Act, 1956 or the Micro, Small and Medium Enterprises Development Act, 2006.

28.16 Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company (as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007.

LIABILITY SIDE:

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

(₹ lakh)

Particular	Amount Outstanding	Amount Overdue
(a) Debentures :	347,542.78	
- Secured	35,000.00	-
- Unsecured		-
(Other than falling within the meaning of Public Deposits)		
(b) Deferred Credits	-	-
(c) Term Loans	601,886.36	-
(d) Inter-Corporate Loans and borrowings	18,749.27	-
(e) Commercial Paper	150,995.00	-
(f) Other Loans (Perpetual debt, Bank overdraft and Cash Credit)	28,971.16	-
(g) Lease Finance	-	-
(h) Accrued Interest on above borrowings (a to g)	26,450.82	-

Notes forming part of Financial Statements March 31, 2013

ASSET SIDE :

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

(₹ lakh)

	Amount Outstanding
(i) Lease assets including lease rentals under sundry debtors :	
(a) Financial Lease	831.75
(b) Operating Lease	-
(ii) Stock on hire including hire charges under sundry debtors	
(a) Assets on Hire	-
(b) Repossessed Assets	-
(iii) Other loans counting towards AFC activities	
(a) Loans where assets have been repossessed	6,264.61
(b) Loans other than (a) above	936,012.20

2. Break-up of Loans and Advances including bills receivables [Other than those included in (3) below]

(₹ lakh)

	Amount Outstanding
(a) Secured	1,196,384.19
(b) Unsecured	206,049.90

3. Break-up of Investments

(₹ lakh)

	Amount Outstanding
CURRENT INVESTMENTS	
1. Quoted	
(i) Shares :	-
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
2. Unquoted	
(i) Shares :	-
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others (please specify)	-

Notes forming part of Financial Statements March 31, 2013

	Amount Outstanding
LONG TERM INVESTMENTS	
1. Quoted	
(i) Shares :	
(a) Equity	7.52
(b) Preference	-
(ii) Debentures and Bonds	4,683.98
(iii) Units of Mutual Funds	-
(iv) Government Securities	-
(v) Others (please specify)	-
	(₹ lakh)

	Amount Outstanding
2. Unquoted	
(i) Shares :	1,617.51
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of Mutual Funds	-
(iv) Government Securities	0.05
(v) Others (Security receipt & share application money)	1,304.75

4. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

(₹ lakh)

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	-	-
(c) Other related parties	-	-
2. Other than related parties	7,616.93	7,613.81
Total	7,616.93	7,613.81

5. Borrower group-wise classification of assets financed:

(₹ lakh)

	Secured	Unsecured
1. Related Parties		
(a) Subsidiaries	-	242.62
(b) Companies in the same group	2,480.00	-
(c) Other related parties	-	-
2. Other than related parties	11,93,904.19	2,05,807.28
Total	11,96,384.19	206,049.90

Notes forming part of Financial Statements March 31, 2013

6. Other Information

(₹ lakh)

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	25,707.46
(ii) Net Non-Performing Assets	
(a) Related parties	-
(b) Other than related parties	15,113.20
(iii) Assets acquired in satisfaction of debt	-

28.17 Schedule to the Balance Sheet of a Non-Banking Financial Company as required by RBI as per their Circular RBI/ 2008-09/ 116 DNBS(PD).CC.No.125/ 03.05.002/ 2008-2009, Guidelines for NBFC-ND-SI as regards capital adequacy, liquidity and disclosure norms:

1) Capital Risk Adequacy Ratio (CRAR) :

Items	2012-13	2011-12
i) CRAR (%)	17.36%	16.56%
ii) CRAR – Tier I Capital (%)	14.92%	15.78%
iii) CRAR – Tier II Capital (%)	2.44%	0.78%

2) Exposures :

Exposure to Real Estate Sector

(₹ lakh)

Category	2012-13	2011-12
A) DIRECT EXPOSURE		
(i) Residential Mortgages Lending secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lac 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;	35,975.00	15,302.33
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures		
a. Residential	Nil	Nil
b. Commercial Real Estate		
B) INDIRECT EXPOSURE Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

Notes forming part of Financial Statements March 31, 2013

3) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities

(₹ lakh)

	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months up to 3 months	Over 3 months up to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	100,000.00	5,000.00	41,325.76	46,325.76	99,705.87	318,501.00	-	-	610,858.39
Market Borrowings	44,917.10	42,792.00	70,818.10	23,003.50	88,436.67	185,576.14	12,523.78	101,591.86	569,659.15
Assets									
Advances	86,963.40	70,790.18	85,510.88	133,648.31	261,940.10	584,979.93	162,836.97	38,596.18	1,425,265.95
Investments	4,683.98	-	-	-	-	-	-	2,929.83	7,613.81

28.18 Previous year figures have been regrouped/ reclassified wherever necessary

As per our report attached

For and on behalf of Board

SHARP & TANNAN

Chartered Accountants
Registration No. 109982W
by the hand of

Milind P. Phadke

Partner
Membership No. 033013

Mumbai, April 23, 2013

Y. M. Deosthalee

Chairman

Dinanath Dubhashi

Chief Executive & Manager

Mumbai, April 23, 2013

N. Sivaraman

Director

Manoj Harlalka

Company Secretary