

Board's Report

Dear Members,

The Directors of your company have pleasure in presenting the Twentieth Annual Report including the Audited Financial Statements for the Financial Year ended March 31, 2015.

FINANCIAL HIGHLIGHTS

The summary of the Company's financial performance for the Financial Year 2014-15 as compared to the previous Financial Year 2013-14 is given below:

(₹ In Lakh)

Particulars	For the year ended March 31, 2015	For the year ended March 31, 2014
Total Income	2,39,643.14	2,24,550.91
Less: Total Expenses	201,140.68	194,072.85
Profit before Tax	38,502.46	30,478.06
Provision for Tax	15,271.03	14,756.00
Deferred tax	(2,329.05)	(4,400.60)
Profit after Tax	25,560.48	20,122.66
Add: Balance brought forward from previous years	50,635.20	51,559.47
Balance Available	76,195.68	71,682.13
Appropriations:		
Interim Dividend	12,781.82	9,894.52
Dividend Distribution Tax	2,555.60	1,681.58
Transfer to General Reserve	-	2,012.27
Transfer to Special Reserve U/S 45-IC of RBI Act, 1934	5,112.10	4,024.56
Transfer to/ (from) Debenture Redemption Reserve	(7,262.84)	3,434.00
Depreciation rate adjustment	253.44	-
Net surplus in the Statement of Profit and Loss	62,755.56	50,635.20

APPROPRIATIONS

During the current Financial Year, the Company has not transferred any amount (Previous year: ₹ 2,012.27 Lakh) to General Reserve. Your Company proposes to transfer ₹ 5,112.10 Lakhs (Previous Year: ₹ 4,024.56 Lakh) to Special Reserve created under Section 45-IC of the Reserve Bank of India Act, 1934. Further, ₹ 7,262.84 Lakh has been transferred from Debenture Redemption Reserve to surplus in the Statement of Profit and Loss as against the transfer of ₹ 3,434 Lakh to Debenture Redemption Reserve in the previous year.

It is proposed to retain ₹ 62,755.56 Lakh (Previous Year: ₹ 50,635.20 Lakh) in the Statement of Profit and Loss of the Company.

MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments affecting the financial position of the Company which occurred between the end of financial year to which these financial statements relate and date of this Report.

DIVIDEND

During the year, your Company had declared two Interim Dividends of ₹ 5/- and ₹ 0.361 per Equity Share of ₹ 10/- each. The total outgo on account of payment of Interim Dividends, as mentioned above, was ₹ 11,921.12 Lakh and ₹ 860.70 Lakh respectively (excluding Dividend Distribution Tax amounting to ₹ 2,555.60 Lakh).

Considering that two Interim Dividends have been paid during the year, no final dividend has been recommended for the Financial Year ended March 31, 2015.

CREDIT RATING

During the year under review, the Company had its issue of debentures rated and re-affirmed at CARE AA+ and [ICRA] AA+/Stable by CARE & ICRA respectively.

PERFORMANCE OF THE COMPANY

❖ Financial Performance of the Company

During the year under review, due to the uncertain economic environment, the Company consciously decided to be selective in lending in certain sectors, to maintain asset quality. Consequently, the gross portfolio assets recorded marginal de-growth from ₹ 15,68,310 Lakhs as at March 2014, to ₹ 15,13,551 Lakhs as at March 2015.

Revenue, however, increased due to strategic change in the product mix i.e. due to focus on increasing the book in high yield products. This led to revenue growth with Income from operations growing from ₹ 221,123 Lakhs during the year ended March 31, 2014 to ₹ 237,953 Lakhs during the year under review, an increase of 8%. Total Income has also grown by 7% from ₹ 224,551 Lakhs during the year ended March 31, 2014 to ₹ 239,643 Lakhs during the period under review.

Networth of the Company as on March 31, 2015 was ₹ 2,29,173 Lakhs as against ₹ 2,19,303 Lakhs as on March 31, 2014.

❖ Performance of businesses

• Consumer and Auto Loans

This includes products such as Farm Equipment, Light and Small Commercial Vehicles. Farm equipment business showed an appreciable gain in market share.

• Micro and Small Enterprises

The Company has renewed its focus on Small and Medium Enterprise segment. Focus in this segment remained on revolving credit facility based lending for vendors and dealers of marquee anchor companies.

The growth of the Company in Construction Equipment and Commercial Vehicles

business was strategically moderated due to deterioration of risk profile of the industry caused by overall economic slowdown, leading to lower asset quality and certain external factors. The Company focused on business giving good yield at an acceptable risk profile.

• Mid and Large Corporations

This includes products such as Lease, Term Loans and Loan against Securities.

During the year under review, the Company has improved deal origination and self sourcing capabilities; further, risk monitoring of portfolio has been increased in frequency and made more intensive. However, growth in this segment was muted due to lack of deals with acceptable risk-return profile. Focused collection efforts have resulted in a substantial reduction in GNPA over the year.

• Microfinance Business

Micro finance business has scaled up rapidly through densification in existing states and entry into two new states – Madhya Pradesh and Kerala.

RESOURCES

The Company has raised funds through a mix of borrowings. During the year, the net borrowings have decreased from ₹ 13,29,046 Lakhs as at March 2014, to ₹ 12,80,747 Lakhs as at March 2015, due to de-growth in the loan book and increase in Networth.

FUND RAISING

During the year under review, the Company met its funding requirements through issue of Non-Convertible Debentures ("NCDs"), Commercial Papers ("CPs") and Bank borrowings.

The aggregate debt (NCDs, CPs and Bank borrowings) outstanding as on March 31, 2015 was ₹ 12,80,747 Lakhs.

SHARE CAPITAL

During the year under review there was no change in the Equity Share capital of the Company.

FIXED DEPOSITS

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

The Company has outstanding unclaimed fixed deposits of ₹ 0.17 Lakh 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

In accordance with the provisions of Section 149 of the Companies Act, 2013 ("the Act"), Mr. P. V. Bhide, Mr. Subramaniam N. and Mr. Mannil Venugopalan were appointed as Independent Directors to hold office upto March 31, 2019 as approved by the Members at the Annual General Meeting held on September 8, 2014.

Mr. R. Shankar Raman, a Non-Executive Director of the Company, resigned from the Board of Directors with effect from January 20, 2015, due to his other professional commitments. The Board places on record its appreciation of the valuable services rendered by him during his tenure as a Director of the Company.

Dr. (Mrs.) Rajani R. Gupte has been appointed as an Additional Director on the Board of the Company with effect from March 20, 2015. As, Dr. (Mrs.) Rajani R. Gupte fulfilled the criteria for independence laid out in Section 149(6) of the Act, the Members of the Company, based on the recommendations of the Board of Directors, have, at the Extra Ordinary General Meeting held on April 6, 2015, appointed her as an Independent Director on the Board of the Company.

The provisions of Section 149(1) and 149(4) of the Act, pertaining to the appointment of a Woman Director and Independent Directors have been notified by the Ministry of Corporate Affairs with effect from April 1, 2014. As mentioned above in this section, the Company has four Independent Directors including one Woman Director.

Section 152 of the Act provides that unless the articles provide for the retirement of all directors at every Annual General Meeting, not less than two-third of the total number of directors of a public company shall be

persons whose period of office is liable to determination by retirement of directors by rotation. For the purpose of determining the total number of directors, Independent Directors are required to be excluded. Accordingly, Mr. S. Raghavan, Director will retire by rotation at the ensuing Annual General Meeting and being eligible, has offered himself for re-appointment.

Terms and conditions of appointment of Independent Directors are placed on the website of the Company under the link <http://www.ltfinance.com/investors/reports-and-filings.aspx>.

All the Directors of the Company have affirmed compliance with the Code of Conduct of the Company.

DECLARATION BY INDEPENDENT DIRECTORS

All Independent Directors have submitted the declaration of Independence, as required pursuant to Section 149(7) of the Act, stating that they meet the criteria of Independence as provided in sub-section (6) of the Act and are not disqualified from continuing as Independent Directors.

KEY MANAGERIAL PERSONNEL

Mr. Ruchir Shah, Head - Accounts of the Company, has been appointed as a Key Managerial Person with effect from March 20, 2015, to discharge the duties and responsibilities as required to be performed by a Chief Financial Officer under the Act. He was appointed in place of Mr. Jaswin Mehta, who was appointed as Head - Accounts and had resigned with effect from March 20, 2015.

Accordingly, as at March 31, 2015, the Company has the following Key Managerial Personnel:

- 1) Mr. Dinanath Dubhashi – Managing Director & Chief Executive
- 2) Mr. Ruchir Shah – Head - Accounts
- 3) Mr. Kailash Purohit – Company Secretary

COMPANY POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

A. Background and Objectives:

Section 178 of the Act requires the Nomination and Remuneration Committee to formulate a Policy relating to the remuneration for the

Directors, Key Managerial Personnel (“KMP”), Senior Management and other employees of the Company and recommend the same for approval of the Board. Further, Section 178(4) of the Act stipulates that the policy shall be disclosed in the Board Report.

Moreover, Section 134 of the Act stipulates that the Board Report shall include a statement on Company’s Policy on directors’ appointment and remuneration including criteria for determining qualifications, positive attributes, independence of director and remuneration for key managerial personnel and other employees.

In terms of the requirement of the Act, and based on the recommendation of Nomination and Remuneration Committee, the Board has framed the Policy on Director’s Appointment and Remuneration for Directors, Key Managerial Personnel and other Employees (“the Policy”).

B. Brief Framework of the Policy

The Objective of the Policy is:

- To guide the Board in relation to appointment of Directors and removal if any.
- To evaluate the performance of the members of the Board including Independent Directors.
- To formulate the criteria for evaluation of Independent Directors and the Board.
- To determine criteria for payment of remuneration to Directors, Key Managerial Personnel, Senior Management and Employees.
- To recommend to the Board on remuneration payable to the Directors including Key Managerial Personnel, Senior Management and Employees, if required.

A) Evaluation Criteria of Directors and Senior Management/Key Managerial Personnel/ Employees

Non-Executive Directors/ Independent Directors

Before determining the remuneration, the Nomination and Remuneration Committee (“NRC”) shall carry out evaluation of performance

of Independent Directors/ Non-Executive Directors, against the following criteria:

- Membership and attendance - Committee and Board Meetings
- Contribution during such meetings
- Active participation in strategic decision making
- Inputs to executive management on matters of strategic importance

Executive Directors

With respect to evaluation of performance of Executive Directors, the evaluation shall be done on the basis of Key Performance Indicators (“KPIs”).

Senior Management/Key Managerial Personnel/ Employees

The Human Resource Department (“HR Department”) would assign the responsibility of carrying out the evaluation of the aforementioned persons every year ending on March 31st, to the reporting superior/ department heads/Management. KPIs are identified well in advance at the commencement of the financial year. Performance benchmarks are set and evaluation of employees is done by the respective reporting superior / department heads / Management vis-à-vis the performance benchmarks. The payment of remuneration/annual increment to the aforementioned persons is determined after the satisfactory completion of Evaluation process.

The HR Department of the Company is authorised to design the framework for evaluating the performance of KMPs/Senior Management Personnel/Employees. The objective of carrying out the evaluation by the Company is to identify and match rewards with performance.

B) Criteria for Remuneration of Executive Director and Senior Management

In determining the remuneration for Executive Director and Senior Management, NRC shall ensure/ consider the following:

- 1) the relationship of remuneration and performance benchmark is clear;

- 2) the balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
- 3) the remuneration is divided into two components viz. fixed component comprising salaries, perquisites and retirement benefits and a variable component comprising performance bonus;
- 4) the remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individuals performance vis-à-vis KRAs/ KPIs, industry benchmark and current compensation trends in the market.
- 5) The increment/ performance bonus declared shall be solely at the discretion of reporting superior/ department head(s)/ management.

Annual Performance Evaluation

Pursuant to the provisions of the Act, the Board has carried out an annual evaluation of its own performance, the performance of the directors individually as well as the evaluation of the working of its Audit Committee and NRC.

MANNER OF EVALUATION

The Nomination and Remuneration Committee and the Board have laid down the manner in which formal annual evaluation of the performance of the Board, Committees and individual directors has to be made.

It includes circulation of evaluation forms separately for evaluation of the Board and its Committees, Independent Directors/ Non-Executive Directors/ Executive Director and Chairman of the Board.

The process of the annual performance evaluation broadly comprises:

Board Evaluation:

- Evaluation of the Board as a whole by the individual Board members followed by collation thereof by NRC for apprising the Board.

Audit Committee and NRC Evaluation:

- Evaluation of the Committees by the respective Committee members, followed by compilation thereof by NRC for submission to the Board.

Independent/ Non-Executive Directors Evaluation:

- Evaluation by the Board members excluding the Director, being evaluated followed by individual feedback to the Directors concerned by the Chairman of the Board and summary feedback to the NRC.

Chairman Evaluation:

- Evaluation by the other members of the Board followed by feedback thereon by the Chairman of the NRC and apprising the same to the Board.

BOARD MEETINGS

During the Financial Year 2014-15, the Board of Directors of the Company duly met 6 times on April 21, 2014, July 22, 2014, September 23, 2014, October 21, 2014, January 20, 2015 and March 20, 2015.

The Agendas of the Meetings were circulated to the Directors well in advance. The Minutes of the Meetings of the Board of Directors were circulated amongst the Members of the Board for their perusal and approval.

CORPORATE GOVERNANCE

It has always been the Company's endeavor to excel through better Corporate Governance and fair & transparent practices. The report on Corporate Governance for the year under review is appended herewith as Annexure A.

STATUTORY AUDITORS

The Ministry of Corporate Affairs has notified the provisions of Section 139 of the Act for appointment of auditors, which is effective from April 1, 2014. Pursuant to Section 139(2) of the Act and the rules made thereunder, no listed company shall appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Further, the aforesaid appointment is subject to the ratification by the Members of the Company at every Annual General Meeting ("AGM").

The period of ten years (two terms of five years each) has to be calculated from the date of appointment of the auditors. Further, the proviso to said Section 139(2) of the Act, stipulates that every company existing on or before the commencement of the Companies Act, 2013, has

to comply with the requirements of this section within three years from the date of commencement of this Act. Since, M/s. Sharp & Tannan, Chartered Accountant has already served as Statutory Auditors of the Company for a term of ten years, the Audit Committee and Board of Directors of the Company have recommended the appointment of M/s. Sharp & Tannan, Chartered Accountant as Statutory Auditors for a further period of one year from the conclusion of the forthcoming i.e. Twentieth AGM till the conclusion of the Twenty First AGM, subject to the approval of the Members at the ensuing AGM of the Company.

M/s. Sharp & Tannan has confirmed that their reappointment, if made, will comply with the eligibility criteria in terms of Section 141(3) of the Act. Further M/s. Sharp & Tannan has confirmed that they have subjected themselves to the peer review process of Institute of Chartered Accountants of India ("ICAI") and hold valid certificate issued by the Peer Review Board of the ICAI.

PARTICULARS OF EMPLOYEES

The information required pursuant to Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, has been appended herewith as Annexure B.

Further, the information required pursuant to Section 197 of the Act read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company, has also been appended herewith as Annexure C.

In terms of Section 136 of the Companies Act, 2013, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary in this regard.

The Board of Directors affirms that the remuneration paid to employees of the Company is as per the Policy on Director's appointment and remuneration for Directors, Key Managerial Personnel and other Employees and none of the employees listed in the said

Annexure/Information is related to any Directors of the Company.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION

The Company, being a financial services company and substantially operating from leased premises, the particulars regarding conservation of energy & technology absorption are not relevant to its activities.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, there were no foreign exchange earnings. The expenditure in foreign currency was ₹ 120.75 Lakhs.

DISCLOSURE RELATING TO SUBSIDIARY, JOINT VENTURE AND ASSOCIATE COMPANIES

The Company does not have any subsidiary, joint venture and associate company; accordingly, disclosures required to be made under Rule 8(1) and Rule 8(5)(iv) of the Companies (Accounts) Rules, 2014 relating to subsidiary, joint venture and associate companies are not applicable to the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(5) of the Act, the Directors confirm that, to the best of their knowledge and belief:

1. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
2. The directors had 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 the Company at the end of the financial year and of the profit of the Company for that period.
3. The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
4. The directors had prepared the annual accounts on a going concern basis.

5. The directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.
6. The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

INTERNAL FINANCIAL CONTROLS AND THEIR ADEQUACY

The Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. Testing of such Control Systems forms a part of Internal Audit (IA) function. The scope and authority of IA function is defined in the IA Charter. IA functions are carried out by IA department of L&T Financial Services Group.

IA Department monitors and evaluates the efficiency and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company. Based on the report of IA function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee of the Board.

COMPOSITION OF THE AUDIT COMMITTEE

The Company has constituted an Audit Committee in terms of the requirements of the Companies Act, 2013. The details of the same are disclosed in the Corporate Governance Report.

COMPOSITION OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Company has constituted Corporate Social Responsibility Committee in terms of the requirements of the Companies Act, 2013. The details of the same are disclosed in the Corporate Governance Report.

CORPORATE SOCIAL RESPONSIBILITY

In accordance with the requirements of Section 135 of the Companies Act, 2013, the Company has constituted a Corporate Social Responsibility (“CSR”) Committee. The Company has also formulated a CSR Policy which is available on the website of the Company under the link

<http://www.ltfinance.com/about-us/corporate-citizen.aspx>.

Annual Report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as Annexure D to this Report.

VIGIL MECHANISM

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules 2014 read with Section 177(9) of the Act, the Company has framed and adopted Vigil Mechanism Framework (“the framework”) to enable directors and employees to report genuine concerns about unethical behaviour, actual or suspected fraud or violation of Code of Conduct.

Under the framework, the Company has set up “Whistle Blower Investigation Committee” (“the Committee”). The Chairman of the Committee is the Chief Ethics Officer of the Company responsible for receiving, validating, investigating and reporting to the Audit Committee of this matter. The Chief Internal Auditor of L&T Financial Services is acting as the ‘Chief Ethics Officer’.

The objective of this mechanism is to maintain a redressal system which can process all complaints concerning questionable accounting practices, internal controls, or fraudulent reporting of financial information.

The mechanism framed by the Company is in compliance with the requirements of the Companies Act, 2013 and available on the website of the Company under the link <http://www.ltfinance.com/investors/corporate-governance.aspx>.

PARTICULARS OF LOAN GIVEN, INVESTMENT MADE GUARANTEE GIVEN AND SECURITY PROVIDED BY THE COMPANY UNDER SECTION 186 OF THE ACT

Details of Loans given, Investments made, Guarantees given and Securities provided as covered under the provisions of Section 186 of the Act are given in the notes to the financial statements, if any.

LOAN TO PURCHASE SHARES OF THE COMPANY

During the year under review, the Company has not given loan to any person in its employment to purchase shares of the Company. Accordingly, disclosures required to be made under Section 67(3) of the Companies Act, 2013 are not applicable to the Company.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Board of Directors at its Meeting held on July 22, 2014 has approved the Policy on Related Party Transactions ("RPT Policy"), pursuant to the recommendations of the Audit Committee in line with the requirements of the Companies Act, 2013 and RBI regulations, the same is also available on the Company's website under the link <http://www.ltfinance.com/investors/reports-and-filings.aspx>. The Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and Related Parties.

Key features of the Related Party Transactions Policy are as under:

- All RPT's are referred to the Audit Committee of the Company for approval/ ratification, irrespective of its materiality. The Audit Committee, on the recommendation of the management, will approve/ ratify certain transactions with related parties which would occur on regular basis or at regular intervals.
- All RPT's which are not at arm's length and/or which are not in the ordinary course of business are presented to the Board for an appropriate decision.

All Related Party Transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There were no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel, Bodies Corporate, that had a potential conflict with the interest of the Company at large. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of the Companies Act, 2013 in Form AOC 2 is not applicable. The Directors draw attention of the Members to Note No. 27.5 to the Financial Statements which sets out related party disclosures.

RISK MANAGEMENT FRAMEWORK

The Company has a risk management framework to inform the Board Members about the risk assessment and minimization procedures and periodical review to ensure that executive management controls risk by means of a properly designed framework. The Audit Committee is kept apprised of the proceedings of the

Risk Management Committee and also apprised about the risk management framework.

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 134(3)(f) of the Companies Act, 2013.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Ms. Naina R. Desai, Practising Company Secretary to undertake the Secretarial Audit of the Company.

The Report of the Secretarial Auditor is appended herewith as Annexure E.

There is no adverse remark, qualifications or reservation in the Secretarial Audit Report.

POLICY FOR PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT AT WORKPLACE

The Company has in place a Policy for Prevention, Prohibition and Redressal of Sexual Harassment at Work Place. Appropriate reporting mechanisms are in place for ensuring protection against sexual harassment and right to work with dignity.

During the period under review, the Company had not received any complaint in this regard.

EXTRACT OF ANNUAL RETURN AS REQUIRED AND PRESCRIBED UNDER SECTION 92(3) OF THE COMPANIES ACT, 2013 AND RULES MADE THEREUNDER

The extract of Annual Return in Form MGT 9 as required under the provisions of Section 92(3) of the Act and prescribed in Rule 12 of the Companies (Management and Administration) Rules, 2014 is appended as Annexure F to this report.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant material orders passed by the Regulators/ Courts which would impact the going

concern status of the Company and its future operations. Further, no penalties have been levied by RBI/any other Regulators during the year under review.

OTHER DISCLOSURES

During the year under review, the Company has not obtained any Registration/licence/authorisation, by whatever name called from other financial sector regulators.

RESERVE BANK OF INDIA REGULATIONS

The Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2015.

ACKNOWLEDGEMENT

The Directors express their sincere gratitude to the Reserve Bank of India, Securities and Exchange Board of India, BSE Limited, National Stock Exchange of India Limited, Ministry of Finance, Ministry of Corporate Affairs, Registrar of Companies, other government and regulatory authorities, lenders, financial institutions and the Company's bankers for the ongoing support extended by them. The Directors also place on record their sincere appreciation for the continued support

extended by the Company's stakeholders and trust reposed by them in your Company. The Directors sincerely appreciate the commitment displayed by the employees of the Company across all levels, resulting in successful performance during the year.

For and on behalf of the Board of Directors

Y. M. Deosthalee
Chairman

DIN:00001698

Mumbai
April 21, 2015

Registered Office:

L&T House,
Ballard Estate,
Mumbai – 400001

Dinanath Dubhashi
Managing Director &
Chief Executive

DIN:03545900

Annexure 'A' to Board's Report - Corporate Governance Report

BOARD OF DIRECTORS

The Board of Directors (the Board) 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 eight Directors viz. Mr. Y. M. Deosthalee, Mr. P. V. Bhide, Mr. Mannil Venugopalan, Mr. Subramaniam N., Mr. S. Raghavan, Mr. N. Sivaraman, Mr. Dinanath Dubhashi and Dr. (Mrs.) Rajani R. Gupte.

Currently (as on the date of the report), the Board comprises Mr. Dinanath Dubhashi, Managing Director & Chief Executive and 7 Non-Executive Directors including 4 Independent Directors. Mr. Y. M. Deosthalee is the Non-Executive Chairman of the Board. Mr. Y. M. Deosthalee, is also the Chairman & Managing Director of L&T Finance Holdings Limited, the Holding Company, while Mr. N. Sivaraman is the President & Whole-time Director of the Holding Company. Mr. P.V. Bhide, Mr. Subramaniam N., Mr. Mannil Venugopalan and Dr. (Mrs.) Rajani R. Gupte are Independent Directors on the Company's Board. Mr. P.V. Bhide is also an Independent Director on the Board of L&T Finance Holdings Limited. Dr. (Mrs.) Rajani R. Gupte was appointed by the Board on March 20, 2015, as an Additional Director, who also possessed the requisite qualification and satisfied the criteria to be appointed as an Independent Director. Accordingly, she was appointed as an Independent Director by the Members at the Extra Ordinary General Meeting held on April 6, 2015. The Independent Directors are not required to retire by rotation.

During the period under review, six meetings of the Board were held on April 21, 2014, July 22, 2014, September 23, 2014, October 21, 2014, January 20, 2015 and March 20, 2015.

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

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Credit Committee
- Nomination and Remuneration Committee
- Risk Management Committee

- Investment Committee
- Corporate Social Responsibility Committee
- Stake Holders Relationship Committee.

The Details of the said Committees are as under:

1) Audit Committee:

The Company has duly constituted the Audit Committee pursuant to Section 177 of the Companies Act, 2013 ("the Act"), as well as the RBI directions for NBFCs. The Committee comprises 3 Directors as per the details given below:

Composition of Audit Committee

Mr. P.V. Bhide – Chairman of the Committee

Mr. Mannil Venugopalan

Mr. S. Raghavan

Role of the Committee

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 177 of the Act. During the Financial Year 2014-15, the Committee met Eight times.

Terms of reference of the Committee are as follows:

- i) Recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- ii) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- iii) Examination of the financial statement and the auditors' report thereon;
- iv) Approval or any subsequent modification of transactions of the company with related parties;
- v) Scrutiny of inter-corporate loans and investments;
- vi) Valuation of undertakings or assets of the company, wherever it is necessary;
- vii) Evaluation of internal financial controls and risk management systems;
- viii) Monitoring the end use of funds raised through public offers and related matters;

- ix) Functioning of the Vigil Mechanism Framework of the Company;
- x) Full access to information contained in the records of the Company and external professional advice;
- xi) Investigate any activity within its terms of reference, seek information from an employee, obtain outside legal/professional advice;
- xii) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- xiii) Recommend the appointment and removal of external auditor, fixation of audit fees and also approve payment for other services;
- xiv) Discuss with the auditors periodically on internal control systems, scope of audit including observations of the auditors, and review the half yearly and annual financial statements before submission to the Board and ensure compliance of internal control system;
- xv) Recommendation on financial management including audit report shall be binding on the Board;
- xvi) Investigate into any matter in relation to the items given above or referred to it by the Board and power to obtain professional advice from external sources and have full access to information contained in the records of the company;
- xvii) Right to call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and discuss any related issues with the internal and statutory auditors and the management of the company.

The Board had duly accepted the recommendations made by the Audit Committee from time to time.

2) Committee of Directors:

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

Composition of Committee of Directors (COD)

Mr. Y. M. Deosthalee

Mr. N. Sivaraman

Mr. Dinanath Dubhashi

Role of the Committee

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

During the Financial Year 2014-15, the Committee met thirty one times.

3) Asset-Liability Management Committee (ALCO):

During the year under review, the Committee was re-constituted. The Committee is currently chaired by Mr. N. Sivaraman. Presently, the Committee comprises Mr. N. Sivaraman, Mr. Dinanath Dubhashi and eight other members holding senior 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.

4) Credit Committee:

The Credit Committee was re-constituted during the year under review. The Credit Committee of the Company is broad-based, consisting of Mr. N. Sivaraman, Mr. Dinanath Dubhashi, Mr. Subramaniam N. and 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 authorisation matrix approved by the Board.

Credit decisions are supported by risk management guidelines and norms approved by the Board.

5) Nomination and Remuneration Committee:

The Company has constituted the Nomination and Remuneration Committee in accordance with the requirements of the Companies Act, 2013 read with the rules made there under. The Committee had formulated a policy on Director's Appointment and Remuneration for Directors, Key Managerial Personnel and Other Employees which also includes the criteria for determining qualifications, positive attributes and independence of a Director.

The Committee currently comprises the following members:

Mr. P. V. Bhide - Chairman of the Committee

Mr. M. Venugopalan

Mr. Y. M. Deosthalee

Role of the Committee:

- i) Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.

- ii) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

- iii) To ensure that:

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

- iv) To ensure fit and proper status of existing/proposed reference directors by obtaining necessary information an declaration from them and undertake a process of due diligence to determine suitability of the person for appointment/continuing to hold appointment as Director on the Board based upon qualification, expertise, track record, integrity and other relevant factors.

- v) To undertake the process of due diligence at the time of initial appointment and also prior to reappointment.

- vi) Based on the information provided in the declaration the Committee should decide on the acceptance (and/or otherwise) and may make references where considered necessary to the appropriate person/authority to ensure their compliance with the requirements indicated.

- vii) To obtain annual declaration confirming that the information already provided had not undergone change and if there is any change requisite details would be furnished by the directors forthwith.

- viii) To focus on evaluating senior level employees their remuneration, promotion etc.

During the Financial Year 2014-15, the Committee met four times.

6) Risk Management Committee:

During the year under review, the Risk Management Committee was re-constituted. The Committee currently comprises Mr. Mannil Venugopalan, Mr. Dinanath Dubhashi, Mr. N. Sivaraman, Mr. S. Raghavan and three other senior executives from the Company, Group Company and the ultimate parent Company.

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

During the year under review, the Investment Committee was re-constituted. The Investment Committee comprises Mr. N. Sivaraman, Mr. Dinanath Dubhashi and three 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.

8) Corporate Social Responsibility Committee

In terms of the requirement of the Companies Act, 2013, the Company has constituted the Corporate Social Responsibility Committee. The Committee comprises the following members:

Mr. Y. M. Deosthalee

Mr. M. Venugopalan

Mr. N. Sivaraman

Role of the Committee

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

During the Financial Year 2014-15, the Committee met three times.

9. Stake Holders Relationship Committee-

In terms of the requirement of the Companies Act, 2013, the Company has constituted the Stake Holders Relationship Committee. During the year under review, the Committee was reconstituted. The Committee comprises the following members:

Mr. N. Sivaraman

Mr. G.K. Shettigar

Mr. Deepak Punjabi

Role of the Committee

The role of the Committee inter-alia is to consider and resolve the grievances of the Debenture holders and any other security holders from time to time.

Meeting of Independent Directors:

Section 149(8) of the Companies Act, 2013 ('the Act') read with Schedule IV of the Act require the Independent Directors of the Company to hold at least one meeting in a year, without the attendance of non-independent directors and members of management. The Independent Directors of the

Company met on March 19, 2015, pursuant to the provisions of the Act.

Separation of Offices of Chairman and 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 Managing Director & Chief Executive of the Company.

Remuneration of Directors

The Managing Director receives salary & allowances from the Company in terms of his contract of employment with the Company. Apart from this, Managing Director does not receive

any remuneration from the Company. Other Non-Executive Directors on the Board who do not hold any office or place of profit in L&T and/ or its subsidiaries/ associate companies are paid sitting fees for attending the meetings of the Board and/ or any Committee thereof and commission on net profits.

Remuneration table

The details of remuneration paid to Directors for the year ended March 31, 2015 are as follows:

Executive Director: Mr. Dinanath Dubhashi, Managing Director & Chief Executive

Particulars	Amount (in Rs.)
(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	1,81,62,066.00
(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	11,40,675.00
Total	1,93,02,741.00

Non-Executive Directors*:

(in Rs.)

Name of the Director	Sitting Fees for Board Meetings attended	Sitting Fees for Committee Meetings attended	Commission (up to)#	Total
Mr. Mannil Venugopalan	1,20,000	3,80,000	15,90,000	20,90,000
Mr. P. V. Bhide	1,20,000	2,80,000	12,15,000	16,15,000
Mr. Subramaniam N.	1,00,000	20,000	12,25,000	13,45,000
Mr. S. Raghavan	40,000	1,00,000	12,85,000	14,25,000

Notes:

To be decided by the Board based on the recommendations of Nomination and Remuneration Committee.

* Dr. (Mrs.) Rajani R. Gupte was appointed on March 20, 2015; hence payment is Nil for her during the year under review.

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.

Disclosures

During the Financial Year ended March 31, 2015:

- ❖ 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.

- ❖ Since introduction of Companies Act, 2013 with effect from April 1, 2014, the Company has implemented all Sections as applicable to it and accordingly it is in compliance with all relevant and applicable provisions of Companies Act, 2013.

Means of Communication

- ❖ Half Yearly Results are published in one daily English newspaper of national prominence.
- ❖ The Company submit “Half Yearly Communication” to Stock Exchanges as per the Debt Listing Agreement.
- ❖ Annual Reports is displayed on the website of the Company <http://www.ltfinance.com>.

Place: Mumbai
Date: April 21, 2015

Annexure 'B' to Boards' Report

Information required pursuant to Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

S. No.	Particulars		
(i)	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the Financial Year.#	1:38.37	
(ii)	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the Financial Year. #	Executive Director: 49%@ Chief Financial Officer: N.A.- appointed w.e.f. March 20, 2015 Company Secretary:\$	
(iii)	The percentage increase in the median remuneration of employees in the Financial Year.	11.6%.	
(iv)	The number of permanent employees on the rolls of company.	5,142 employees	
(v)	The explanation on the relationship between average increase in remuneration and company performance.	The increase in remuneration is commensurate with the Company's performance and comparable to industry standards.	
(vi)	Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company.	As mentioned below	
(vii)	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.	Employees other than managerial personnel	Managerial personnel
		10.9%	41.5%@
	Justification : In view of the responsibilities entrusted upon the Managerial Personnel and after taking into consideration, the overall compensation structure followed by peer companies for persons holding managerial positions, the Management feels that the percentile increase in remuneration of Managerial Personnel is justified.		
(viii)	The key parameters for any variable component of remuneration availed by the directors.	Variable compensation is an integral part of the Company's overall compensation structure for all the Employees including Executive Director. Variable pay is directly linked to individual performance rating and business performance. At the start of the year, Key Performance Indicators (KPI) for every Employee (including Executive Director), are identified well in advance. Performance benchmarks are set and yearly evaluations are done to determine whether performance benchmarks are achieved. The payment of Variable component is dependent on the ratings assigned.	
(ix)	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year.	None	

For the purpose of determining the ratio of remuneration and percentage increase in remuneration of directors as stipulated in Sr. No. (i) & (ii) above, only remuneration of Executive Director i.e. Mr. Dinanath Dubhashi, Managing Director & Chief Executive is considered.

Comparison of the remuneration of the Key Managerial Personnel against the performance of the Company.

Name	Designation	Profit after Tax (Rs. in Lakhs)	(%) Increase in Profit after Tax	(%) increase in remuneration
Mr. Dinanath Dubhashi	Managing Director & Chief Executive	25,560.48	27.02	49% @
Mr. Ruchir Shah	Head- Accounts			N.A.- appointed during the year
Mr. Kailash Purohit	Company Secretary			\$

For the purpose of point (i) and (ii) above, remuneration of only Executive Director is considered.

\$ The Company Secretary of the Company belong to group functions and hence his particulars is not relevant.

@ Compensation benchmarking exercise was carried out and the remuneration was revised accordingly.

Annexure 'D' to Boards' Report

Annual Report on Corporate Social Responsibility ("CSR")

(Pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014

As required under Section 135(4) of the Companies Act, 2013 and Rule 9 of Companies (Accounts) Rules, 2014, the details with respect to CSR are as follows:

1) **A brief outline of the company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:**

L&T Financial Services CSR Policy is based on social, economic, environment and volunteering objectives of the Company. The policy clearly states the organization's core CSR thrust areas as Quality Education and Livelihoods generation. The policy defines the Company's CSR vision with a clear implementation methodology. The CSR Policy has been formulated in accordance with the provisions of Section 135 of the Companies Act, 2013.

2) **Composition of CSR Committee:**

The Composition of CSR Committee is disclosed in the Corporate Governance Report.

3) Average Net Profit of the Company for the last three financial years is ₹ 20375.61 lakhs.

4) **Prescribed CSR Expenditure and details of CSR spend:**

Particulars	Rs. in Lakh
Prescribed CSR Expenditure	407.51
Amount spent as CSR	407.51
Amount unspent	Nil

5) **Manner in which amount spent during the financial year:**

(in ₹)

CSR project/ activity identified	Sector in which the Project is covered	Projects/Programs 1) Local area or other 2) specify the State and district where projects or Programs was undertaken	Amount outlay (budget) project / program wise	Amount spent on the project / programs	Cumulative spend upto the reporting period	Amount spent (Direct or through implementing agency)
Rural Development Programe	Livelihoods enhancement, rural development and empowering women.	State: Madhya Pradesh 1) District: Betul Blocks: Shahapur, Ghodadoongri, Chicholi, Betul 2) District: Hoshangabad Block: Kesla	1,39,80,060	1,39,80,060	1,39,80,060	Indirect**
Dnyanarpan project- The initiative aimed at enchancing and improving the learning abilitites and outcome of children between grade 2 to 5	Rural Development	Maharasthra, MP, Odisha & West Bengal	1,33,40,776	1,33,40,776	1,33,40,776	Indirect**

CSR project/ activity identified	Sector in which the Project is covered	Projects/Programs 1) Local area or other 2) specify the State and district where projects or Programs was undertaken	Amount outlay (budget) project / program wise	Amount spent on the project / programs	Cumulative spend upto the reporting period	Amount spent (Direct or through implementing agency)
Education support to rural BPL students	Promoting Education	State: Tamil Nadu Districts: Salem and Dharmapuri	85,38,000	85,38,000	85,38,000	Indirect**
Amrut Kumbh	Rural Development Project	State: Maharashtra District Jalna Village - Pokhari	12,50,000	12,50,000	12,50,000	Indirect**
Contribution to Jammu and Kashmir Flood Relief	Contribution to the Prime Minister's National Relief Fund	Jammu & Kashmir	30,14,288	30,14,288	30,14,288	Direct*
Swachh Vidhyalaya Mission (under Swachh Bharat Abhiyan)	Promoting Education and Sanitation	State: Madhya Pradesh District: Ashoknagar	1,78,000	1,78,000	1,78,000	Indirect*
Sensitive Rural Sourcing	Livelihood enhancement, Employment enhancing vocational skills	State: West Bengal Districts: West Midnapore and Siliguri	4,50,000	4,50,000	4,50,000	Indirect**
Total				4,07,51,124	4,07,51,124	4,07,51,124

Note:

Direct* = CSR projects/ initiatives directly implemented by the Organisation.

Indirect** = CSR activities/ projects have been carried out by partnering with several Non-Governmental Organisations/ Charitable Institutions.

6) Responsibility Statement:

The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

For **L&T Finance Limited**

Dinanath Dubhashi
Managing Director & Chief Executive
and Member of CSR Committee

Y. M. Deosthalee
Chairman of the Board
and Member – CSR Committee

Annexure 'E' to Boards' Report

Form No. MR-3

SECRETARIAL AUDIT REPORT

For the Financial Year Ended March 31, 2015

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
L&T Finance Limited

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by L&T FINANCE LIMITED (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on March 31, 2015, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2015 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), as applicable:-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
- (vi) Other specific business/industry related laws that are applicable to the company, viz.
 - NBFC –Asset Finance Company – The Reserve Bank of India Act, 1934 and all applicable Laws, Rules, Regulations, Guidelines, Circulars, Notifications, etc.

I have also examined compliance with the applicable clauses of the following:

- i. Secretarial Standards issued by The Institute of Company Secretaries of India - The Common Seal of the Company is kept in the custody of the Company Secretary;
- ii. The Listing Agreements have been entered into by the Company with Stock Exchange(s), if applicable. – Debt Listing Agreement with the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive

Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting. Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that, I was informed there are adequate systems and processes in the Company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the following events / actions have taken place which having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.,:

- (i) Public/Right/Preferential issue of shares / debentures/sweat equity, etc. –
 - Issue of Non-Convertible Debentures, Series A to Series L, aggregating ₹2292.5 crore, on private placement basis;
- (ii) Redemption / buy-back of securities. – NIL.
- (iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.
 - Increase of Borrowing limits of the Company from ₹25,000 Crore to ₹28,000 Crore.
- (iv) Merger / amalgamation / reconstruction, etc. – NIL.
- (v) Foreign technical collaborations – NIL.
- (vi) Any other –
 - The Company has a Fraud Monitoring System through Risk Control Unit to ensure that fraud monitoring and control measures are in place to maintain portfolio quality.

Place: Mumbai
Date: April 20, 2015

NAINA R DESAI
Practising Company Secretary
Membership No. 1351
Certificate of Practice No.13365

This report is to be read with our letter of even date which is annexed as Annexure 1 and forms an integral part of this report.

Annexure 1

To,

The Members,

L&T Finance Limited

Our report of even date is to be read along with this letter.

- 1) Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- 2) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- 3) We have not verified the correctness and appropriateness of financial records and Books of Account of the Company.
- 4) Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
- 5) The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
- 6) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Mumbai
Date: April 20, 2015

NAINA R DESAI
Practising Company Secretary
Membership No. 1351
Certificate of Practice No.13365

Annexure 'F' to Boards' Report

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

as on Financial Year ended on 31.03.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management & Administration) Rules, 2014.

I. REGISTRATION AND OTHER DETAILS

i	CIN	U65990MH1994PLC083147
ii	Registration Date	22-11-1994
iii	Name of the Company	L&T Finance Limited
iv	Category/Sub-category of the Company	Company Limited by Shares
v	Address of the Registered office & contact details	L&T House, Ballard Estate, Mumbai - 400001.
vi	Whether listed company	Yes (Only Debentures are listed)
vii	Name , Address & contact details of the Registrar & Transfer Agent, if any.	Sharepro Services (India) Pvt. Ltd. Samhita Warehousing Complex, Bldg. No.13A B, Gala No.52 to 56, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Mumbai - 400 072

II. PRINCIPAL BUSINESS ACTIVITY OF THE COMPANY

All business activities contributing 10% or more of the total turnover of the Company has been considered.

S.No.	Name & Description of main products/services	NIC Code of the Product / service	% to total turnover of the company
1	Non-Banking Finance Company (NBFC)	64990	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	L&T Finance Holdings Limited 5th Floor, City 2, Plot No. 177, Vidyanagari Marg, CST Road, Kalina, Santacruz (East), Mumbai – 400 098	L67120MH2008PLC181833	Holding Company	100%	2(46)

IV. SHAREHOLDING PATTERN (Equity Share capital Break up as % of total Equity)

(i) Category – wise Share Holding :-

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
A. Promoters										
(1) Indian										
a) Individual/HUF	-	7#	7	0.00	-	7#	7	0.00	----	----
b) Central Govt.or State Govt.	----	----	----	----	----	----	----	----	----	----

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
c) Bodies Corporate	23,84,22,262	-	23,84,22,262	100	23,84,22,262		23,84,22,262	100	-----	-----
d) Bank/FI	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
e) Any other	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
SUB TOTAL:(A) (1)	23,84,22,262	7#	23,84,22,269	100	23,84,22,262	7#	23,84,22,269	100	-----	-----
(2) Foreign										
a) NRI- Individuals										
b) Other Individuals										
c) Bodies Corp.										
d) Banks/FI										
e) Any other...										
SUB TOTAL (A) (2)										
Total Shareholding of Promoter										
(A)= (A)(1)+(A)(2)										
B. PUBLIC SHAREHOLDING										
(1) Institutions										
a) Mutual Funds										
b) Banks/FI										
C) Central govt.										
d) State Govt.										
e) Venture Capital Fund										
f) Insurance Companies										
g) FIs										
h) Foreign Venture Capital Funds										
i) Others (specify)										
SUB TOTAL (B)(1):										
(2) Non Institutions										
a) Bodies corporates										
i) Indian										
ii) Overseas										
b) Individuals										
i) Individual shareholders holding nominal share capital upto ₹1 lakhs										

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares		
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs										
c) Others (specify)										
SUB TOTAL (B)(2):										
Total Public Shareholding										
(B)= (B)(1)+(B)(2)										
C. Shares held by Custodian for										
GDRs & ADRs										
Grand Total (A+B+C)	23,84,22,262	7#	23,84,22,269	100	23,84,22,262	7#	23,84,22,269	100	-----	-----

shares held jointly with L&T Finance Holdings Limited

(ii) SHARE HOLDING OF PROMOTERS

Sr. No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	L&T Finance Holdings Limited	23,84,22,269 #	100	-----	23,84,22,269 #	100	-----	100
	Total	23,84,22,269	100	-----	23,84,22,269	100	-----	100

7 shares are held jointly with seven different individuals.

(iii) CHANGE IN PROMOTERS' SHAREHOLDING - No Change

Sr. No.		Share holding at the beginning of the Year		Cumulative Share holding during the year	
		No. of Shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year				
1	L&T Finance Holdings Limited #	23,84,22,269	100.00	23,84,22,269	100.00
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	-	-	-	-
	At the end of the year				
1	L&T Finance Holdings Limited #	23,84,22,269	100.00	23,84,22,269	100.00

7 shares are held jointly with seven different individuals.

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters & Holders of GDRs & ADRs): Not Applicable

Sr. No	For Each of the Top 10 Shareholders	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year				
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)				
	At the end of the year (or on the date of separation, if separated during the year)				

(v) Shareholding of Directors & Key Managerial Personnel

Sr. No	For Each of the Directors & KMP	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
	At the beginning of the year				
	Mr. Y. M. Deosthalee*	1	0.0	1	0.0
	Mr. N. Sivaraman*	1	0.0	1	0.0
	Date wise increase/decrease in Promoters Share holding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc)	-----	-----	-----	-----
	At the end of the year				
	Mr. Y. M. Deosthalee*	1	0.0	1	0.0
	Mr. N. Sivaraman*	1	0.0	1	0.0

* Held Jointly with L&T Finance Holdings Limited

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(Amount in ₹)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	84,53,71,12,667	48,36,75,08,333	0*	1,32,90,46,21,000
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2,42,24,34,316	17,47,71,684	-	2,59,72,06,000
Total (i+ii+iii)	86,95,95,46,984	48,54,22,80,016	-	1,35,50,18,27,000
Change in Indebtedness during the financial year				
Additions	43,42,49,00,004	7,37,29,62,18,990	-	7,80,72,11,18,994
Reduction	58,59,19,34,330	7,26,95,90,46,664	-	7,85,55,09,80,994
Net Change	(15,16,70,34,326)	10,33,71,72,326	-	(4,82,98,62,000)
Indebtedness at the end of the financial year				
i) Principal Amount	69,37,00,78,341	58,70,46,80,659	-	1,28,07,47,59,000
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2,91,96,22,985	16,39,66,015	-	3,08,35,89,000
Total (i+ii+iii)	72,28,97,01,326	58,86,86,46,674	-	1,31,15,83,48,000

* The Company had stopped accepting fresh deposits as well as renewal of existing deposits several years earlier, and as such, during the year, the Company has not accepted any public deposits. However, the Company has outstanding unclaimed fixed deposits of ₹ 17,000 as mentioned in the Report.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and/or Manager:

S. No	Particulars of Remuneration	Name of the MD/WTD/Manager	Total Amount (in Rs.)
1	Gross salary	Mr. Dinanath Dubhashi- Managing Director & Chief Executive	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961.	1,81,62,066.00	1,81,62,066.00
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	11,40,675.00	11,40,675.00
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	0	0
2	Stock option	0	0
3	Sweat Equity	0	0
4	Commission	0	0
--	as % of profit	0	0
--	others (specify)	0	0
5	Others, please specify	0	0
	Total (A)	1,93,027,41.00	1,93,027,41.00
	Ceiling as per the Act	19,37,51,730.00	19,37,51,730.00

B. Remuneration to other directors:

(Amount in Rs.)

S. No.	Particulars of Remuneration	Name of the Directors	Total Amount
1	Independent Directors		
	(a) Fees for attending Board/Committee Meetings	Refer Annexure 1 below	
	(b) Commission		
	(c) Others, please specify		
	Total (1)	-----	-----
2	Other Non Executive Directors		
	(a) Fees for attending Board/Committee Meetings	Refer Annexure 2 below	
	(b) Commission		
	(c) Others, please specify.		
	Total (2)	-----	-----
	Total (B)=(1+2)	-----	-----
	Total Managerial Remuneration	2,46,17,741.00	2,46,17,741.00
	Overall Ceiling as per the Act.	23,25,02,076.00	23,25,02,076.00

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sr. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	Company Secretary #	CFO #	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	N.A. - as details are provided in Section A above.			
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961				
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission				
	as % of profit				
	others, specify				
5	Others, please specify				
	Total				

The Company Secretary and Head - Accounts of the Company belong to group functions and hence their particulars are not relevant.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

There are no penalties levied or punishment or Compounding done during the year 2014-15.

Annexure 1: Independent Directors

(Amount in ₹)

Name of the Director	Sitting Fees for Board Meetings attended	Sitting Fees for Committee Meetings attended	Commission (upto) #	Total
Mr. Mannil Venugopalan	1,20,000	3,80,000	15,90,000	20,90,000
Mr. P. V. Bhide	1,20,000	2,80,000	12,15,000	16,15,000
Mr. Subramaniam N.	1,00,000	20,000	12,25,000	13,45,000
Dr. (Mrs) Rajani. R. Gupte*	-	-	-	-

* Appointed on March 20, 2015, hence payment is Nil during the year under review.

Annexure 2: Other Non-Executive Director

(Amount in ₹)

Name of the Director	Sitting Fees for Board Meetings attended	Sitting Fees for Committee Meetings attended	Commission (upto) #	Total
Mr. Raghavan Sadagopalan	40,000	1,00,000	12,85,000	14,25,000

To be decided by the Board based on the recommendations of Nomination and Remuneration Committee.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The business of the Company comprise loans for income generation as well as for the purchase of consumer assets, working capital loans for Small and Medium Enterprises, term loans for Medium and Large Companies, loans under microfinance.

The product portfolio of the Company includes:

Consumer and Auto Loans	Small and Medium Enterprises	Mid and Large Corporations	Microfinance
Farm equipment	Supply chain finance	Loans and leases	Joint liability loans
Small & Light Commercial Vehicles (S&LCV)	Term loans	Loan against securities	Micro individual loans
-	Warehouse Receipt Finance	-	-
-	Commercial Assets (Construction Equipment & Commercial Vehicle)	-	-

Management's focus is to achieve a healthy return on equity (ROE) on a sustainable basis to deliver attractive returns to all stakeholders. It has been a conscious decision of the Management to have diversified businesses to protect the overall profitability from the cyclicity of individual products. Hence, the Company has focused on comprehensive product offerings, though some have been developed as flagship products.

While creating the product-mix, three parameters are taken into account: profitability, scalability and the Company's ability to have clear market advantage in a particular product segment. These three parameters influence the ultimate choice of the Company's product offerings, for which it has earned admiration in the wider marketplace.

a. Consumer and Auto Loans

Farm Equipment Loans is Company's primary flagship product. This is due to existing and future potential for profitability, large market segments where Company foresee continued growth, strong OEM tie-ups, well spread network and ability to offer customised financing solutions.

During the year FY14-15, while Tractor market shrank by 13%, the Company's Tractor business grew by 13%, facilitating an increase in the market share by 3%. What enabled this growth was a strong tie-up with some notable manufacturers was the primary growth driver.

Furthermore, the Small & Light Commercial Vehicles (S&L CV) loans act as products that are ancillary to the Company's flagship products, as the Company can leverage its existing branch network to deliver these products. However, their cyclical nature prevents profitability on a sustainable basis, and hence, the Company has limited exposure to this business – to the extent it is remunerative. What has further helped is the

Company's dedicated focus on high collection efficiency even in the low buckets of delinquency.

b. Small and Medium Enterprises

Through the Small and Medium Enterprises ("SME") business, the Company offers Supply Chain loans (pre-shipment, post shipment and inventory funding), Construction Equipment and Medium and Large Commercial Vehicle loans. We are also incubating a business for financing warehouse receipts of agricultural commodities.

During the first half of FY 2015, the off-take in Supply Chain loans were limited due to a muted economic environment, but it picked up pace in the second half. The Company has also tied up with marquee names in the automotive segment for financing the inventory of their dealers and this boosted business in the second half of the year.

During the year under review, the continued decline in construction and mining activities, a drop in overall industrial growth and strained liquidity in the system took its toll on the Commercial Vehicle (CV) and Construction Equipment (CE) segment, especially the CV and CE asset owners. The business witnessed a worsening of asset quality and a fall in the resale value of assets. Accordingly, the Company strategically reduced its exposure to the segment in the last two years to restrict the level of stress in this business. While this has led to negative growth in this portfolio, the damage to asset quality was contained.

The SME segment has been fast emerging as another flagship segment for the Company. During the year under review, the Company undertook appropriate investment in technology for this business to be able to deliver a satisfactory and consistent customer experience. It has already considerably advanced its credit delivery processes by developing parameterised lending models that ensure a fast turnaround time.

c. Mid and Large Corporations

This segment of business comprises Corporate Loans & leases and Loan against Securities.

It is common knowledge that the combination of low demand, tight liquidity, volatile interest and exchange rates has impacted the manufacturing sector over the last two years. Therefore, the Company adopted a selective strategy for its corporate loans & leases during the year under review. The Company offered credit only to well-rated companies with tight monitoring of loan usage.

During FY2015, the Management's focus in this segment remained two-pronged:

- To be selective in doing deals that strictly satisfies the Company's requirement of risk-return payoff.
- Collection of delinquent accounts which helped reducing the NPAs in this segment substantially.

d. Microfinance

The Micro Finance segment is another flagship business of the Company. Robust risk control processes and ability to raise

liabilities to match growth aspirations in a timely manner, gives the Company a unique market advantage in this segment.

The Company offers micro loans either through a joint liability group model and individual micro loans. This business is currently operational in eight states in India - Tamil Nadu, Karnataka, Maharashtra, Gujarat, Orissa, West Bengal, Madhya Pradesh and Kerala.

During the year under review, the Company continued its efforts in Andhra Pradesh - within the overall framework of RBI regulations and the Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Act, 2010 - to recover loans which were written-off in the previous year. Currently, the Company has ceased further disbursements in Andhra Pradesh and its onward strategy would depend on the evolving regulations in the state.

Major initiatives during the year:

During the Financial Year 2015, your Company had undertaken several initiatives with an objective to enhance customer reach & centricity, multi channel reach, build scalability, manage risks effectively, attain process excellence & business continuity and aid cost flexibility.

- Mobility solutions: Loan origination and collection in the Consumer and Auto Finance business is completely based on mobility solutions. Loan origination is carried out through Android based tablets that aim to drive sales effectiveness through use of technology for reducing turnaround time. During the year, more than 80,000 cases have been originated through these tablets. Collections are carried out through mobile phones coupled with thermal Bluetooth printers to issue receipts.
- In order to optimize service quality and to consolidate processes, the Company have rationalized the number of processing centres. At the same time the Company have outsourced non-core activities like loan data entry. This has resulted in increase in efficiency through the year.
- Unified data warehouse has been implemented.
- Consistent focus to grow in B2C segments, through expansion in existing product lines and entry into new business.

Risk Management Practice

The Company has a robust risk management practice that enables it to mitigate and manage risks in its businesses. In line with international best practices, the Risk function is structured to operate independently from the business groups. The Risk Management Framework of the Company is derived from the overall Enterprise Risk Management Framework of L&T Financial Services, which encompasses credit, market as well as operational risks.

The Credit function independently evaluates proposals based on well-established sector specific internal frameworks, in order to identify, mitigate and allocate risks as well as to enable risk-based pricing of assets. Regulatory and process risks are identified, mitigated and managed by a separate group.

Human Resources

The Human Resources initiative focuses on structured training programmes (both in-house and external) intended to equip employees at all levels, with the necessary knowledge and experience in order to demonstrate high levels of performance.

Internal Control and its adequacy

The Company has put in place internal controls to ensure that all transactions are authorised, recorded and reported correctly and in accordance with the Policies, Guidelines, Processes and Frameworks approved by the Board and / or its Committees.

Periodic reviews by management as well as an extensive programme of audits (both internal and external) supplement the controls and provide necessary checks and balances.

Outlook

Given the fact that uncertain economic environment continues, the Company would remain focus on high yielding products with an intent to improve ROE.

Cautionary Statement/Disclaimer (for this Report)

Certain statements in this Report which describe the Company's objectives, predictions may be "forward-looking statements" within the meaning of applicable laws and regulations. Actual results may vary significantly from the forward looking statements contained in this document, due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and government policies that may impact the Company's business, as well as its ability to implement the strategy. The Company does not undertake to update these statements.

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, 2015, 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 board of directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to 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 principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's 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 internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2015, and its profit and its cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2015 (the 'Order') issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - (a) we have sought and 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 aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) on the basis of the written representations received from the directors as on March 31, 2015 taken on record by the board of directors, none of the directors is disqualified as on March 31, 2015 from being appointed as a director in terms of section 164 (2) of the Act; and
 - (f) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company has disclosed the impact of pending litigations on its financial position in its financial statements;
 - ii. the Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts; and
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

SHARP & TANNAN
Chartered Accountants
Firm's registration no.109982W
by the hand of
Firdosh D. Buchia
Partner

Mumbai, April 21, 2015

Membership no. 38332

Annexure to Independent Auditors' Report

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

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) In respect of owned assets, as explained to us, all fixed assets have been physically verified by the management in accordance with a phased program of verification, which in our opinion, is reasonable, having regard to the size of the Company and nature of its assets. In respect of leased assets, the Company has formulated a program of physical verification for all the fixed assets over the period of three years, which in our opinion, is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification.
- (ii) The Company is a non-banking finance company and does not hold any inventories. Accordingly, paragraph 3 (ii) (a), (b) and (c) of the Order is not applicable.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3 (iii) (a) and (b) of the Order is not applicable.
- (iv) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and services rendered.
- During the course of audit, we have neither come across nor have we been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) According to the information and explanations given to us, 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 73 to 76 and any other relevant provisions of the Act and the rules framed thereunder apply.
- (vi) The Company is a non-banking finance company. Accordingly, paragraph 3 (vi) of the Order is not applicable.
- (vii) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, cess and other statutory dues, as applicable, with the appropriate authorities. According to the information and explanations given to us, there are no arrears of outstanding statutory dues as at the last day of the financial year for a period exceeding six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of income tax, sales tax and service tax as at March 31, 2015 which have not been deposited on account of dispute pending, are as under:

Name of the Statute	Name of the disputed dues	Amount (Rs. Lakhs)	Period to which the amount relates	Forum where disputes are pending
Income Tax Act, 1961	Tax, interest and penalty	59.57	2006-07	CIT
		12.17	2009-10	CIT
		1,880.70	2010-11	CIT
		320.72	2011-12	CIT(A)
	Fringe benefits	101.44	2009-10	Assessing Officer
The Central Sales Tax Act, 1956 and Local Sales Tax Acts	Disallowance of exemption claimed for deemed sale in the course of inter state and import transactions	403.57	1995-96 to 1996-97, 2000-01, 2004-05, 2008-09, 2009-10, 2011-12	Joint Commissioner (Appeal)
		96.73	1995-96 to 1998-99,	

Name of the Statute	Name of the disputed dues	Amount (Rs. Lakhs)	Period to which the amount relates	Forum where disputes are pending
2000-01	Deputy Commissioner (Appeal)	32.95	1995-96 to 1999-00	Assessing Authority
		223.44	2007-08, 2010-11	Appellate Board
		14.04	1996-97, 2003-04	Tribunal
	Refusal of input tax credit (ITC)	5.51	2012-13	Joint Commissioner (Appeal)
	Local hire purchase turnover made taxable	7.04	1999-00	High Court
Service Tax under Finance Act, 1994	Service tax levied on receipt of interest on delayed payment	90.14	2005-06 to 2011-12	Appellate Authority

- (c) According to the information and explanations given to us, there is no amount required to be transferred to Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 and the rules made thereunder.
- (viii) The Company has no accumulated losses as at March 31, 2015 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
- (ix) According to the information and explanations given to us and the records examined by us, the Company has not defaulted in the repayment of dues to any financial institution or banks or debenture holders as at the balance sheet date.
- (x) In our opinion and according to the information and explanations given to us, the terms and conditions of guarantees given by the Company for loans taken by others from banks or financial institutions are prima facie not prejudicial to the interests of the Company.
- (xi) In our opinion and according to the information and explanations given to us, the term loans have been applied for the purpose for which they were obtained.
- (xii) We were informed by the management that, during the year there were 16 cases of frauds detected against the Company aggregating to ₹ 169.45 lakhs. The amounts recovered during the year were ₹ 101.91 lakhs, the provision during the year was ₹ 80.27 lakhs (including ₹ 5.92 lakhs for the earlier year) and the amount written off during the year was ₹ 1.44 lakhs. According to the information and explanations given to us, we have neither come across any instances of fraud by the Company, noticed or reported during the year, nor have we been informed of such case by management.

SHARP & TANNAN
Chartered Accountants
Firm's registration no.109982W
by the hand of
Firdosh D. Buchia
Partner
Membership no. 38332

Mumbai, April 21, 2015

Balance Sheet as at March 31, 2015

(₹ Lakh)

	Note No	As at March 31, 2015	As at March 31, 2014
EQUITY AND LIABILITIES:			
Shareholders' Funds			
Share capital	2	23,842.23	23,842.23
Reserves and surplus	3	205,331.07	195,461.21
		229,173.30	219,303.44
Non-current liabilities			
Long-term borrowings	4	742,360.12	696,351.63
Other long term liabilities	5	23,455.24	15,020.76
Long-term provisions	6	2,622.10	2,205.10
		768,437.46	713,577.49
Current liabilities			
Short-term borrowings	7	337,345.80	274,075.08
Current maturities of long term borrowings	4	201,041.67	358,619.50
Other current liabilities	8	61,401.90	80,704.97
Short-term provisions	9	2,990.18	2,009.02
		602,779.55	715,408.57
TOTAL		1,600,390.31	1,648,289.50
ASSETS:			
Non-current assets			
Fixed assets	10		
Tangible assets		27,545.16	31,481.10
Intangible assets		688.58	1,094.94
Capital work-in-progress		57.98	95.93
Non-current investments	11	12,072.24	10,609.56
Deferred tax assets (net)	12	10,933.95	8,474.40
Long-term loans and advances	13	1,773.25	3,525.39
Long-term loans and advances towards financing activities	14	825,334.12	910,962.70
Other non-current assets	15	9,027.49	1,402.54
		887,432.77	967,646.56
Current assets			
Current investments	16	510.03	22.67
Trade receivables	17	589.40	944.45
Cash and bank balances	18	13,145.51	22,063.46
Current maturities of long-term loans and advances towards financing activities	14	464,680.88	489,957.90
Short-term Loans and advances towards financing activities	19	179,901.65	124,903.67
Other current assets	20	54,130.07	42,750.79
		712,957.54	680,642.94
TOTAL		1,600,390.31	1,648,289.50
Significant accounting policies.	1		
Other notes forming part of financial statements.	27		

As per our report attached
SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

Firdosh D. Buchia
Partner
Membership no. 38332

Mumbai, April 21, 2015

For and on behalf of the Board
L&T Finance Limited

N. Sivaraman
Director
DIN - 00001747

Ruchir Shah
Head - Accounts

Mumbai, April 21, 2015

Dinanath Dubhashi
Managing Director & Chief Executive
DIN - 03545900

Kailash Purohit
Company Secretary

Statement of Profit and Loss for the year ended March 31, 2015

(₹ Lakh)

	Note No	2014-2015	2013-2014
INCOME:			
Income from operations	21	237,952.52	221,122.64
Other income	22	1,690.62	3,428.27
Total Income		239,643.14	224,550.91
EXPENSES:			
Finance costs	23	125,296.09	127,292.06
Employee benefits expenses	24	13,587.65	9,825.73
Administration and Other expenses	25	27,705.04	27,120.92
Allowances and write offs	26	26,528.69	22,838.22
Depreciation and amortisation expense		8,023.21	6,995.92
Total Expenses		201,140.68	194,072.85
Profit before tax		38,502.46	30,478.06
Tax expense:			
Current tax		15,271.03	14,756.00
Deferred tax		(2,329.05)	(4,400.60)
Profit after tax		25,560.48	20,122.66
Earnings per equity share:			
	27.8		
Basic earnings per equity share (₹)		10.72	8.44
Diluted earnings per equity share (₹)		10.72	8.44
Face value per equity share (₹)		10.00	10.00
Significant accounting policies	1		
Other notes forming part of financial statements	27		

As per our report attached
SHARP & TANNAN
 Chartered Accountants
 Firm's registration no. 109982W
 by the hand of

Firdosh D. Buchia
 Partner
 Membership no. 38332

Mumbai, April 21, 2015

For and on behalf of the Board
L&T Finance Limited

N. Sivaraman
 Director
 DIN - 00001747

Ruchir Shah
 Head - Accounts

Mumbai, April 21, 2015

Dinanath Dubhashi
 Managing Director & Chief Executive
 DIN - 03545900

Kailash Purohit
 Company Secretary

Cash Flow Statement for the year ended March 31, 2015

(₹ Lakh)

	2014-2015	2013-2014
A. Cash flow from operating activities		
Profit before taxes as per Statement of Profit & Loss	38,502.46	30,478.06
Adjustment for:		
Depreciation and amortisation	8,023.21	6,995.92
(Profit)/ Loss on sale of investments (net)	(86.33)	(2,396.77)
(Profit)/ Loss on sale of fixed assets (net)	927.65	2,086.19
(Gain)/loss on translation of foreign currency monetary assets and liabilities and mark to market of derivatives	700.00	-
Interest on long term NCDs, payable at maturity	3,295.55	2,515.18
Provision for diminution in value of investments	348.51	7.52
Provision for non-performing assets	4,302.66	5,613.52
Provision for standard assets	995.00	281.10
Operating profit before working capital changes	57,008.71	45,580.72
Adjustment for :		
(Increase)/ Decrease in trade and other receivables and advances	(19,693.34)	(9,315.30)
Increase/ (Decrease) in trade and other payables	(13,736.82)	(2,902.43)
Cash (used in) / generated from operations	23,578.55	33,362.99
Direct taxes paid	(12,899.66)	(12,262.69)
Cash generated from Operations	10,678.89	21,100.30
Loans disbursed (net of repayment)	51,604.94	(130,148.82)
Net cash (used in)/ generated from operating activities (A)	62,283.83	(109,048.52)
B. Cash flows from investing activities		
Add : Inflows from investing activities		
Proceeds/Adjustments from sale of fixed assets	2,268.62	1,794.59
Sale of investments	418.18	811.43
	2,686.80	2,606.02
Less : Outflow from investing activities		
Purchase of fixed assets	7,465.54	14,786.17
Purchase of investments	2,630.40	1,440.60
	10,095.94	16,226.77
Net cash (used in) / generated from investing activities (B)	(7,409.14)	(13,620.75)

Cash Flow Statement for the year ended March 31, 2015

(₹ Lakh)

	2014-2015	2013-2014
C. Cash flows from financing activities		
Add : Inflows from financing activities		
Proceeds from long term borrowings	2,869,257.99	2,242,900.00
Proceeds / repayment of short term borrowing (net)	16,300.00	84,653.35
	2,885,557.99	2,327,553.35
Less : Outflows from financing activities		
Repayment of long term borrowings	2,933,893.33	2,179,024.68
Debenture Issue Expenditures	123.90	200.29
Interim dividend tax paid	2,555.60	3,480.28
Interim dividend paid	12,781.82	10,919.73
	2,949,354.65	2,193,624.98
Net cash (used in) / generated from financing activities (C)	(63,796.66)	133,928.37
Net cash increase / (decrease) in cash and cash equivalents (A+B+C)	(8,921.97)	11,259.10
Cash and cash equivalents as at beginning of the year	21,753.35	10,494.25
Cash and cash equivalents as at end of the year	12,831.38	21,753.35
Reconciliation of Cash and Cash Equivalents		
Closing Balance as per Balance Sheet	13,145.51	22,063.46
Less : Deposits with original maturity for more than 3 months	314.13	310.11
Cash and Cash Equivalents as at end of the year	12,831.38	21,753.35

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 deposits with maturity period of less than 3 months.
- Previous year end figures have been regrouped/reclassified wherever applicable.

As per our report attached
SHARP & TANNAN
 Chartered Accountants
 Firm's registration no. 109982W
 by the hand of

For and on behalf of the Board
L&T Finance Limited

N. Sivaraman
 Director
 DIN - 00001747

Dinanath Dubhashi
 Managing Director & Chief Executive
 DIN - 03545900

Firdosh D. Buchia
 Partner
 Membership no. 38332

Ruchir Shah
 Head - Accounts

Kailash Purohit
 Company Secretary

Mumbai, April 21, 2015

Mumbai, April 21, 2015

Notes forming part of Financial Statements - March 31, 2015

A. Basis of Accounting

The financial statements have been prepared in accordance with the generally accepted accounting principles in India ('Indian GAAP'), Accounting Standards notified under Rule 7 of the Companies (Accounts) Rules, 2014, the provision of Section 133 of the Companies Act, 2013 along with the applicable guidelines issued by Reserve Bank of India ("RBI") as applicable to a Non Banking Finance Company (AFC - NBFC). The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

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 and differences between the actual results and the estimates are recognised in the periods in which the results are known / materialised.

C. 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.

D. Cash flow statements

Cash flows are reported using the indirect method whereby cash flows from operating, investing and financing activities of the Company are segregated and profit before tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

E. Investments

- The Company being regulated as a Non-Banking Financial Company (AFC - 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' as notified under Rule 7 of the Companies (Accounts) Rules, 2014.

All investments are initially recorded at cost. The cost of an investment includes purchase price and directly attributable acquisition charges reduced by recovery of costs, if any. On disposal of an investment, the difference between its carrying amount and the net disposal proceeds is charged off or credited to the Statement of Profit and Loss.

- Current investments are individually carried at lower of cost & fair value / market value. Long-term investments are carried at acquisition cost. A provision is made for diminution other than temporary on an individual basis against long-term investments. Premium paid over the face value of long-term investment is amortised over the life of the investment.

F. Loans

In accordance with the RBI guidelines, all loans are classified under any of four categories i.e. (i) standard assets (ii) sub-standard assets (iii) doubtful assets and (iv) loss assets.

G. Tangible 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 and impairment losses, if any. Profit or loss arising from derecognition of fixed assets are measured as difference between the net disposal proceeds and the cost of the assets less accumulated depreciation up to the month of disposal and are recognised in the Statement of Profit and Loss.

H. Intangible Fixed Assets

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 and impairment losses, if any. Any expenses on such software licenses for support and maintenance payable annually are charged to the Statement of Profit and Loss.

I. Depreciation and amortisation

Depreciation/ amortisation on fixed assets has been provided using straight-line method based on useful life prescribed under part C of Schedule II to the Companies Act, 2013.

However, in respect of the following categories of assets, depreciation is provided based on useful life which is different than as prescribed in Schedule II to the Companies Act, 2013.

Notes forming part of Financial Statements - March 31, 2015

Particulars	Nature	Useful Life adopted (in years)	Useful Life as per Schedule II (in years)
Plant & Equipment	Operating Lease	8.84	15
Motor car	Operating Lease	6.67	8
Vehicle	Operating Lease	6.17	8

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

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. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and there exists reasonable certainty of its recovery. In addition, the following criteria must also be met before revenue is recognised:

- (a) Interest from interest-bearing assets is recognised on an accrual basis except in case of non-performing loans where it is recognised upon realization, as per the income and assets classification norms prescribed by RBI.
- (b) Additional finance charges / overdue interest are treated to accrue only on realisation, due to uncertainty of realisation and are accounted accordingly.
- (c) Income on discounted instruments is recognised over the tenure of the instrument on a straight-line method.

(d) Front end fees on processing of loans are recognised upfront as income.

(e) Revenues from the various services that the Company renders are recognised when the following criteria are met: persuasive evidence of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectability is reasonably assured.

(f) Profit / loss on sale of investments is recognised on trade date basis.

(g) Gains arising on direct assignment of assets/receivable are recognized over the residual life of the loans in terms of the RBI guidelines. Loss, if any is recognised upfront.

(h) Dividend is accounted when the right to its receipt is established.

L. 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 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 service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value

Notes forming part of Financial Statements - March 31, 2015

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 account.

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:

Accumulated leave, which is expected to be utilized within the next twelve months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the Projected Unit Credit Method at the reporting date. Actuarial gains/losses are immediately taken to the Statement of Profit and Loss and are not deferred.

The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for twelve months after the reporting date.

M. Borrowing Costs

Borrowing cost includes interest; amortisation of ancillary costs incurred and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost. Ancillary and other borrowing costs not directly related to the acquisition of qualifying assets are charged to Statement of Profit & Loss over the tenure of the loan.

N. Segment Reporting Policies

The Company has a single reportable segment i.e. financing which has similar risk and return for the purpose of AS-17 on 'Segment Reporting' notified under section 133 of the the Companies Act 2013 read with rule 7 of the Companies (Accounts) Rules

2014. The Company operates in a single geographical segment i.e. domestic.

O. Leases

Where the company is lessee

Operating lease:

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 in accordance with Accounting Standard 19 on 'Leases' as notified under Rule 7 of the Companies (Accounts) Rules, 2014. Initial direct costs incurred specifically for operating leases are recognised as expenses in the year in which they are incurred.

Where the company is lessor

Finance Lease:

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

Operating Lease:

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

P. Earnings per share

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

Notes forming part of Financial Statements - March 31, 2015

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. Taxes on Income

- Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provisions 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 is measured using the tax rates and the tax laws enacted or substantively enacted as at the Balance sheet date. Deferred tax liabilities are recognised for all timing differences. 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. Current and deferred tax relating to items directly recognised in reserves are recognised in reserves and not in the Statement of Profit and Loss.

R. 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.

S. Derivative contracts

Currency interest rate swaps

Currency interest rate swaps in the nature of hedge, booked with the objective of managing the currency and interest rate risk on foreign currency liabilities are recorded on accrual basis and these transactions are not marked to market. The foreign currency balances on account of principal of currency interest rate swaps outstanding as at the Balance Sheet date are revalued using the closing rate.

T. Provisions, Contingent liabilities and Contingent assets

Provision against Loans and advances

- The policy of provisioning against non performing loans and advances has been decided by the Management considering norms prescribed by the RBI under Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007. As per the policy adopted, the provision against sub standard assets are created on a conservative basis, taking into account Management's perception of the higher risk associated with the business of the Company. Certain non performing loans and advances are considered as loss assets and full provision has been made against such assets.
- Provision against restructured loans is computed in accordance with the RBI guidelines.
- Contingent provision against standard assets is made at 0.30% of the outstanding standard assets.

Other Provision

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 and Assets:

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements. Contingent Assets are not recognised.

U. Employee Stock Option Plan

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

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 within specified period. The holding company follows the intrinsic value method to account for its stock based employee compensation plans. The expense or credit recognized in the Statement of Profit and Loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

V. Securities Issue Expenses

Securities issue expenses are adjusted against the Securities Premium Account as permissible under section 52 of the Companies Act, 2013, to the extent balance is available for utilization in the Securities Premium Account.

Notes forming part of Financial Statements - March 31, 2015

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, 2015		As at March 31, 2014	
	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 & 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

Equity Shares	As at March 31, 2015		As at March 31, 2014	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
Balance at the beginning of the year	238,422,269	23,842.23	238,422,269	23,842.23
Issued during the year	-	-	-	-
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.

2.IV. Shares held by holding company

	As at March 31, 2015		As at March 31, 2014	
	No. of Shares	₹ Lakh	No. of Shares	₹ Lakh
L&T Finance Holdings Limited and its nominees	238,422,269	23,842.23	238,422,269	23,842.23
(Equity Shares of ₹ 10 each fully paid)				

2.V. Details of shareholders holding more than 5% shares in the company

	As at March 31, 2015		As at March 31, 2014	
	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 nominees

Notes forming part of Financial Statements - March 31, 2015

3 Reserves & surplus	(₹ in Lakh)	
	As at March 31, 2015	As at March 31, 2014
3.I. Capital redemption reserves		
Balance as per last financial statements	82.25	82.25
3.II. Securities premium account		
Balance as per last financial statements	89,727.93	89,860.14
Less: Debenture issue expenses adjusted during the year {Net of tax of ₹ 51.36 Lakhs (Previous year ₹ 68.07 Lakhs)}	99.76	132.21
Closing Balance	89,628.17	89,727.93
3.III. Debenture redemption reserve		
Balance as per last financial statements	16,034.00	12,600.00
Add: Transferred from/ (to) surplus in the Statement of Profit and Loss	(7,262.84)	3,434.00
Closing Balance	8,771.16	16,034.00
Debenture redemption reserve has been maintained in accordance with Section 71 (4) of the Companies Act, 2013 read with Circular no, 04/2013) dated 11th February 2013 in respect of public issue of debentures.		
3.IV. Reserve u/s 45-IC of Reserve Bank of India Act, 1934		
Balance as per last financial statements	27,877.35	23,852.79
Add: Transferred from surplus in the Statement of Profit and Loss	5,112.10	4,024.56
Closing Balance	32,989.45	27,877.35
3.V. General reserves		
Balance as per last financial statements	11,104.48	9,092.21
Add: Transferred from surplus in the Statement of Profit and Loss	-	2,012.27
Closing Balance	11,104.48	11,104.48
3.VI. Surplus in the Statement of Profit and Loss		
Balance as per last financial statements	50,635.20	51,559.47
Add: Net Profit for the year	25,560.48	20,122.66
Less : Appropriations		
Interim equity dividend (amount per share ₹ 5.36 (March 31, 2014 : ₹ 4.15)	12,781.82	9,894.52
Tax on equity dividend	2,555.60	1,681.58
Transferred to/ (from) debenture redemption reserve	(7,262.84)	3,434.00
Transferred to reserve u/s 45-IC of Reserve Bank of India Act, 1934	5,112.10	4,024.56
Transferred to General Reserves	-	2,012.27
Depreciation as per revised Schedule II of Companies Act 2013	253.44	-
{Net of tax of ₹ 130.50 Lakhs (Previous year ₹ Nil)}		
Net surplus in the Statement of Profit and Loss	62,755.56	50,635.20
Total reserves and surplus	205,331.07	195,461.21

Notes forming part of Financial Statements - March 31, 2015

(₹ in Lakh)

	As at March 31, 2015		As at March 31, 2014	
	Non current portion	Current maturities	Non current portion	Current maturities
4 Long-term borrowings				
I. Secured				
Redeemable non convertible debentures	343,851.36	59,500.00	199,533.44	152,366.56
Less : Buy Back	(1,157.91)	-	(1,263.81)	(831.73)
	342,693.45	59,500.00	198,269.63	151,534.83
Term loans				
- From banks	110,166.67	141,541.67	238,082.00	207,084.67
- Foreign currency loan	12,500.00	-	-	-
Total I	465,360.12	201,041.67	436,351.63	358,619.50
II. Unsecured				
Redeemable non convertible debentures	40,000.00	-	40,000.00	-
From banks	217,000.00	-	200,000.00	-
Perpetual debt	20,000.00	-	20,000.00	-
Total II	277,000.00	-	260,000.00	-
Total (I + II)	742,360.12	201,041.67	696,351.63	358,619.50

Note No.

4 4.(I).(a) 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) (b) During the year, the Company has bought back and extinguished 3,547 (Previous year NIL) nos. of debentures of ₹ 1,000 each aggregating to ₹ 35.47 Lakhs (Previous year ₹ NIL). Apart from this, the Company has bought back and is holding 32,618 nos. (Previous year 58,832 nos.) debentures of ₹ 1000 each aggregating to ₹ 326.18 Lakhs (Previous year ₹ 588.32 Lakhs) as on March 31, 2015, pending extinguishment / re-issue of the same.

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

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

Notes forming part of Financial Statements - March 31, 2015

Particulars of terms of redemption / repayment

Secured :

Non Current :

Note 4.(i)(j) 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
H of FY 2013-14	₹ 25 lakhs each	29 October 2013	500.00	500.00	-	9.95%	20 October 2016	Redeemable at par at the end of 1087 days from the date of allotment
H of FY 2013-14	₹ 25 lakhs each	29 October 2013	17,400.00	17,400.00	-	9.95%	28 October 2016	Redeemable at par at the end of 1095 days from the date of allotment
H of FY 2013-14	₹ 25 lakhs each	29 October 2013	1,000.00	1,000.00	-	NSE M+155 bps	28 October 2016	Redeemable at par at the end of 1095 days from the date of allotment
D of FY 2013-14	₹ 10 lakhs each	20 May 2013	5,500.00	5,500.00	-	8.90%	20 May 2016	Redeemable at par at the end of 1096 days from the date of allotment
L of FY 2012-13	₹ 10 lakhs each	18 December 2012	2,500.00	-	2,500.00	9.45%	18 December 2015	Redeemable at par at the end of 1095 days from the date of allotment
D of FY 2013-14	₹ 10 lakhs each	20 May 2013	5,000.00	5,000.00	-	8.90%	20 May 2016	Redeemable at par at the end of 1096 days from the date of allotment
G of FY 2013-14	₹ 25 lakhs each	11 October 2013	10,500.00	10,500.00	-	10.20%	11 October 2016	Redeemable at par at the end of 1096 days from the date of allotment
A of FY 2013-14	₹ 10 lakhs each	5 April 2013	40,000.00	40,000.00	-	9.05%	5 April 2018	Redeemable at par at the end of 1826 days from the date of allotment
C of FY 2013-14	₹ 10 lakhs each	17 May 2013	10,000.00	-	10,000.00	8.90%	15 May 2015	Redeemable at par at the end of 728 days from the date of allotment
C of FY 2013-14	₹ 10 lakhs each	17 May 2013	5,000.00	-	5,000.00	8.90%	15 May 2015	Redeemable at par at the end of 728 days from the date of allotment
B of FY 2013-14	₹ 10 lakhs each	15 April 2013	2,500.00	-	2,500.00	9.20%	15 April 2015	Redeemable at par at the end of 730 days from the date of allotment
H of FY 2013-14	₹ 25 lakhs each	29 October 2013	1,500.00	-	1,500.00	9.95%	29 October 2015	Redeemable at par at the end of 730 days from the date of allotment
J of FY 2013-14	₹ 25 lakhs each	27 March 2014	500.00	-	500.00	9.59%	6 April 2015	Redeemable at par at the end of 375 days from the date of allotment
J of FY 2013-14	₹ 25 lakhs each	27 March 2014	10,900.00	-	10,900.00	9.59%	7 April 2015	Redeemable at par at the end of 376 days from the date of allotment
J of FY 2013-14	₹ 25 lakhs each	27 March 2014	1,600.00	-	1,600.00	9.59%	8 April 2015	Redeemable at par at the end of 377 days from the date of allotment
A of FY 2014-15	₹ 25 lakhs each	26 May 2014	550.00	550.00	-	9.75%	9 May 2016	Redeemable at par at the end of 714 days from the date of allotment
A of FY 2014-15	₹ 25 lakhs each	26 May 2014	10,000.00	10,000.00	-	9.74%	15 April 2016	Redeemable at par at the end of 690 days from the date of allotment
A of FY 2014-15	₹ 25 lakhs each	26 May 2014	5,000.00	5,000.00	-	9.76%	23 May 2016	Redeemable at par at the end of 728 days from the date of allotment
A of FY 2014-15	₹ 25 lakhs each	26 May 2014	12,000.00	12,000.00	-	9.75%	26 May 2016	Redeemable at par at the end of 731 days from the date of allotment
B of FY 2014-15	₹ 25 lakhs each	30 May 2014	15,000.00	15,000.00	-	9.66%	30 May 2016	Redeemable at par at the end of 731 days from the date of allotment

Notes forming part of Financial Statements - March 31, 2015

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
B of FY 2014-15	₹ 25 lakhs each	30 May 2014	2,000.00	2,000.00	-	9.65%	30 May 2016	Redeemable at par at the end of 731 days from the date of allotment
B of FY 2014-15	₹ 25 lakhs each	30 May 2014	1,000.00	1,000.00	-	9.65%	30 May 2016	Redeemable at par at the end of 731 days from the date of allotment
B of FY 2014-15	₹ 25 lakhs each	30 May 2014	1,500.00	1,500.00	-	9.65%	30 May 2016	Redeemable at par at the end of 731 days from the date of allotment
C of FY 2014-15	₹ 25 lakhs each	4 June 2014	5,000.00	-	5,000.00	9.35%	4 December 2015	Redeemable at par at the end of 548 days from the date of allotment
D of FY 2014-15	₹ 25 lakhs each	9 June 2014	35,200.00	35,200.00	-	9.60%	9 June 2016	Redeemable at par at the end of 731 days from the date of allotment
E of FY 2014-15	₹ 25 lakhs each	13 June 2014	27,000.00	27,000.00	-	9.44%	13 June 2016	Redeemable at par at the end of 731 days from the date of allotment
E of FY 2014-15	₹ 25 lakhs each	13 June 2014	21,500.00	21,500.00	-	9.35%	13 May 2016	Redeemable at par at the end of 700 days from the date of allotment
F of FY 2014-15	₹ 25 lakhs each	15 July 2014	18,500.00	18,500.00	-	9.45%	15 July 2016	Redeemable at par at the end of 731 days from the date of allotment
G of FY 2014-15	₹ 25 lakhs each	23 September 2014	5,000.00	5,000.00	-	9.36%	23 September 2016	Redeemable at par at the end of 731 days from the date of allotment
H of FY 2014-15	₹ 25 lakhs each	3 November 2014	10,000.00	-	10,000.00	9.27%	18 December 2015	Redeemable at par at the end of 410 days from the date of allotment
H of FY 2014-15	₹ 25 lakhs each	3 November 2014	10,000.00	-	10,000.00	9.27%	18 December 2015	Redeemable at par at the end of 410 days from the date of allotment
I of FY 2014-15	₹ 25 lakhs each	7 November 2014	10,000.00	10,000.00	-	9.27%	18 December 2016	Redeemable at par at the end of 406 days from the date of allotment
I of FY 2014-15	₹ 25 lakhs each	7 November 2014	2,500.00	2,500.00	-	9.27%	16 February 2017	Redeemable at par at the end of 466 days from the date of allotment
I of FY 2014-15	₹ 25 lakhs each	7 November 2014	900.00	900.00	-	9.31%	7 November 2017	Redeemable at par at the end of 1096 days from the date of allotment
J of FY 2014-15	₹ 25 lakhs each	12 November 2014	3,000.00	3,000.00	-	8.87%	20 October 2016	Redeemable at par at the end of 708 days from the date of allotment
K of FY 2014-15	₹ 25 lakhs each	30 January 2015	12,500.00	12,500.00	-	8.60%	30 January 2017	Redeemable at par at the end of 731 days from the date of allotment
K of FY 2014-15	₹ 25 lakhs each	30 January 2015	12,500.00	12,500.00	-	8.60%	28 July 2017	Redeemable at par at the end of 910 days from the date of allotment
L of FY 2014-15	₹ 25 lakhs each	13 February 2015	3,000.00	3,000.00	-	9.04%	13 February 2017	Redeemable at par at the end of 731 days from the date of allotment
L of FY 2014-15	₹ 25 lakhs each	13 February 2015	2,400.00	2,400.00	-	9.05%	21 February 2017	Redeemable at par at the end of 739 days from the date of allotment
L of FY 2014-15	₹ 25 lakhs each	13 February 2015	500.00	500.00	-	9.03%	4 April 2017	Redeemable at par at the end of 781 days from the date of allotment
L of FY 2014-15	₹ 25 lakhs each	13 February 2015	1,025.00	1,025.00	-	9.02%	17 April 2017	Redeemable at par at the end of 794 days from the date of allotment
L of FY 2014-15	₹ 25 lakhs each	13 February 2015	1,675.00	1,675.00	-	9.05%	27 February 2017	Redeemable at par at the end of 745 days from the date of allotment
Total			343,650.00	284,150.00	59,500.00			

Notes forming part of Financial Statements - March 31, 2015

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 3	₹ 1000 each	17 September 2009	12,238.49	12,238.49	-	9.95%	17 January 2017	Redeemable at par at the end of 2679 days from the date of allotment
NCD 2009 Series 4	₹ 1000 each	17 September 2009	46,304.96	46,304.96	-	10.24%	17 September 2019	Redeemable at par at the end of 3652 days from the date of allotment
Total			58,543.45	58,543.45	-			
Grand Total			402,193.45	342,693.45	59,500.00			

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

Repayment terms	Tenure	Non Current Portion (₹ Lakh)	Current Maturities (₹ Lakh)
Bullet	up to 4 years	54,000.00	50,000.00
Quarterly	up to 4 years	55,416.67	91,041.67
Half Yearly	up to 4 years	750.00	500.00
Grand Total		110,166.67	141,541.67

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
J of FY 2012-13	₹ 10 lakhs each	21 December 2012	27,500.00	27,500.00	-	9.80%	21 December 2022
H of FY 2007-08	₹ 10 lakhs each	20 February 2008	7,500.00	7,500.00	-	10.50%	20 February 2018
I of FY 2013-14	₹ 10 lakhs each	27 March 2014	5,000.00	5,000.00	-	10.35%	27 March 2024
Grand Total			40,000.00	40,000.00	-		

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

Repayment terms	Tenure	Average Rate of Interest	Non Current Portion (₹ Lakh)
Bullet	up to 2 years	Fixed	217,000
Grand Total			217,000

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 December 2011	20,000	20,000	-	11.50%

Note :

Outstanding balance of perpetual debt is 8.42% of Tier I Capital of ₹ 237,550.78 lakh as at March 31, 2015.

Notes forming part of Financial Statements - March 31, 2015

(₹ in Lakh)

	As at March 31, 2015	As at March 31, 2014
5 Other long term liabilities		
Interest accrued but not due on non convertible debentures	12,949.35	7,504.19
Long term obligations	8,321.20	4,210.77
Security deposits and margin money received	1,596.67	2,486.25
Deferred income on assignment	588.02	819.55
	23,455.24	15,020.76

(₹ in Lakh)

	As at March 31, 2015	As at March 31, 2014
6 Long term provisions		
Contingent provision against standard assets	2,622.10	2,205.10
	2,622.10	2,205.10

(₹ in Lakh)

	As at March 31, 2015	As at March 31, 2014
7 Short-term borrowings		
I. Secured		
Term loans		
- from banks	10,000.00	45,000.00
Loans repayable on demand		
- Cash Credit	17,299.00	-
- Working Capital Demand Loans	-	5,400.00
Total I	27,299.00	50,400.00
II. Unsecured		
Working Capital Demand Loan	-	22,000.00
Commercial papers	301,700.00	200,500.00
Less : Unexpired discounting charge	4,433.20	3,769.92
Loans and advances from related parties		
- Inter corporate borrowings	12,780.00	4,945.00
Total II	310,046.80	223,675.08
Total (I + II)	337,345.80	274,075.08

Short Term borrowings

Secured

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

(₹ in Lakh)

Repayment terms	Tenure	Average Rate of Interest	
Bullet	7 to 12 months	Base Rate + predetermined margin	27,299.00
Grand Total			27,299.00

Notes forming part of Financial Statements - March 31, 2015

7.(II) (ii) Inter corporate borrowings

(₹ in Lakh)

Name of Lender	Relation	Date of Financing	₹ Lakh	Date of redemption	Redemption Terms
Metro Tunnelling Group	Joint Venture of Ultimate Holding Company	11 January 2015	3,000.00	11 January 2016	Bullet
L & T Finance Holdings Ltd	Holding Company	30 March 2015	9,200.00	29 March 2016	Bullet
L & T Capital Company Ltd	Fellow Subsidiary	2 January 2015	78.00	2 January 2016	Bullet
L & T Capital Company Ltd	Fellow Subsidiary	28 February 2015	115.00	28 February 2016	Bullet
L & T Capital Company Ltd	Fellow Subsidiary	31 July 2014	115.00	31 July 2015	Bullet
L & T Capital Company Ltd	Fellow Subsidiary	28 January 2015	200.00	28 January 2016	Bullet
L & T Capital Company Ltd	Fellow Subsidiary	28 January 2015	72.00	28 January 2016	Bullet
Grand Total			12,780.00		

(₹ in Lakh)

	As at March 31, 2015	As at March 31, 2014
8 Other current liabilities		
Interest accrued but not due on borrowings	17,886.54	18,467.87
Security deposits and margin money received	1,160.86	602.90
Short term obligations	11,561.53	26,576.53
Deferred income on assignment	207.97	620.12
Bank book credit balance	6,710.12	9,173.67
Other liabilities		
Advance from customers	10,526.15	7,593.33
Trade payables for capital goods	74.82	89.42
Provision for expenses	5,444.32	4,913.94
Statutory liabilities	2,756.86	3,118.23
Others	5,072.73	9,548.96
	61,401.90	80,704.97

(₹ in Lakh)

	As at March 31, 2015	As at March 31, 2014
9 Short-term provisions		
Contingent provision against standard assets	2,118.00	1,540.00
For Employee benefits		
- Gratuity	223.12	3.90
- Leave Encashment	649.06	465.12
	2,990.18	2,009.02

Notes forming part of Financial Statements - March 31, 2015

NOTE NO. 10 - FIXED ASSETS

Particulars	Gross Block (at cost)			Depreciation / Amortisation / Adjustments			Net Block		
	As at April 1, 2014	Additions	Sales	As at March 31, 2015	Upto March 31, 2014	For the Year	Upto March 31, 2015	As at March 31, 2015	As at March 31, 2014
Tangible Assets									
Owned Assets									
Buildings	3,117.71	-	78.58	3,039.13	584.32	48.28	-	2,409.73	2,533.39
Office equipment	1,028.73	153.61	67.90	1,114.44	526.58	167.23	135.17	348.59	502.15
Furniture and fixtures	1,224.53	187.07	48.93	1,362.67	441.65	206.40	4.86	733.90	782.88
Leasehold renovation	869.62	473.29	-	1,342.91	345.85	293.40	-	703.66	523.77
Computers	4,110.07	1,058.15	172.19	4,996.03	2,325.49	961.32	171.97	1,649.58	1,784.58
Owned Assets Leased out									
Plant and machinery	9,647.16	441.63	526.68	9,562.11	3,101.64	926.70	287.41	5,814.57	6,545.52
Office equipment	203.27	72.42	3.93	271.76	28.46	54.03	2.33	191.60	174.81
Furniture and fixtures	1,430.85	429.84	6.15	1,854.54	401.52	191.45	1.64	1,263.21	1,029.33
Motor cars	21,720.91	4,225.91	5,474.86	20,471.96	6,629.88	3,018.39	2,629.12	13,452.81	15,091.03
Vehicles	904.80	-	-	904.80	507.80	128.37	-	268.63	397.00
Computers	5,259.04	13.60	1,851.58	3,421.06	3,142.40	1,415.68	1,851.58	708.88	2,116.64
(A)	49,516.69	7,055.52	8,230.80	48,341.41	18,035.59	7,411.25	5,034.52	20,796.25	31,481.10
Intangible Assets									
Owned Assets									
Specialised software	3,456.54	205.60	-	3,662.14	2,361.60	611.96	-	688.58	1,094.94
(B)	3,456.54	205.60	-	3,662.14	2,361.60	611.96	-	2,973.56	1,094.94
(A) + (B)	52,973.23	7,261.12	8,230.80	52,003.55	20,397.19	8,023.21	5,034.52	23,769.81	32,576.04
Previous Year	44,743.93	15,390.79	7,161.49	52,973.23	16,681.98	6,995.92	3,280.71	-	-
Add : Capital Work-in-Progress								57.98	95.93
								28,291.72	32,671.97

Notes forming part of Financial Statements - March 31, 2015

	Face value (fully paid up)	As at March 31, 2015		As at March 31, 2014	
	₹ per share / unit	No. of shares/ units	₹ Lakh	No. of shares / units	₹ Lakh
11 Non-current investments					
Other Investments (valued at cost unless stated otherwise)					
Quoted instruments					
Investment in Debentures					
Infrastructure Development Finance Company Limited					
IDFC Ltd (M+150bps) 16 May 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 Limited	10	3,008	0.75	3,008	0.75
Monnet Project Developers Limited	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			(38.68)		(38.68)
Unquoted instruments					
Investment in equity shares					
Invent Assets Securitisation & Reconstruction Private Limited	10	7,100,000	1,597.50	7,100,000	1,597.51
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
L&T Infra Debt Fund Limited	10	20,000,000	2,000.00	20,000,000	2,000.00
Less: Provision for diminution in the value of investments			(22.91)		(22.91)
Investment in Government/ Trust securities					
LTFL Securitisation Trust 2002			0.01		0.01
12% National Savings Certificate 2002			0.04		0.04
(Deposited as security with sales tax authorities)					

Notes forming part of Financial Statements - March 31, 2015

	Face value (fully paid up)	As at March 31, 2015		As at March 31, 2014	
	₹ per share / unit	No. of shares/ units	₹ Lakh	No. of shares / units	₹ Lakh
Other investments					
Phoenix ARC Private Limited					
Security receipt					
Phoenix ARF Scheme 6	1,000	9,843	98.43	9,843	98.43
Phoenix ARF Scheme 7	1	23,238	0.23	23,238	59.71
Phoenix ARF Scheme 9	970	6,612	64.14	6,612	64.14
Phoenix ARF Scheme 10	1,000	18,889	188.89	18,889	188.89
Phoenix ARF Scheme 11	1,000	44,208	442.08	44,208	442.08
Phoenix ARF Scheme 13	1,000	27,404	274.04	27,404	274.04
Phoenix ARF Scheme 14	1,000	34,882	348.82	34,882	348.82
Phoenix ARF Scheme 15	880	10,691	94.08	10,691	106.91
Investment in Units					
KKR India debt Opportunities Fund III	1,000	85,000	2,260.00	72,500	725.00
Total			12,072.24		10,609.56

Note:

Aggregate amount of quoted investments

Book value	4,722.66	4,722.66
Market value	4,683.98	4,683.98

Aggregate amount of unquoted investments

Book value	7,411.17	5,948.49
Market value	7,388.26	5,925.58

Aggregate provision for diminution in the value of Investments

61.59	61.59
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Notes forming part of Financial Statements - March 31, 2015

12 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	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
Deferred tax liability		
Other item giving rise to timing difference	553.73	543.84
	553.73	543.84
Deferred tax assets		
Difference between book depreciation and tax depreciation	2,126.00	661.29
Provision for NPA / Advances	8,979.23	6,782.00
Unpaid statutory liabilities /provision for leave encashment	224.63	158.09
Other item giving rise to timing difference	157.82	1,416.86
	11,487.68	9,018.24
Net deferred tax assets / (liability)	10,933.95	8,474.40
13 Long-term loans and advances		
Unsecured (Considered goods)		
Capital Advances	435.99	193.63
Advances recoverable in cash or in kind or for value to be received	868.34	526.81
Advance taxes (net)	468.92	2,804.95
	1,773.25	3,525.39

13 Long-term loans and advances

Unsecured (Considered goods)

Capital Advances	435.99	193.63
Advances recoverable in cash or in kind or for value to be received	868.34	526.81
Advance taxes (net)	468.92	2,804.95
	1,773.25	3,525.39

14 Long-term loans and advances towards financing activities

I. Secured

	As at March 31, 2015		As at March 31, 2014	
	Non current portion#	Current maturities	Non current portion#	Current maturities
Term loans	722,654.33	416,698.02	819,057.17	442,256.30
Finance Lease	6,830.79	6,366.19	8,372.33	5,459.25
Debentures	5,909.40	1,300.00	12,922.51	5,400.00
	735,394.52	424,364.21	840,352.01	453,115.55

Less : Allowance for non performing assets

Less: Interest capitalised on restructured assets

Less: Sacrifice loss on restructuring

Total I

II. Unsecured

Term loans	110,051.01	36,316.67	87,733.46	36,842.35
Debentures	1,822.51	4,000.00	-	-
	111,873.52	40,316.67	87,733.46	36,842.35

Less : Allowance for non performing assets

Less: Interest capitalised on restructured assets

Total II

Total (I + II)

	16,602.88	-	13,799.41	-
	1,047.92	-	817.99	-
	375.55	-	-	-
	717,368.17	424,364.21	825,734.61	453,115.55
	3,907.57	-	2,408.37	-
	-	-	97.00	-
	107,965.95	40,316.67	85,228.09	36,842.35
	825,334.12	464,680.88	910,962.70	489,957.90

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

Notes forming part of Financial Statements - March 31, 2015

(₹ Lakh)

	As at March 31, 2015	As at March 31, 2014
15 Other non-current assets		
Income accrued but not due on NCD and loans	9,027.49	1,402.54
	9,027.49	1,402.54

	Face value (fully paid up) ₹ per unit	As at March 31, 2015		As at March 31, 2014	
		No. of units	₹ Lakh	No. of units	₹ Lakh
16 Current investments					
Non-trade Investments (valued at cost unless stated otherwise)					
Investment in equity					
Shiv-Vani Oil & Gas Exploration Services Limited	10	1,940,514.00	460.87	-	-
Less : Provision for diminution in the value of investments		-	(314.36)	-	-
Glodyne Technoserve Limited	6	319,262.00	22.67	319,262	22.67
Less : Provision for diminution in the value of investments		-	(16.60)	-	-
Bhushan Steel Limited	2	548,246.00	375.00	-	-
Less : Provision for diminution in the value of investments		-	(17.55)	-	-
Total			510.03		22.67
Aggregate amount of quoted investments					
Book value			858.54		22.67
Market value			510.03		22.67
Aggregate provision for diminution in the value of Investments			348.51		-

(₹ Lakh)

	As at March 31, 2015	As at March 31, 2014
17 Trade receivables		
Secured		
Considered good		
Debts outstanding for a period exceeding six months	-	-
Others	276.47	563.78
Considered doubtful		
Debts outstanding for a period exceeding six months	-	1,021.07
Less : Provision for doubtful debts	-	(1,021.07)
Unsecured		
Considered good		
Debts outstanding for a period exceeding six months	187.50	154.04
Others	125.43	226.63
	312.93	380.67
	589.40	944.45

Notes forming part of Financial Statements - March 31, 2015

		(₹ Lakh)	
		As at March 31, 2015	As at March 31, 2014
18	Cash and bank balances		
	Cash and cash equivalents		
	Balances with Banks		
	Current account / Cheques on hand	11,893.48	21,479.43
	Deposit account (with original maturity of less than three months)	47.15	44.32
	Cash on hand	890.75	229.60
	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	311.75	307.73
		13,145.51	22,063.46

		(₹ Lakh)	
		As at March 31, 2015	As at March 31, 2014
19	Short-term loans and advances towards financing activities		
	I. Secured		
	Term loans	716.73	236.34
	Total I	716.73	236.34
	II. Unsecured		
	Term loans	179,184.92	124,667.33
	Total II	179,184.92	124,667.33
	Total (I + II)	179,901.65	124,903.67

		(₹ Lakh)	
		As at March 31, 2015	As at March 31, 2014
20	Other current assets		
	Advances recoverable in cash or in kind or for value to be received	5,603.46	4,740.91
	Less : Provision for Advances	45.93	4,053.00
	Billed interest and other receivables	16,569.18	14,052.31
	Less : Allowances for income reversal	7,614.33	3,953.82
	Interest accrued on loan	39,617.69	31,964.39
		54,130.07	42,750.79

		(₹ Lakh)	
		As at March 31, 2015	As at March 31, 2014
21	Income from operations		
	Term Loans and other financing activity	223,470.90	207,308.09
	Lease	10,007.92	10,891.44
	Bill Discounting	2,220.70	1,713.13
	Networking activity	17.10	7.80
	Other operational income	2,235.90	1,202.18
		237,952.52	221,122.64

Notes forming part of Financial Statements - March 31, 2015

(₹ Lakh)

	As at March 31, 2015		As at March 31, 2014	
22 Other Income				
Income from investments				
- Interest and dividend on securities	1,005.23		360.10	
- Profit on sale / redemption of investments (net)	86.33	1,091.56	2,530.20	2,890.30
Others		599.06		537.97
		1,690.62		3,428.27

(₹ Lakh)

	As at March 31, 2015		As at March 31, 2014	
23 Finance costs				
Interest on debentures		43,588.66		42,946.74
Fixed loans				
Interest on term loans	42,531.27		49,361.03	
Interest on inter corporate borrowings	541.77		634.65	
Commercial paper discounting charges	37,290.43	80,363.47	32,760.63	82,756.31
Interest on bank overdrafts / Cash Credits		550.10		450.59
Exchange difference on foreign currency borrowings/ derivatives (to the extent regarded as borrowing cost)		-		250.95
Others		793.86		887.47
		125,296.09		127,292.06

(₹ Lakh)

	As at March 31, 2015		As at March 31, 2014	
24 Employee benefits expenses				
Salaries		13,600.74		10,224.52
Contribution to and provision for:				
Provident fund and Pension fund	561.83		407.88	
Gratuity fund	223.36		19.28	
Superannuation fund	58.06		47.57	
Compensated absences/ leave encashment	370.43	1,213.68	77.04	551.77
Expenses on ESOP		119.16		87.64
Welfare and other expenses		408.44		318.53
Share Service Cost Recovered		(1,754.37)		(1,356.73)
		13,587.65		9,825.73

Notes forming part of Financial Statements - March 31, 2015

	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
25 Administration and Other expenses		
Travelling and conveyance	1,964.13	1,739.22
Printing and stationery	323.15	354.08
Telephone and Communication	1,404.37	1,196.48
Directors' Sitting fees	12.32	4.67
NED Commission	54.84	27.40
Brokerage	2,262.20	4,346.37
Collection agency payout	627.34	116.77
Call Centre Charges	568.46	240.32
Stamping charges	144.12	167.66
Advertising and publicity	10.46	68.97
Repairs and maintenance	1,926.34	1,700.52
Rent	2,339.07	2,184.84
Rates and taxes	106.47	166.32
Electricity charges	421.31	390.87
Insurance charges	334.60	277.46
Auditors remuneration		
Audit fees	14.00	10.00
Tax audit fees	3.00	2.50
Limited review fees	7.50	6.00
Certification	5.20	1.30
Expenses reimbursed	0.83	2.11
Professional fees	11,512.26	9,675.41
Bank Charges	10.72	9.16
Corporate support charges	739.12	700.79
Loss on sale of fixed assets	927.65	2,086.19
Brand license fees	1,394.80	1,148.82
Corporate social responsibility expenses	420.95	319.08
Miscellaneous expenses	479.42	374.99
Shared Service Cost Recovered	(309.59)	(197.38)
	<u>27,705.04</u>	<u>27,120.92</u>

	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
26 Allowances and write offs		
Allowance for standard assets	995.00	281.10
Allowance for non-performing assets	4,302.66	5,613.52
Sacrifice loss on restructuring	375.55	-
Provision for advances and receivables	(4,007.07)	4,053.00
Allowance for diminution in value of investments	348.51	7.52
Loss on foreclosure of loans (net)	14,635.76	6,998.11
Bad debts / advances write off	9,878.28	5,884.97
	<u>26,528.69</u>	<u>22,838.22</u>

Notes forming part of Financial Statements - March 31, 2015

NOTE NO. - 27: OTHER NOTES FORMING PART OF FINANCIAL STATEMENTS

27.1 Change in accounting estimates:

i) Provisioning and income recognition on loan portfolio:

- a) During the current year, the Company has started reversal of unrealised income at 150 days past due as against 180 days past due, in respect of retail loans. As a result, interest income recognized is lower by ₹ 1987.80 lakh.
- b) During the current year, the Company has increased the provisioning for standard assets from 0.25% to 0.30% in respect of all loans and advances. As a result, the provision for standard assets and charge to Statement of Profit and Loss is higher by ₹ 721.30 lakh.

ii) Depreciation of tangible and intangible assets:

In accordance with the requirements of Schedule II to the Companies Act, 2013, the Company has re-assessed the useful lives and residual values of its fixed assets as at April 1, 2014. As a result of this change, the depreciation charge for the year is higher by ₹ 773.36 lakh.

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

i) Defined Contribution Plans :

Amount of ₹ 239.88 lakh (previous year ₹ 147.42 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.

ii) Defined Benefit Gratuity Plans :

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

Particulars	Gratuity Plan	
	As at March 31, 2015	As at March 31, 2014
A. Amount to be recognized in Balance Sheet		
Present Value of Defined Benefit Obligation		
- Wholly Funded	650.18	417.66
- Wholly Unfunded	-	-
Less: Fair value of Plan Assets	(418.05)	(413.76)
Amount to be recognised as liability or (asset)	232.13	3.90
B. Amounts reflected in the Balance Sheet		
Liability	232.13	3.90
Assets	-	-
Net Liability/(asset)	232.13	3.90

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

Particulars	Gratuity Plan	
	2014-2015	2013-2014
1 Current Service Cost	98.76	108.19
2 Interest on Defined Benefit Obligation	47.79	41.29
3 Expected Return on Plan Assets	(35.48)	(25.34)
4 Actuarial Losses/(Gains)	112.29	(104.86)
5 Past Service Cost	-	-
Total included in Employee Benefit Expenses	223.36	19.28
Actual Return on Plan Assets	32.87	17.64

Notes forming part of Financial Statements - March 31, 2015

- 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 March 31, 2015	As at March 31, 2014
Opening balance of the present value of Defined Benefit Obligation	417.66	415.03
Add: Current Service Cost	98.76	108.19
Add: Interest Cost	47.79	41.29
Add/(less): Actuarial Losses/(Gain)	109.70	(112.56)
Liability Assume on acquisition / (Settled on Divestitures)	8.76	(15.38)
Less: Benefits paid	(32.49)	(18.91)
Closing balance of the present value of Defined Benefit Obligation	650.18	417.66

- 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 March 31, 2015	As at March 31, 2014
Opening balance of the fair value of the plan assets	413.76	288.87
Add: Expected Return on plan assets	35.48	25.34
Add/(less): Actuarial gains/(losses)	(2.60)	(7.70)
Add: Contributions by Employer	3.90	126.16
Less: Benefits Paid	(32.49)	(18.91)
Closing balance of the plan assets	418.05	413.76
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 March 31, 2015		As at March 31, 2014	
	%	₹ lakh	%	₹ lakh
1 Government of India Securities	73%	304.65	66%	274.37
2 Corporate Bonds	14%	59.61	18%	73.50
3 Special Deposit Scheme	5%	22.71	6%	24.11
4 Equity Shares of Listed Companies	7%	28.80	7%	28.80
5 Others	1%	2.29	3%	12.99

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.

Notes forming part of Financial Statements - March 31, 2015

f) Principal actuarial assumptions at the balance sheet date :

		(₹ Lakh)	
Particulars		As at March 31, 2015	As at March 31, 2014
1	Discount rate	7.90%	9.35%
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 March 31,					
	2015	2014	2013	2012	2011	
Gratuity Plan						
Defined Benefit Obligation	650.18	417.66	415.03	297.12	200.69	
Plan Assets	418.05	413.76	288.87	196.43	119.32	
Surplus/(Deficit)	(232.13)	(3.90)	(126.16)	(100.69)	(81.37)	
Exp. Adj. on Plan Liabilities	5.51	(35.25)	12.54	27.20	33.84	
Exp. Adj. on Plan Assets	(2.60)	(7.70)	1.75	0.76	(2.36)	

iii) Defined Benefit Provident Fund Plan:

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

		(₹ Lakh)	
Particulars	Provident Fund Plan		
	As at March 31, 2015	As at March 31, 2014	
A. Net (Liability) / Asset recognized in the Balance Sheet			
Present Value of Funded Obligation	(4,405.27)	(3,417.87)	
Present Value of Unfunded obligation	(77.49)	(63.15)	
Less: Fair value of Plan Assets	4,409.44	3,399.45	
Amount to be recognised in the Balance Sheet as (liability) or asset	(73.32)	(81.57)	
B. Amounts to be recognised in the Balance Sheet			
Liability	(73.32)	(81.57)	
Assets	-	-	

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

		(₹ Lakh)	
Particulars	Provident Fund Plan		
	2014-2015	2013-2014	
1	Current Service Cost	456.67	349.54
2	PF Transfer In	-	-
3	Interest on Defined Benefit Obligation	269.26	224.18
4	Expected Return on Plan Assets	(269.26)	(224.18)
5	Net Actuarial Losses/(Gains)	29.59	(11.83)
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	(29.59)	11.83
7	Expenses recognized in the Statement of Profit & Loss Account	456.67	349.54

Notes forming part of Financial Statements - March 31, 2015

- 8 Actual Return of Plan Asset 307.08 231.72
- 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 March 31, 2015	As at March 31, 2014
Opening balance of the present value of Defined Benefit Obligation	3,417.87	2,672.68
Add: Current Service Cost	456.67	349.54
Add: Interest Cost	269.26	224.18
Add: Contribution by Plan Participants	730.31	512.84
Add: Actuarial Losses / (Gain)	(9.21)	(19.37)
Less: Benefits paid	(459.63)	(322.00)
Closing balance of the present value of Defined Benefit Obligation	4,405.27	3,417.87

- 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 March 31, 2015	As at March 31, 2014
Opening balance of the fair value of plan assets	3,399.45	2,632.27
Add: Expected Return on plan assets	269.26	224.18
Add/(less): Actuarial gains/(losses)	38.81	7.54
Add: Contributions by Employer	445.20	347.49
Add: Contribution by Plan participants	716.35	509.97
Less: Benefits Paid	(459.63)	(322.00)
Closing balance of the plan assets	4,409.44	3,399.45

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

(₹ in Lakh)

Particulars	Provident Fund Plan	
	As at March 31, 2015	As at March 31, 2014
1 Government of India Securities	25%	24%
2 State Government Scheme	15%	15%
3 Special Deposit Scheme	10%	12%
4 Public Sector Unit Bond	42%	41%
5 Corporate Bonds	8%	8%
	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, ₹ 20.00 lakh (previous year ₹ 40.79 lakh) has been recognised in Statement of Profit & Loss on account of interest rate guarantee on Exempt Provident fund.

Notes forming part of Financial Statements - March 31, 2015

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.

27.3 Borrowing Cost : Accounting Standard (AS) 16

Borrowing costs capitalised during the year are ₹ NIL (previous year ₹ NIL)

27.4 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.

27.5 Related Party Disclosures: Accounting Standard - 18

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

A. Ultimate Holding Company

1. Larsen & Toubro Limited

Notes forming part of Financial Statements - March 31, 2015

B. Holding Company

2. L&T Finance Holdings Limited

C. Fellow Subsidiary Companies

3. L&T Infrastructure Finance Company Limited

4. L&T FinCorp Limited

5. Larsen & Toubro Infotech Limited

6. L&T Capital Company Limited

7. L&T Capital Markets Limited

8. L&T General Insurance Company Limited

9. L&T Housing Finance Limited

10. L&T Access Distribution Services Limited

11. L&T Investment Management Limited

12. L&T Vrindavan Properties Limited

13. L&T Infra Debt Fund Limited

14. Family Credit Limited

15. L&T Infra Investment Partners Advisory Private Limited

16. Ewac Alloys Limited

D. Fellow Associates

17. Feedback Infrastructure Services Private Limited

18. Metro Tunneling Group

19. Salzer Electronics Limited

E. Key Management Personnel

20. Mr. Dinanath M. Dubhashi - Managing Director and Chief Executive

Notes forming part of Financial Statements - March 31, 2015

(b) Disclosure of related party transactions :-

		(₹ Lakh)	
Sr. No.	Nature of Transaction	As at March 31, 2015	As at March 31, 2014
Assets:			
1	Account Receivable		
	Family Credit Limited	-	3.39
	L&T Housing Finance Limited	0.49	-
	L&T Investment Management Limited	34.61	-
	L&T Vrindavan Properties Limited	399.75	400.55
	Larsen & Toubro Limited	0.17	0.14
	L&T FinCorp Limited	3,528.10	-
	L&T Capital Markets Limited	-	0.64
	L&T Infra Investment Partners Advisory Pvt. Ltd.	7.17	-
	Salzer Electronics Limited	5.26	3.50
2	Interest / redemption premium accrued but not due on NCD		
	Feedback Infrastructure Services Pvt Ltd	1,240.40	814.95
3	Outstanding Balance of Term Loan Given		
	Ewac Alloys Limited	2,400.00	2,400.00
	Salzer Electronics Limited	1,168.04	398.85
4	Outstanding Balance of NCD		
	Feedback Infrastructure Services Pvt Ltd	4,000.00	4,000.00
5	Sale of Immovable property to		
	L&T Vrindavan Properties Limited	78.58	-
6	Interest accrued but not due on Term Loan given		
	Ewac Alloys Limited	71.01	71.02
7	Investment made and Outstanding in Equity shares		
	L&T Infra Debt Fund Limited	2,000.00	2,000.00
Liabilities:			
8	Account Payables		
	Family Credit Limited	658.65	3,063.13
	L&T Access Distribution Services Limited	0.25	2.42
	L&T Finance Holdings Limited	31.68	60.82
	L&T General Insurance Company Limited	13.11	162.64
	L&T Infrastructure Finance Company Limited	-	3.81
	L&T Investment Management Limited	-	6.06
	Larsen & Toubro Limited	1,346.50	1,543.74
	L&T FinCorp Limited	392.14	3,179.04
	L&T Capital Markets Limited	1.79	1.79
	Larsen & Toubro Infotech Limited	48.52	23.66

Notes forming part of Financial Statements - March 31, 2015

		(₹ Lakh)	
Sr. No.	Nature of Transaction	As at March 31, 2015	As at March 31, 2014
8	Interest accrued but not due on NCD		
	L&T Finance Holdings Limited	-	1.98
	Larsen & Toubro Limited	0.62	189.74
9	Outstanding balance of Inter corporate deposit taken		
	L&T Finance Holdings Limited	9,200.00	1,752.00
	L&T Housing Finance Limited	-	-
	L&T Capital Company Limited	580.00	193.00
	Metro Tunnelling Group	3,000.00	3,000.00
10	Outstanding balance of NCD Issued		
	L&T Finance Holdings Limited	-	1,390.00
	Larsen & Toubro Limited	2,175.75	3,695.70
	Income:		
11	Corporate support charges recovered from	1,756.44	1,335.89
	Family Credit Limited	213.02	209.20
	L&T Access Distribution Services Limited	55.00	-
	L&T Finance Holdings Limited	180.00	3.61
	L&T General Insurance Company Limited	104.20	215.59
	L&T Housing Finance Limited	360.39	221.36
	L&T Infrastructure Finance Company Limited	512.67	538.84
	L&T Investment Management Limited	63.97	-
	L&T Vrindavan Properties Limited	5.20	-
	L&T FinCorp Limited	120.00	58.56
	L&T Capital Markets Limited	113.00	88.73
12	Employee Deputation cost recovered from		
	Family Credit Limited	94.50	-
	L&T General Insurance Company Limited	53.10	3.40
	L&T Housing Finance Limited	115.25	197.25
	L&T Infrastructure Finance Company Limited	-	6.00
	L&T Investment Management Limited	-	7.15
	L&T FinCorp Limited	-	17.02
	L&T Capital Markets Limited	-	8.49
13	Interest income on Intercorporate deposits		
	Family Credit Limited	87.24	69.92
	L&T Housing Finance Limited	30.84	7.93
	L&T Infrastructure Finance Company Limited	34.62	45.50
	L&T Vrindavan Properties Limited	2.04	508.85
	L&T FinCorp Limited	39.86	234.06
	L&T Capital Markets Limited	-	0.04

Notes forming part of Financial Statements - March 31, 2015

		(₹ Lakh)	
Sr. No.	Nature of Transaction	As at March 31, 2015	As at March 31, 2014
14	Interest income on NCD		
	Family Credit Limited	-	9.93
	Feedback Infrastructure Services Pvt Ltd	622.72	538.52
15	Interest income on Term loan given		
	Ewac Alloys Limited	288.00	368.62
	Salzer Electronics Limited	32.03	39.27
16	Networking charges recovered from		
	Larsen & Toubro Limited	17.11	8.62
17	Other Income		
	Family Credit Limited	31.85	24.32
	L&T FinCorp Limited	18.27	31.85
18	Rent income on operating lease		
	L&T General Insurance Company Limited	366.15	375.47
	Larsen & Toubro Limited	-	3.82
	Larsen & Toubro Infotech Limited	5.39	14.15
19	Rent recovered from		
	Family Credit Limited	163.82	57.25
	L&T General Insurance Company Limited	2.40	-
	L&T Housing Finance Limited	168.75	108.50
	L&T Infrastructure Finance Company Limited	288.70	295.68
	L&T Investment Management Limited	32.77	36.01
	Larsen & Toubro Limited	1.05	0.13
	L&T Capital Markets Limited	2.95	-
20	Management fees recovered from		
	Family Credit Limited	25.06	-
	L&T Housing Finance Limited	50.12	-
	Expenses:		
21	Brand license fees paid to		
	Larsen & Toubro Limited	1,313.63	1,042.53
22	Corporate Support charges paid to		
	L&T Access Distribution Services Limited	29.15	30.93
	L&T Finance Holdings Limited	-	2.60
	L&T Vrindavan Properties Limited	40.15	-
	Larsen & Toubro Limited	425.28	273.64
23	Data Centre charges Paid to		
	Larsen & Toubro Limited	345.07	242.29

Notes forming part of Financial Statements - March 31, 2015

		(₹ Lakh)	
Sr. No.	Nature of Transaction	As at March 31, 2015	As at March 31, 2014
24	Data processing charges paid to		
	Larsen & Toubro Limited	111.41	58.70
25	Dividend Paid		
	L&T Finance Holdings Limited	12,781.82	9,894.53
26	Employee deputation cost Paid to		
	L&T Investment Management Limited	25.00	6.85
	L&T Vrindavan Properties Limited	148.91	-
	Larsen & Toubro Limited	-	6.25
27	ESOP cost Debited by		
	L&T Finance Holdings Limited	118.41	87.64
	Larsen & Toubro Limited	0.76	-
28	Interest paid to		
	Family Credit Limited	18.17	20.06
	L&T Finance Holdings Limited	219.82	902.84
	L&T Housing Finance Limited	4.31	5.04
	Larsen & Toubro Limited	332.54	378.65
	L&T Capital Company Limited	28.00	2.62
	Metro Tunnelling Group	271.50	270.79
	L&T FinCorp Limited	-	26.22
29	Management fees paid to		
	L&T Finance Holdings Limited	696.10	660.00
30	Professional fees paid to		
	Larsen & Toubro Infotech Limited	105.76	92.34
31	Rent paid to		
	Family Credit Limited	66.88	29.04
	L&T Housing Finance Limited	18.62	16.36
	L&T Vrindavan Properties Limited	135.13	92.00
	Larsen & Toubro Limited	317.12	217.80
	L&T FinCorp Limited	574.70	539.57
32	Managerial Remuneration		
	D.M. Dubhashi	193.03	147.51
33	Brokerage Paid to		
	L&T Access Distribution Services Limited	-	6.92
	L&T Capital Markets Limited	-	1.60
	Larsen & Toubro Limited	4.06	-

Notes forming part of Financial Statements - March 31, 2015

		(₹ Lakh)	
Sr. No.	Nature of Transaction	As at March 31, 2015	As at March 31, 2014
Transaction:			
34	Inter corporate borrowings taken		
	Family Credit Limited	23,900.00	11,368.87
	L&T Finance Holdings Limited	128,992.00	155,527.00
	L&T Housing Finance Limited	5,000.00	7,620.00
	L&T Capital Company Limited	580.00	193.00
	Metro Tunnelling Group	3,000.00	3,000.00
	L&T FinCorp Limited	-	27,957.43
35	Inter corporate deposit given		
	Family Credit Limited	58,395.00	43,000.00
	L&T Finance Holdings Limited	-	-
	L&T Housing Finance Limited	29,380.00	4,700.00
	L&T Infrastructure Finance Company Limited	39,975.00	42,600.00
	L&T Vrindavan Properties Limited	3,730.00	13,623.63
	L&T FinCorp Limited	60,305.00	81,400.00
	L&T Capital Markets Limited	-	7.25
36	NCD Issued to		
	L&T Finance Holdings Limited	-	1,390.00
37	Operating lease given		
	L&T General Insurance Company Limited	-	1,605.00
38	Purchase of Operating lease Assets		
	L&T General Insurance Company Limited	-	1,605.00
39	Sale / Assignment of Loan Portfolio to		
	Family Credit Limited	-	46,192.16
	L&T Infrastructure Finance Company Limited	35,265.19	12,021.79
	L&T FinCorp Limited	-	26,700.04
40	Term Loan Given		
	Salzer Electronics Limited	-	1,403.85
41	Security Deposit Given		
	L&T Vrindavan Properties Limited	-	399.27
	L&T FinCorp Limited	3,528.00	-
42	Receivable Discounting		
	Larsen & Toubro Limited	-	9,896.27
43	NCD Borrowed from		
	Family Credit Limited	-	5,900.00
44	Sale of NCD		
	L&T Investment Management Limited	-	5,900.00

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

Notes forming part of Financial Statements - March 31, 2015

27.6 Finance Lease:

In accordance with Accounting Standard 19 on 'Leases' as notified under Rule 7 of the Companies (Accounts) Rules, 2014, 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 March 31, 2015 in respect of these assets are as under:

	(₹ Lakh)	
Particulars	2014-2015	2013-2014
Gross Investments :		
- Within one year	7,831.94	6,896.14
- Later than one year and not later than five years	7,836.45	9,311.36
- Later than five years	163.59	256.17
Total	15,831.98	16,463.67
Unearned Finance Income :		
- Within one year	1,465.75	1,437.06
- Later than one year and not later than five years	1,161.18	1,193.61
- Later than five years	8.07	1.42
Total	2,635.00	2,632.09
Present Value of Rentals :		
- Within one year	6,366.19	5,459.08
- Later than one year and not later than five years	6,675.27	8,117.75
- Later than five years	155.52	254.75
Total	13,196.98	13,831.58

27.7 Operating Lease :

In accordance with Accounting Standard 19 on 'Leases' as notified under Rule 7 of the Companies (Accounts) Rules, 2014, 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 April 2015 to November 2018 (Previous year September 2014 to November 2018). Gross rental expenses of ₹ 60.53 lakh (previous year ₹ 40.80 lakh) recognised in the Statement of Profit and Loss. The total of future minimum lease payments under non-cancellable operating leases are :

	(₹ in Lakh)	
Particulars	2014-2015	2013-2014
	Minimum Lease Payments	
- Within one year	4.12	0.45
- Later than one year and not later than five years	80.72	105.53
- Later than five years	-	-
Total	84.84	105.98

- (ii) The Company has taken premises on non-cancellable operating lease. Lease Payments includes ₹ 2,278.43 lakh (previous year ₹ 2,144.03 lakh) recognised in the Statement of Profit and Loss. The total of future minimum lease payments under non-cancellable operating leases are :

Notes forming part of Financial Statements - March 31, 2015

Particulars	(₹ Lakh)	
	2014-2015	2013-2014
	Minimum Lease Payments	
- Within one year	104.46	225.34
- Later than one year and not later than five years	45.99	131.93
- Later than five years	-	10.75
Total	150.45	368.02

Assets given on lease:

The total of future minimum lease payments under non-cancellable operating leases are:

Particulars	(₹ Lakh)	
	2014-2015	2013-2014
	Minimum Lease	
- Within one year	7,758.80	8,010.17
- Later than one year and not later than five years	9,776.59	13,289.92
- Later than five years	1,365.51	1,769.89
Total	18,900.90	23,069.98

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

Particular		2014-2015	2013-2014
Basic			
Profit after tax as per statement of profit and loss (₹ lakh)	A	25,560.48	20,122.66
Weighted average number of equity shares outstanding during the year (Nos.)	B	238,422,269	238,422,269
Basic EPS (₹)	A/B	10.72	8.44
Diluted			
Profit after tax as per statement of profit and loss (₹ lakh)	A	25,560.48	20,122.66
Add: Weighted average number of equity shares outstanding (Nos.)	B	238,422,269	238,422,269
Add: Weighted average no. of equity shares on account of share application money (Nos.)	C	-	-
Weighted average number of shares outstanding during the year	D=B+C	238,422,269	238,422,269
Diluted EPS (₹)	A/D	10.72	8.44
Face value of shares (₹)		10	10

Notes forming part of Financial Statements - March 31, 2015

27.9 Contingent Liabilities and commitments:

		(₹ Lakh)	
Contingent Liabilities:	As at March 31, 2015	As at March 31, 2014	
a) Claim against the Company not acknowledged as debt:			
- Income Tax matter in dispute	7,037.03	9,684.66	
- Sales tax/ VAT / Service Tax matter in dispute	970.63	869.04	
- Legal matter in dispute	104.97	67.60	
b) Bank Guarantees;	247.12	200.00	
c) Other money for which the Company is contingently liable; Liability towards Letter of Credit(net of margin money)	1,161.57	31,050.14	
Commitments			
a) Estimated amount of contracts remaining to be executed on capital account and not provided for	1,967.96	2,844.58	
b) Undisbursed Commitment* #	-	22,182.00	

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

Undisbursed commitments are considered as NIL on account of conditions precedent to disbursements

27.10 Sale and Assignment of Receivables :

- a) The Company has sold receivables amounting to ₹ 35,265.19 lakh (previous year ₹ 65,330.93 lakh). This sale are without recourse to the Company.

		(₹ Lakh)	
Particulars	2014-2015	2013-2014	
Loans & receivables Assigned			
Total Number of Loan	3	11,747	
Book Value of Loan	35,265.19	65,330.93	
Sale Consideration Received	35,293.93	66,051.47	
Gain / (Loss) on Sale	(143.64)	736.10	
Gain / (Loss) Amortised to P&L*	498.70	665.92	
Form and Quantum (outstanding value) of services provided by way of			
Credit Enhancement	-	-	
Liquidity Support	-	-	
Post-Securitisation Asset Servicing	-	-	

* Gain / (Loss) includes profit amortisation of earlier transaction

Notes forming part of Financial Statements - March 31, 2015

- b) The Company has assigned receivables amounting to ₹ NIL (previous year ₹ 18,229.77 lakh). This assignment are without recourse to the Company.

		(₹ Lakh)	
Particulars	2014-2015	2013-2014	
Loans & receivables Sold			
Total Number of Loan	-	20	
Book Value of Loan	-	18,229.77	
Sale Consideration Received	-	18,332.73	
Gain / (Loss) on Sale	-	9.25	
Gain / (Loss) Amortised to P&L*	0.95	6.65	
Form and Quantum (outstanding value) of services provided by way of			
Credit Enhancement	-	-	
Liquidity Support	-	-	
Post-Securitisation Asset Servicing	-	-	

* Gain / (Loss) includes profit amortisation of earlier transaction

27.11 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	2014-2015	2013-2014
Larsen & Toubro Limited	Ultimate Holding Company	0.75	-
L&T Finance Holdings Limited	Holding Company	118.40	87.64

27.12 Expenditure in foreign currency:

Interest payment	₹ 1,011.37 lakh (previous year ₹ NIL)
On other matters (Net of recoveries from subsidiaries)	₹ 27.68 lakh (previous year ₹ 32.00 lakh)

27.13 During the year, the company has sold fixed assets for ₹ 78.58 lakh to L&T Vrindavan Properties Limited (formerly known as L&T Unnati Finance Limited), a fellow subsidiary company (previous year ₹ NIL).

27.14 Disclosure relating to frauds committed against the company:

		(₹ Lakh)	
Particulars	2014-2015	2013-2014	
No of fraud occurred during the year	16	14	
Amount involved	169.45	84.44	
Amount recovered	101.91	0.60	
Amount provided	80.27	57.16	
Amount writtenoff	1.44	-	

27.15 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, 2013 or the Micro, Small and Medium Enterprises Development Act, 2006.

Notes forming part of Financial Statements - March 31, 2015

- 27.16** 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, 2015 issued vide Notification No. DNBR. 008/CGM (CDS) - 2015 dated March 27, 2015.

LIABILITIES SIDE:

1 Loans and advances availed inclusive of interest accrued thereon but not paid:

(₹ Lakh)

Particular	Amount Outstanding		Amount Overdue	
	As at March 31, 2015	As at March 31, 2014	As at March 31, 2015	As at March 31, 2014
(a) Debentures :				
- Secured	402,193.45	349,804.46	-	-
- Unsecured	40,000.00	40,000.00	-	-
(Other than falling within the meaning of Public Deposits)*				
(b) Deferred Credits	-	-	-	-
(c) Term Loans	491,208.34	717,566.67	-	-
(d) Inter-Corporate Loans and borrowings	12,780.00	4,945.00	-	-
(e) Commercial Paper (Net off unexpired discounting charges)	297,266.80	196,730.08	-	-
(f) Other Loans (Perpetual debt, Bank overdraft and Cash Credit)	37,299.00	20,000.00	-	-
(g) Lease Finance	-	-	-	-
(h) Accrued Interest on above borrowings (a to g)	30,835.89	25,972.06	-	-

* Refer footnote 1 below

ASSETS SIDE:

2 Break-up of Loans and Advances including bills receivables net off provisions [Other than those included in (4) below]

(₹ Lakh)

Particulars	Amount Outstanding	
	As at March 31, 2015	As at March 31, 2014
(a) Secured	1,142,449.11	1,279,086.50
(b) Unsecured	327,467.54	246,737.77

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

(₹ Lakh)

Particulars	Amount Outstanding	
	As at March 31, 2015	As at March 31, 2014
(i) Lease assets including lease rentals under sundry debtors :		
(a) Financial Lease	5,045.57	364.66
(b) Operating Lease	-	-

Notes forming part of Financial Statements - March 31, 2015

(₹ Lakh)

Particulars	Amount Outstanding	
	As at March 31, 2015	As at March 31, 2014
(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	10,893.31	8,149.86
(b) Loans other than (a) above	944,240.46	1,024,569.00

4 Break-up of Investments net off diminution

(₹ Lakh)

Particulars	Amount Outstanding	
	As at March 31, 2015	As at March 31, 2014
CURRENT INVESTMENTS		
1 Quoted		
(i) Shares :		
(a) Equity	510.03	22.67
(b) Preference	-	-
LONG TERM INVESTMENTS		
1 Quoted		
(i) Debentures and Bonds	4,683.98	4,683.98
2 Unquoted		
(i) Shares :		
(a) Equity	3,617.50	3,617.50
(b) Preference	-	-
(iv) Government Securities	0.05	0.05
(v) Others :		
(a) Security receipts	1,510.71	1,583.02
(b) Investment in Units	2,260.00	725.00

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

(₹ Lakh)

Category	Secured		Unsecured	
	As at March 31, 2015	As at March 31, 2014	As at March 31, 2015	As at March 31, 2014
1 Related Parties				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	6,792.66	6,400.00	-	-
2 Other than related parties	1,135,656.45	1,272,686.50	327,467.54	246,737.77
Total	1,142,449.11	1,279,086.50	327,467.54	246,737.77

Notes forming part of Financial Statements - March 31, 2015

6 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)	
	As at March 31, 2015	As at March 31, 2014	As at March 31, 2015	As at March 31, 2014
1 Related Parties**				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	2,000.00	2,000.00	2,000.00	2,000.00
(c) Other related parties	-	-	-	-
2 Other than related parties	10,582.27	8,626.00	10,582.27	8,632.23
Total	12,582.27	10,626.00	12,582.27	10,632.23

** As per Accounting Standard issued by the Institute of Chartered Accountants of India (see footnote 3 below)

7 Other Information

(₹ Lakh)

Particulars	As at March 31, 2015	As at March 31, 2014
(i) Gross Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	40,632.77	44,953.24
(ii) Net Non-Performing Assets		
(a) Related parties	-	-
(b) Other than related parties	19,837.28	28,745.46
(iii) Assets acquired in satisfaction of debt (Gross)	858.54	22.67

Footnotes:

- As defined in paragraph 2 (1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms have been applied as prescribed in Systemically important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.
- All Accounting Standards governed by Companies Act, 2013 and Rule 7 of the Companies (Accounts) Rules, 2014 and Guidance Notes issued by the Institute of Chartered Accountants of India are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/Net Asset Value in respect of unquoted investments have been disclosed irrespective of whether they are classified as long term or current in (4) above.

Notes forming part of Financial Statements - March 31, 2015

Note 27.17: Details of accounts restructured during the year ended March 31, 2015.

Type of Restructuring Asset Classification	Under CDR Mechanism				Others				Total
	Stand-ard	Sub-stand-ard	Doubt-ful	Loss	Stand-ard	Sub-stand-ard	Doubt-ful	Loss	
1 Restructured Accounts as on April 1, 2014	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-
2 Fresh restructuring during the year	1	-	-	-	2	-	-	-	3
Amount outstanding	1,513.69	-	-	1,513.69	4,283.17	-	-	4,283.17	5,796.86
Provision thereon	181.03	-	-	181.03	468.89	-	-	468.89	649.92
3 Upgradations to restructured standard category during the FY	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-
4 Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-
5 Downgradations of restructured accounts during the FY	-	-	-	-	-	-	-	-	-
Amount outstanding	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-
6 Write-offs of restructured accounts during the FY	-	-	-	-	-	-	-	-	-
Amount outstanding	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-
(refer foot note 2 below)	-	-	-	-	-	-	-	-	-
8 Restructured Accounts as on March 31, 2015	1	-	-	1	2	-	-	2	3
Amount outstanding	1,513.69	-	-	1,513.69	4,283.17	-	-	4,283.17	5,796.86
Provision thereon	181.03	-	-	181.03	468.89	-	-	468.89	649.92

Foot note:

1. Amount outstanding includes FITL created for each account.
2. Provision includes provision towards diminution in fair value and provision for standard assets
3. There are no restructuring under SME Debt Restructuring Mechanism.
4. The above disclosure includes accounts restructured under aegis of the extant RBI guidelines issued on January 23, 2014; whereby special regulatory treatment for asset classification was availed by the Company

Notes forming part of Financial Statements - March 31, 2015

- 27.18** The Company has invoked pledge of equity shares in the following borrower companies, pledged with it as collateral by the borrowers and these shares are being held by the Company as bailee. As and when the shares are sold, the proceeds would be adjusted against the overdue portion of the loan then remaining outstanding.

(₹ Lakh)

Borrower name	No. of shares kept as bailee	
	As at March 31, 2015	As at March 31, 2014
i) Neeraj Singal	1,426,754	-

- 27.19** Schedule to the Balance Sheet of a Non-Banking Financial Company as required by RBI as per the Notification No. DNBR.019/CGM (CDS)-2015 dated April 10,2015.

1 Capital Risk Adequacy Ratio (CRAR) :

(₹ Lakh)

Particulars	As at March 31, 2015	As at March 31, 2014
i) CRAR (%)	17.54%	16.28%
ii) CRAR – Tier I Capital (%)	15.01%	13.83%
iii) CRAR – Tier II Capital (%)	2.53%	2.45%
iv) Amount of subordinated debt raised during the year as Tier-II capital	-	5,000.00
v) Amount raised during the year by issue of Perpetual Debt Instruments	-	-

2 Investments

(₹ Lakh)

Particulars	As at March 31, 2015	As at March 31, 2014
1 Value of Investments		
(i) Gross Value of Investments		
(a) In India	12,992.37	10,693.82
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	410.10	61.59
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	12,582.27	10,632.23
(b) Outside India.	-	-
2 Movement of provisions held towards depreciation on investments.		
(i) Opening balance	61.59	54.07
(ii) Add : Provisions made during the year	348.51	7.52
(iii) Less : Write-off / write-back of excess provisions during the year	-	-
(iv) Closing balance	410.10	61.59

Notes forming part of Financial Statements - March 31, 2015

3 Derivatives

I) Forward Rate Agreement / Interest Rate Swap

(₹ Lakh)

Particulars	As at March 31, 2015	As at March 31, 2014
(i) The notional principal of swap agreements	12,500.00	-
(ii) Profit which would be incurred if counterparties failed to fulfill their obligations under the agreements	540.83	-
(iii) Collateral required by the NBFC upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps	-	-
(v) The fair value of the swap book @ ₹ 62.50	540.83	-

II) Nature and terms of the Currency Swap is as set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging	1	INR 125 crore (31-Mar-15)	USD LIBOR	Fixed payable vs Floating receivable

III) The Company has not entered into any Exchange Traded Interest Rate (IR) Derivatives during the year.

IV) Disclosures on Risk Exposure in Derivatives

Qualitative Disclosure

The Company has a Treasury Risk Management Policy approved by the Assets Liability Committee and the Board. This policy provides the framework for managing various risks including interest rate risk and currency risk. The policy provides for use of derivative instruments in managing the risks. The Company has sourced Foreign Currency Non-Residential Borrowing in foreign currency. The same has been hedged as required by RBI.

4 Securitisation:

- I) There were no SPV sponsored by NBFC for securitization transactions during the current and previous year.
- II) There were no transaction carried out for sale of financial assets to Securitisation / Reconstruction Company for Asset Reconstruction during the current and previous year.
- III) Refer note no. 27.10 for details of assignment transactions.
- IV) There were no transaction for non-performing financial assets purchased / sold during the current and previous year

Notes forming part of Financial Statements - March 31, 2015

5 Exposures

I) Exposure to Real Estate Sector

Particulars	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
Direct Exposure		
(i) Residential Mortgages - Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented	-	-
(ii) Commercial Real Estate - Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based limits	54,780.50	25,679.63
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures -		
a. Residential	-	-
b. Commercial Real Estate	-	-
Total Exposure to Real Estate Sector	54,780.50	25,679.63

II) Exposure to Capital Market

Particulars	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
(i) direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	4,537.63	3,701.76
(ii) advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	152,324.17	190,337.74
(iv) advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds/ convertible debentures / units of equity oriented mutual funds does not fully cover the advances;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi) loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) bridge loans to companies against expected equity flows / issues;	-	-
(viii) all exposures to Venture Capital Funds (both registered and unregistered)	-	-
Total Exposure to Capital Market	156,861.80	194,039.50

Notes forming part of Financial Statements - March 31, 2015

- III) Details of financing of parent company products: None
- IV) The company has not exceeded the Single Borrower Limit (SGL) or Group Borrower Limit (GBL) as defined in RBI.

V) The particulars of Unsecured Advances net off provision are given below:

Particulars	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
Term loans	321,645.03	246,737.77
Debentures	5,822.51	-

6 Miscellaneous

- I) Registration obtained from other financial sector regulators : None
- II) Disclosure of Penalties imposed by RBI and other regulators : None
- III) Related Party Transactions - refer note no. 27.5

IV) Ratings assigned by credit rating agencies and migration of ratings during the Year

Particular	2014-15		2013-14	
	CARE	ICRA	CARE	ICRA
(i) Commercial Paper	CARE A1+	Not Rated	CARE A1+	Not Rated
(ii) Non-Convertible Debentures	CARE AA+	ICRA AA+ (Stable)	CARE AA+	ICRA AA+ (Stable)
(iii) Bank Loans				
Long Term	CARE AA+	Not Rated	CARE AA+	Not Rated
Short Term	CARE A1+	Not Rated	CARE A1+	Not Rated
(iv) Subordinate Debts	CARE AA+	ICRA AA+ (Stable)	CARE AA+	ICRA AA+ (Stable)
(v) Public Issue (NCD)	CARE AA+	ICRA AA+ (Stable)	CARE AA+	ICRA AA+ (Stable)
(vi) Perpetual Debt	CARE AA	ICRA AA (Stable)	CARE AA	ICRA AA (Stable)

V) Remuneration of Directors (Excluding Service Tax reversal)

Particular	Nature	(₹ Lakh)	
		2014-15	2013-14
(i) Mr.Mannil Venugopalan	Sitting Fees	5.00	1.40
	NED Commision	15.90	8.40
(ii) Mr.P.V.Bhide	Sitting Fees	4.00	2.00
	NED Commision	12.15	10.50
(iii) Mr.Subramaniam N	Sitting Fees	1.20	1.00
	NED Commision	12.25	8.50
(iv) Mr.S Raghavan	Sitting Fees	1.40	-
	NED Commision	12.85	-

Notes forming part of Financial Statements - March 31, 2015

- VI) Net Profit or Loss for the period, prior period items and changes in accounting policies - NIL
- VII) There were no postponements of revenue recognition for the current year and previous year.
- VIII) Since the Company does not have any subsidiary, the Accounting Standard 21 -Consolidated Financial Statements (CFS) is not applicable to the Company

7 Provisions and Contingencies

I) Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account

Particulars	(₹ Lakh)	
	2014-15	2013-14
Provisions for depreciation on Investment	348.51	7.52
Provision towards NPA	4,302.66	5,613.52
Provision made towards Income tax	12,941.98	10,355.40
Other Provision and Contingencies (with details)		
Provision for Standard Assets	995.00	281.10
Sacrifice loss on restructuring	375.55	-
Provision for advances & receivables	(4,007.07)	4,053.00
Loss on foreclosure of loans (net)	14,635.76	6,998.11
Bad debts / advances write off	9,878.28	5,884.97

II) During the year Company has drawn down from reserve:

a) ₹ 99.76 Lakh (previous year ₹ 132.21 Lakh) net of tax of ₹ 51.36 lakhs (Previous year ₹ 68.07 lakhs) from Securities premium account in accordance with Section 52 of the Companies Act, 2013.

b) ₹ 7262.84 Lakh (previous year ₹ NIL) from Debenture redemption reserve in accordance with Section 71 (4) of the Companies Act, 2013 read with Circular no. 04/2013 dated 11th February 2013 in respect of public issue of debentures.

8 Concentration of Advances, Exposures and NPAs

I) Concentration of Advances

Particulars	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
Total Advances to twenty largest borrowers	280,475.09	311,500.18
Percentage of Advances to twenty largest borrowers to Total Advances of the Company	18.59%	20.01%
The above includes billed interest		

II) Concentration of Exposures

Particulars	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
Total Exposure to twenty largest borrowers / customers	280,475.09	311,500.18
Percentage to Total Exposure to twenty largest borrowers / customers to Total Exposure of the Company on borrowers / customers #	18.41%	19.22%
# Undisbursed commitments are considered as NIL on account of conditions precedent to disbursements		

Notes forming part of Financial Statements - March 31, 2015

III) Concentration of NPA

Particulars	(₹ Lakh)	
	As at March 31, 2015	As at March 31, 2014
Total Exposure to top four NPA accounts	9,775.32	12,278.62

IV) Sector-wise NPAs

Particulars	(₹ Lakh)	
	Percentage to Total Advances in that Sector	
	As at March 31, 2015	As at March 31, 2014
1 Agriculture & allied activities	1.80%	1.58%
2 MSME	2.53%	0.67%
3 Corporate borrowers	2.99%	3.93%
4 Services	6.29%	0.10%
5 Unsecured personal loans	0.06%	0.03%
6 Auto loans	1.36%	3.00%
7 Other personal loans	-	-

9 Movement of NPAs

Particulars	(₹ Lakh)	
	2014-15	2013-14
(i) Net NPAs to Net Advances (%)	1.35%	1.88%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	44,953.24	25,707.46
(b) Additions during the year	19,660.73	35,643.16
(c) Reductions during the year	23,981.20	16,397.38
(d) Closing balance	40,632.77	44,953.24
(iii) Movement of Net NPAs		
(a) Opening balance	28,745.46	15,113.20
(b) Additions during the year	15,368.32	26,214.35
(c) Reductions during the year	23,991.46	12,582.09
(d) Interest capitalised on restructured assets	285.04	-
(e) Closing balance	19,837.28	28,745.46
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	16,207.78	10,594.26
(b) Provisions made during the year	13,932.85	14,672.67
(c) Write-off / write-back of excess provisions	9,630.18	9,059.15
(d) Closing balance	20,510.45	16,207.78

10 Overseas Assets

Name of Joint Venture / Subsidiary	Other partners in JV	Country	Total Assets
Nil	Nil	Nil	Nil

Notes forming part of Financial Statements - March 31, 2015

11 Off-balance sheet Special Purpose Vehicles (SPV) sponsored (which are required to be consolidated as per accounting norms)

Year	Name of SPV sponsored	
	Domestic	Overseas
2014-15	Nil	Nil
2013-14	Nil	Nil

12 Disclosure of Customer Complaints

Particulars	2014-15	2013-14
(i) No. of complaints pending at the beginning of the year	-	-
(ii) No. of complaints received during the year	3,160	471
(iii) No. of complaints redressed during the year	3,156	471
(iv) No. of complaints pending at the end of the year	4	-

13 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

March 31, 2015	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-	-	-	-
Advances	71,324.00	85,281.00	87,921.00	138,958.00	261,096.00	587,205.00	194,102.00	44,029.65	1,469,916.65
Investments	510.03	-	-	-	-	6,194.69	-	5,877.55	12,582.27
Borrowings									
Borrowings from Banks	10,000.00	-	84,791.67	16,916.67	39,833.33	344,465.67	-	-	496,007.34
Market Borrowings	92,200.00	181,500.00	35,000.00	16,115.00	61,665.00	251,388.49	86,304.96	52,500.00	776,673.45
Foreign Currency assets	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	12,500.00	-	-	12,500.00
March 31, 2014	1 day to 30/31 days (1 month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Deposits	-	-	-	-	-	-	-	-	-
Advances	69,153.56	62,847.19	83,570.13	144,150.08	259,631.04	610,763.18	226,421.47	95,573.23	1,552,109.88
Investments	22.67	-	-	-	-	1,583.00	4,684.33	4,342.23	10,632.23
Borrowings									
Borrowings from Banks	80,500.00	68,000.00	62,000.00	85,535.00	45,944.50	101,784.00	57,500.00	98,985.63	600,249.13
Market Borrowings	11,875.00	28,333.00	15,625.00	142,084.00	96,568.00	438,082.00	-	-	732,567.00
Foreign Currency assets	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-

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

As per our report attached
SHARP & TANNAN
 Chartered Accountants
 Firm's registration no. 109982W
 by the hand of

Firdosh D. Buchia
 Partner
 Membership no. 38332

Mumbai, April 21, 2015

For and on behalf of Board
L&T Finance Limited

N. Sivaraman
 Director
 DIN - 00001747

Ruchir Shah
 Head - Accounts

Mumbai, April 21, 2015

Dinanath Dubhashi
 Managing Director & Chief Executive
 DIN - 03545900

Kailash Purohit
 Company Secretary