

DIRECTORS' REPORT

The Directors have pleasure in presenting the Sixteenth Annual Report of the Company with the audited accounts for the year ended March 31, 2011.

FINANCIAL RESULTS

The summarized financial results of the Company for the year ended March 31, 2011 are as under:

Particulars	(Rs. Lakhs)	
	For the year ended 31.03.2011	For the year ended 31.03.2010
Gross Income	139,753.50	96,573.00
Profit Before Tax	34,985.42	23,632.24
Provision for Tax	11,938.67	7,985.00
Profit After Tax	23,046.75	15,674.24
Add: Balance brought forward from previous years	21,415.45	18,898.21
Profit available for appropriation	44,462.20	34,545.45
Appropriations		
Transfer to Special Reserve u/s 45-IC of Reserve Bank of India Act, 1934	4,609.00	3,130.00
Transfer to Debenture Redemption Reserve	15,000.00	10,000.00
Surplus carried forward to Balance Sheet	24,853.20	21,415.45

APPROPRIATIONS

The Company proposes to transfer Rs. 4,609 Lakh (*Previous Year: Rs. 3,130 Lakh*) to Special Reserve Created u/s 45-IC of Reserve Bank of India Act, 1934 and Rs. 15,000 Lakh (*Previous Year Rs. 10,000 Lakh*) to Debenture Redemption Reserve and retain Rs. 24,853.20 Lakh (*Previous Year Rs. 21,415.45 Lakh*) in the Profit and Loss Account of the Company.

DIVIDEND

The Directors have considered it financially prudent in the long-term interests of the Company to reinvest the profits into the business of the Company to build a strong reserve base and grow the business of the Company. No dividend has therefore been recommended for the year ended March 31, 2011.

PERFORMANCE OF THE COMPANY

The Company has achieved significantly higher performance during the year under review, in comparison to the year ended March 31, 2010, the highlights of which are as below:

- 44% growth in Gross Portfolio Assets from Rs. 704,905.25 Lakhs as at March 31, 2010 to Rs. 1,015,672.81 Lakhs as at March 31, 2011.
- 45 % growth in Total Income from Rs. 96,573.00 Lakhs in 2009-10 to Rs. 139,753.50 Lakhs in 2010-11.
- 48 % growth in Profit Before Tax (PBT) from Rs. 23,632.24 Lakhs in 2009-10 to Rs. 34,985.42 Lakhs in 2010-11.
- 47 % growth in Profit After Tax (PAT) from Rs. 15,647.24 Lakhs in 2009-10 to Rs. 23,046.75 Lakhs in 2010-11.
- Capital Adequacy Ratio as at March 31, 2011 was 16.34% against the statutory requirement of 15%.

The higher performance was facilitated by higher credit offtake across sectors catered to by the Company, aided by the growth in India's economy, continued investment in infrastructure and remunerative agricultural prices. While inflation and consequent monetary tightening resulted in a more challenging environment for raising resources, the Company was able to offset the higher costs through higher operating efficiencies and continued focus on maintaining the quality of assets.

The Company has a small presence in Microfinance Sector in 7 states and is primarily engaged in lending on joint liability basis. The legislation enacted in Andhra Pradesh to regulate microfinance institutions has led to difficulties in collections in that state and also uncertainty as regards other states. Currently, the Company is following a cautious approach to Microfinance. The Company is awaiting the final contours of regulatory / legislative changes for re-shaping its business model in microfinance and in the meanwhile, has taken measures to offset the risks involved in the microfinance business.

RESOURCES

The growth in Loans & Advances towards financing activities has led to increased funding requirements.

During the year under review, L&T Finance Holdings Limited, the Holding Company, had additionally subscribed to 1,87,50,000 Equity Shares of Rs. 10/- each, for cash at a premium of Rs. 190/- per share, aggregating to Rs. 375,00,00,000. The paid up capital of the Company increased to Rs. 2,30,92,22,690/- as at March 31, 2011 from Rs. 2,12,17,22,690/- as at March 31, 2010.

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The Company also raised funds through a mix of borrowings. During the year, the net borrowings have increased from Rs. 641,827.75 Lakhs to Rs. 884,742.76 Lakhs.

FIXED DEPOSITS

During the year, the Company has not accepted any public deposits. The Company had stopped accepting fresh deposits as well as renewal of existing deposits. There were 47 deposits totaling to Rs. 4.61 Lakh, which were due for repayment and unclaimed by the Depositors. Regular intimations / reminders were sent to the depositors in respect of unclaimed deposits.

DIRECTORS

Mr. Shailesh Haribhakti was appointed as an Additional Director of the Company on June 28, 2010. Due to other commitments, he resigned from the Board w.e.f. September 24, 2010. The Directors place on record their appreciation of the valuable contribution made by him during his tenure.

The Board at its meeting held on September 25, 2010 appointed Mr. Subramaniam N. as Additional Director of the Company. He holds office up to the date of the forthcoming Annual General Meeting but is eligible for re-appointment.

The Board at its meeting held on October 25, 2010 appointed Mr. P. V. Bhide as Additional Director of the Company. He holds office up to the date of the forthcoming Annual General Meeting but is eligible for re-appointment.

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

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009

A gist of the compliance of the Company with the said guidelines is furnished in the Corporate Governance Report forming part of this Report.

AUDITORS

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

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

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

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

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

The information on foreign exchange outgo is furnished in the Notes to the Accounts. There were no foreign exchange earnings during the year.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the Audited Balance Sheet and Profit & Loss Account of L&T Investment Management Limited and L&T Mutual Fund Trustee Limited for the financial year ended March 31, 2011, along with the reports of the Auditors and Directors thereon are annexed and form part of the Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
2. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that year;
3. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors have prepared the annual accounts on a going concern basis and
5. Proper systems are in place to ensure compliance of all laws applicable to the Company.

AUDITORS' REPORT

The Auditors' Report is unqualified. The notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 217(3) of the Companies Act, 1956.

RESERVE BANK OF INDIA (RBI) GUIDELINES

The Company has complied with all the applicable regulations of the Reserve Bank of India as on March 31, 2011.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation of the dedication and commitment of the Company's employees to the growth of the Company. Their unstinted support has been and continues to be integral to the Company's ongoing success. The Directors wish to thank the Company's clients and business associates for their support to the growth of the Company. The Directors also wish to thank the Central and State Governments, Reserve Bank of India and other Regulatory / Government Authorities, Financial Institutions, Banks, Mutual Funds and Rating Agencies for their support.

For and on behalf of the Board of Directors

Y. M. DEOSTHALEE
(Director)

N. SIVARAMAN
(Director)

Place : Mumbai
Date : April 26, 2011

CORPORATE GOVERNANCE REPORT

The Board of Directors along with its Committees provides leadership and guidance to the Company's management and directs, supervises and controls the activities of the Company. At present, the Board comprises of six Directors viz. Mr. Y. M. Deosthalee, Mr. S. Raghavan, Mr. R. Shankar Raman, Mr. N. Sivaraman, Mr. Subramaniam N. and Mr. P. V. Bhide. All the directors are non-executive directors. Mr. Deosthalee, Mr. Raghavan and Mr. Shankar Raman are connected with Larsen & Toubro Limited, the ultimate Holding Company in various capacities. Mr. Deosthalee is also the Chairman of L&T Finance Holdings Limited, the Holding Company, while Mr. Sivaraman is the President & Whole-time Director of the same.

Mr. Dinanath Dubhashi is the Chief Executive of the Company and functions under the superintendence and control of the Board of Directors.

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

- Audit Committee
- Committee of Directors
- Asset-Liability Management Committee
- Credit Committee
- Nomination & Compensation Committee
- Risk Management Committee

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

Audit Committee

The Audit Committee has been set up pursuant to Section 292A of the Act, as well as the RBI directions for NBFCs. The Committee currently comprises of 3 Directors as per details given below:

Composition of Audit Committee

Mr. Y. M. Deosthalee
Mr. S. Raghavan
Mr. R. Shankar Raman

Role of the Committee

The role, terms of reference, authority and powers of the Audit Committee are in conformity with Section 292A of the Companies Act, 1956. The Audit Committee met 4 times during the year.

Committee of Directors

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

Composition of Committee of Directors (COD)

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

Role of the Committee

The COD has been entrusted with the powers of general management of the affairs of the Company. The Committee met 15 times during the year.

Asset–Liability Management Committee (ALCO)

The Committee is chaired by Mr. Sivaraman and consists of 7 other members holding senior executive positions in Larsen & Toubro Limited, L&T Finance Limited, and other subsidiaries in Larsen & Toubro's financial services.

Role of the Committee

- 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;
- Deciding the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
- 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;
- Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
- Product pricing for advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for similar services / products, etc.;
- Articulating the current interest rate view of the Company and deciding the future business strategy on this view; and
- Deciding on the source and mix of liabilities or portfolio sale of loan assets.

The ALCO met 10 times during the year under review.

Credit Committee

The Credit Committee of the Company is broad-based, consisting of Mr. Sivaraman and Mr. Shankar Raman and 4 other senior executives from L&T Finance Limited and Larsen & Toubro Limited.

Role of the Committee

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

The Committee met 34 times during the year under review.

Nomination & Compensation Committee

The Committee currently comprises of 4 members as per details given below.

Composition of Nomination & Compensation Committee

Mr. Y. M. Deosthalee
Mr. N. Sivaraman
Mr. R. Shankar Raman
Head-HR, L&T Financial Services

Role of the Committee

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

Risk Management Committee

The Committee currently comprises of Mr. Sivaraman & Mr. Shankar Raman and 2 other members.

Role of the Committee

- The Risk Management Committee is responsible for overseeing the management of the integrated risk which includes liquidity risk, interest rate risk and currency risk.

Disclosures

During the financial year ended March 31, 2011:

- There was no materially significant related party transaction with the Directors that had a potential conflict with the interests of the Company.
- The related party transactions have been disclosed in the Notes to Accounts forming part of the Annual Financial Statements.
- Though not applicable, the Company has adhered to a few mandatory and non mandatory requirements of Corporate Governance norms as prescribed by clause 49 of the Listing Agreement.
- The Company has implemented some of the recommendations given in the "Corporate Governance – Voluntary Guidelines 2009" by the Ministry of Corporate Affairs and is examining the possibility of implementing the remaining recommendations.

Means of Communication

- Half Yearly Results are communicated through newspaper advertisements in prominent national dailies.
- Annual Reports, official news releases and presentations are displayed on the website of the Company <http://www.ltfinance.com>

CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

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

Separation of Offices of Chairman & Chief Executive

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

Remuneration of Directors

All the Directors of the Company are non-executive. The Directors on the Board who are in the services of Larsen and Toubro Limited draw remuneration from Larsen and Toubro Limited. The other Directors on the Board are paid sitting fees for attending the meetings of the Board and/or any Committee thereof and do not draw any other remuneration.

Independent Directors

All the members of the Board of the Company are independent in the sense that none of them is involved in the day-to-day management of the Company.

Number of Companies in which an Individual may become a Director

The Company has apprised its board members about the restriction on number of other directorships and expects in due course 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. The Directors are also updated about their role, responsibilities and liabilities.

The Company ensures necessary training to the Directors relating to its business through formal / informal interactions. Systems, procedures and resources are available to ensure that every Director is supplied, in a timely manner, with precise and concise information in a form and of a quality appropriate to effectively enable / discharge his duties. The Directors are given time to study the data and contribute effectively to Board discussions.

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

Statutory Auditors

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

Internal Auditors

The Corporate Audit Services Department of Larsen & Toubro Limited provides internal audit services to the Company. The Company also has an internal audit department which carries out audits in designated areas.

Internal Control

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

Secretarial Audit

The Secretarial Audit is conducted annually by the Corporate Secretarial Department of Larsen & Toubro Limited, which has competent professionals to carry out the said audit.

For and on behalf of the Board of Directors

Y. M. DEOSTHALEE
(Director)

N. SIVARAMAN
(Director)

Place : Mumbai
Date : April 26, 2011

AUDITORS' REPORT

TO THE MEMBERS OF L&T FINANCE LIMITED

We have audited the attached Balance sheet of L&T Finance Limited as at March 31, 2011, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

1. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 ('the Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to above, we report that:
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) in our opinion, the Profit and Loss Account, the Balance Sheet and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (e) on the basis of the written representations received from directors of the Company as at March 31, 2011 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and
 - (f) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the Significant Accounting Policies in Schedule '17' and the Notes on the Financial Statements in Schedule '18' appearing thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2011;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

SHARP & TANNAN
Chartered Accountants
ICAI registration No. 109982W
By the hand of

Place : Mumbai
Date : April 26, 2011

MILIND P. PHADKE
Partner
Membership No. 33013

ANNEXURE TO THE AUDITORS' REPORT

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) In respect of owned assets as explained to us, all fixed assets have been physically verified by the management during the year. In respect of leased assets, the Company has formulated a programme of physical verification of all the fixed assets over a period of three years which in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company has not disposed of any substantial part of its fixed assets during the year so as to affect its going concern status.
- (ii) The Company is a non- banking finance company and does not hold any inventories. Accordingly, reporting on Paragraph 4(ii)(a),(b) and (c) of the Order is not applicable.
- (iii) (a) According to the information and explanations given to us, Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly reporting under Paragraph 4(iii)(b), (c) and (d) of the Order is not applicable.
- (b) According to the information and explanations given to us, Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly reporting under Paragraph 4(iii)(f) and (g) 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 for services rendered. We have neither come across nor have been informed of any continuing failure to correct major weaknesses in internal control system.
- (v) According to the information and explanations given to us, there are no contracts or arrangements that need to be entered in to the register maintained under Section 301 of Companies Act, 1956. Accordingly, reporting under Paragraph 4(v)(b) of the Order is not applicable.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA and any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder apply.
- (vii) The Company is having internal audit system commensurate with the size of the Company and the nature of its business.
- (viii) According to the information and explanations given to us, the Company, being a non-banking finance company, Paragraph 4(viii) of the Order is not applicable.
- (ix) (a) According to the information and explanations given to us, the Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, cess and other statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, 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 and sales tax as at March 31, 2011 which have not been deposited on account of dispute pending, are as under:

Name of the Statute	Name of the disputed dues	Rupees*	Period to which the amount relates	Forum where disputes are pending
1. The Income Tax Act, 1961	Tax, Interest and Penalty	78,130,049	1995-96 to 1999- 2000 and 2006-07 to 2009-10	ITAT
		176,043,828	2000-01 to 2008-09	CIT-Appeal
2. The Central Sales Tax Act, Local Sales Tax Acts	Disallowance of exemption claimed for deemed sale in the course of inter-state and import transactions	78,130,049	1995-96 to 2000-01, 2004-05, 2005-06,	Joint Commissioner (Appeal)
		936,077	1995-96 to 1998-99, 2000-01	Deputy. Commissioner (Appeal)
		704,540	1999-2000	High Court
		5,024,373	1995-96 to 1999-2000, 2003-04	Sales Tax Tribunal

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

- (x) The Company has no accumulated losses as at March 31, 2011 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
- (xi) According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the loans and advances are granted on the basis of security by way of pledge of shares, debentures and other securities.

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- (xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the Company. Accordingly, reporting under Paragraph 4(xiii) of the Order is not applicable.
- (xiv) The Company is dealing and trading in shares, securities, debentures and other investments. The Company has maintained proper records of the transactions and contracts and timely entries have been made therein and the shares, securities, debentures and other investments have been held by the Company, in its own name.
- (xv) The Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly, reporting under Paragraph 4(xv) of the Order is not applicable.
- (xvi) In our opinion and according to the information and explanations given to us, on an overall basis, the term loans have been applied for the purposes for which they were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investments.
- (xviii) During the year, the Company has made preferential allotment of shares to the Company covered in the register maintained under Section 301 of the Companies Act, 1956. In our opinion and according to the information and explanations given to us, the price at which shares have been issued is not prejudicial to the interest of the Company.
- (xix) According to information and explanations given to us and records examined by us, securities have been created in respect of debentures issued.
- (xx) The Company has not raised any money by public issue during the year. Accordingly, reporting on Paragraph 4(xx) of the Order is not applicable.
- (xxi) During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India, and according to information and explanations given to us, we have neither come across any instances of material fraud on or by the Company noticed or reported during the year, nor have we been informed of such case by management.

SHARP & TANNAN

*Chartered Accountants
ICAI registration No. 109982W
By the hand of*

*Place : Mumbai
Date : April 26, 2011*

MILIND P. PHADKE
*Partner
Membership No. 33013*

BALANCE SHEET AS AT MARCH 31, 2011

	Schedule	As at 31.03.2011		As at 31.03.2010	
		Rupees	Rupees	Rupees	Rupees
SOURCES OF FUNDS					
Shareholders' Funds					
Share capital	1	2,309,222,690		2,121,722,690	
Reserves and surplus	2	15,014,524,702		9,147,582,310	
			17,323,747,392		11,269,305,000
Loan Funds					
Secured loans	3	76,342,500,000		47,000,064,181	
Unsecured loans	4	12,131,776,232		17,182,710,378	
			88,474,276,232		64,182,774,559
Deferred tax liabilities (net)			-		219,910,000
[Note no. 16(b) of Schedule 18]					
TOTAL			105,798,023,624		75,671,989,559
APPLICATION OF FUNDS					
Fixed assets					
Gross Block	5	5,707,200,400		5,139,604,968	
Less : Depreciation and amortisation		1,397,004,559		1,198,781,093	
Net Block		4,310,195,841		3,940,823,875	
Capital work-in-progress / advances		163,272,529		13,700,951	
			4,473,468,370		3,954,524,826
Investments	6		3,087,984,803		1,025,594,169
Deferred tax assets (net) [Note no. 16(b) of Schedule 18]			98,990,000		-
Loans and advances towards financing activities	7		96,457,834,622		67,612,295,867
Current assets, loans and advances					
Sundry debtors	8	3,619,515,367		2,128,576,952	
Cash and bank balances		1,218,653,055		1,107,447,507	
Other current assets		913,739,519		518,840,335	
Loans and advances		2,978,153,542		2,629,473,942	
		8,730,061,483		6,384,338,736	
Less: Current liabilities and provisions	9				
Liabilities		5,251,392,319		2,397,896,425	
Provisions		1,798,923,335		906,867,614	
		7,050,315,654		3,304,764,039	
Net current assets			1,679,745,829		3,079,574,697
TOTAL			105,798,023,624		75,671,989,559
Contingent liabilities	10				
SIGNIFICANT ACCOUNTING POLICIES	17				
NOTES ON FINANCIAL STATEMENTS	18				

The schedule referred to above form an integral part of the financial statements.

As per our report attached

SHARP & TANNAN

Chartered Accountants
Registration no. 109982W
by the hand of

MILIND P. PHADKE

Partner
Membership No. 33013

Place : Mumbai

Date : April 26, 2011

T. SUKUMAR

Company Secretary

Place : Mumbai

Date : April 26, 2011

For and on behalf of the Board

Y. M. DEOSTHALEE

Director

N. SIVARAMAN

Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	Schedules	2010-11 Rupees	2009-10 Rupees
INCOME			
Income from operations	11	13,763,386,984	9,600,505,847
Other income	12	211,962,926	56,794,056
TOTAL		13,975,349,910	9,657,299,903
EXPENDITURE			
Personnel expenses	13	659,889,346	477,724,566
Administration and other expenses	14	1,833,344,209	1,339,966,162
Provisions and contingencies	15	1,036,313,720	695,009,662
Interest and other finance charges	16	6,412,876,843	4,310,758,369
Depreciation and amortisation		534,383,400	470,617,084
TOTAL		10,476,807,518	7,294,075,843
Profit before taxes		3,498,542,392	2,363,224,060
Provision for current taxes [Note no. 16(a) of Schedule 18]		1,513,000,000	887,500,000
Provision for deferred tax [Note no. 16(b) of Schedule 18]		(318,900,000)	(89,000,000)
Profit after taxes		2,304,442,392	1,564,724,060
Balance brought forward from previous year		2,141,544,513	1,889,820,453
Profit available for appropriation		4,445,986,905	3,454,544,513
Appropriations			
Transfer to reserve u/s. 45-IC of RBI Act, 1934		461,000,000	313,000,000
Transfer to debenture redemption reserve		1,500,000,000	1,000,000,000
Balance carried to Balance Sheet		2,484,986,905	2,141,544,513
Basic earnings per share		10.85	7.79
Diluted earnings per share [Note no. 13(iv) of Schedule 18]		10.65	7.79
Face value per equity share		10.00	10.00
SIGNIFICANT ACCOUNTING POLICIES	17		
NOTES ON FINANCIAL STATEMENTS	18		

The schedule referred to above form an integral part of the financial statements.

As per our report attached

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

MILIND P. PHADKE
Partner
Membership No. 33013

Place : Mumbai
Date : April 26, 2011

T. SUKUMAR
Company Secretary

Place : Mumbai
Date : April 26, 2011

Y. M. DEOSTHALEE
Director

N. SIVARAMAN
Director

For and on behalf of the Board

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2011

	2010-11 Rupees	2009-10 Rupees
A. Cash flow from operating activities		
Profit before tax as per Profit and Loss Account	3,498,542,392	2,363,224,060
Depreciation	534,383,400	470,617,084
(Profit) / Loss on sale of investments (net)	(22,922,163)	(35,263,714)
(Profit) / Loss on sale of fixed assets (net)	49,459,952	15,637,382
Interest and dividend received on investments	(155,353,261)	(10,359,179)
Provision for compensated absences/leave encashment	6,210,145	4,829,570
(Gain)/loss on translation of foreign currency monetary assets and liabilities and mark to market of derivatives	4,453,989	(44,344,396)
Cumulative interest on long term NCDs, payable at maturity	125,688,102	74,208,321
Provision for diminution in value of investments	(319,705)	(10,764,077)
Provision for non-performing assets/write offs	781,633,425	705,773,739
Provision for standard assets	255,000,000	-
Operating profit before working capital changes	5,076,776,276	3,533,558,790
(Increase)/ Decrease loans and advances towards financing activities	(28,845,538,755)	(19,211,428,638)
(Increase)/ Decrease in trade and other receivables and advances	(3,016,150,624)	(1,769,453,567)
Increase/ (Decrease) in trade and other payables	3,354,199,374	669,965,452
Cash generated from operations	(23,430,713,730)	(16,777,357,963)
Direct taxes paid	(1,513,000,000)	(887,500,000)
Net cash flow from operating activities (A)	(24,943,713,730)	(17,664,857,963)
B. Cash flows from investing activities		
Add : Inflows from investing activities		
Proceeds/Adjustments from sale of fixed assets	195,816,445	151,927,571
Sale of investments	107,083,329,092	50,712,138,265
Sale of shares of subsidiary/associate companies	-	500,000
Interest and dividend received on investments	155,353,261	10,359,179
	107,434,498,798	50,874,925,015
Less : Outflow from investing activities		
Purchase of fixed assets (including capital work in progress)	1,298,603,341	2,173,419,038
Purchase of shares of subsidiary companies	400,000,000	668,891,931
Purchase of investments	108,722,477,852	50,953,076,983
Net cash from investing activities (B)	(2,986,582,395)	(2,920,462,937)
C. Cash flows from financing activities		
Add : Inflows from financing activities		
Proceeds from issue of share capital including securities premium	3,750,000,000	1,249,999,985
Increase in secured loans	29,342,435,819	22,237,499,999
	33,092,435,819	23,487,499,984
Less : Outflows from financing activities		
Decrease in unsecured loans	5,050,934,146	2,492,316,824
Net cash generated (used in) / from financing activities (C)	28,041,501,673	20,995,183,160
Net cash increase / (decrease) in cash and cash equivalents (A+B+C)	111,205,548	409,862,260
Cash and cash equivalents as at beginning of the year	1,107,447,507	697,585,247
Cash and cash equivalents as at end of the year	1,218,653,055	1,107,447,507

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 and bank balances.
- Previous year figures have been regrouped/reclassified wherever applicable.

As per our report attached

SHARP & TANNAN

Chartered Accountants
Registration no. 109982W
by the hand of

MILIND P. PHADKE

Partner
Membership No. 33013

Place : Mumbai

Date : April 26, 2011

For and on behalf of the Board

T. SUKUMAR
Company Secretary

Place : Mumbai

Date : April 26, 2011

Y. M. DEOSTHALEE
Director

N. SIVARAMAN
Director

SCHEDULES FORMING PART OF ACCOUNTS

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 1				
SHARE CAPITAL				
Authorised				
25,00,00,000 Equity shares of Rs. 10 each		2,500,000,000		2,500,000,000
Issued and subscribed				
23,09,22,269 Equity shares of Rs. 10 each [Note no. 1 of Schedule 18] (Previous year 21,21,72,269 Equity shares of Rs. 10 each)		2,309,222,690		2,121,722,690
Of the above:				
2,66,91,500 Equity shares are allotted as fully paid up for a consideration other than cash consequent on amalgamation				
23,09,22,269 (Previous year 21,21,72,269) Equity shares are held by L&T Finance Holdings Limited, the holding company and its nominees. Larsen & Toubro Limited, being the ultimate holding company.				
TOTAL		<u>2,309,222,690</u>		<u>2,121,722,690</u>
SCHEDULE - 2				
RESERVES AND SURPLUS				
Capital Redemption Reserve				
As per last Balance Sheet		8,225,000		8,225,000
Securities Premium Account				
As per last Balance Sheet	4,245,192,295		3,000,000,000	
Add : Received during the year	<u>3,562,500,000</u>		<u>1,245,192,295</u>	
		7,807,692,295		4,245,192,295
Reserve u/s. 45-IC of RBI Act, 1934				
As per last Balance Sheet	1,104,189,145		791,189,145	
Add : Transferred from Profit and Loss Account	<u>461,000,000</u>		<u>313,000,000</u>	
		1,565,189,145		1,104,189,145
Debenture Redemption Reserve				
As per last Balance Sheet	1,000,000,000		-	
Add : Transferred from Profit and Loss Account	<u>1,500,000,000</u>		<u>1,000,000,000</u>	
		2,500,000,000		1,000,000,000
General Reserve				
As per last Balance Sheet		648,431,357		648,431,357
Profit and Loss Account		<u>2,484,986,905</u>		<u>2,141,544,513</u>
TOTAL		<u>15,014,524,702</u>		<u>9,147,582,310</u>
SCHEDULE - 3				
SECURED LOANS				
Redeemable non convertible debentures [Note no. 2 of Schedule 18]		23,400,000,000		24,800,000,000
From banks				
Term loan [Note no. 4 (ii) of Schedule 18]		51,642,500,000		20,135,000,000
Foreign currency loan [Note no. 4 (iii) of Schedule 18]		1,200,000,000		1,765,064,181
From financial institutions [Note no. 4 (ii) of Schedule 18]		<u>100,000,000</u>		<u>300,000,000</u>
TOTAL		<u>76,342,500,000</u>		<u>47,000,064,181</u>
SCHEDULE - 4				
UNSECURED LOANS				
Redeemable non convertible debentures [Note no. 3 of Schedule 18]		750,000,000		750,000,000
Short term loans and advances				
From banks		3,000,000,000		3,710,000,000
Commercial papers		8,150,000,000		12,500,000,000
Others		<u>231,776,232</u>		<u>222,710,378</u>
TOTAL		<u>12,131,776,232</u>		<u>17,182,710,378</u>

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**SCHEDULE - 5****FIXED ASSETS**

PARTICULARS	GROSS BLOCK (AT COST)				DEPRECIATION / AMORTISATION				NET BLOCK		
	As at 01.04.2010	Additions	Sales / Adjustments	As at 31.03.2011	Upto 31.03.2010	For the year	Deductions / Adjustments	Upto 31.03.2011	As at 31.03.2011	As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Tangible Assets											
Owned Assets											
Land - freehold	1,470,030,600	89,313,833	-	1,559,344,433	-	-	-	-	1,559,344,433	1,470,030,600	
Buildings	369,769,203	-	-	369,769,203	50,553,936	6,027,239	-	56,581,175	313,188,028	319,215,267	
Office equipments	64,063,865	6,741,139	3,275,020	67,529,984	25,670,844	5,391,459	1,720,833	29,341,470	38,188,514	38,393,021	
Furniture and fixtures	112,533,581	15,705,929	1,221,914	127,017,596	12,713,805	9,872,497	1,040,097	21,546,205	105,471,391	99,819,776	
Computers	138,291,565	68,520,206	1,107,169	205,704,602	54,541,500	30,787,582	729,359	84,599,723	121,104,879	83,750,065	
Owned Assets Leased out											
Plant and machinery	810,506,397	386,483,933	105,931,452	1,091,058,878	216,692,624	107,994,309	26,584,340	298,102,593	792,956,285	593,813,773	
Office equipment	2,722,767	1,176,745	-	3,899,512	562,592	284,885	-	847,477	3,052,035	2,160,175	
Furniture and fixtures	90,886,453	40,039,633	-	130,926,086	8,034,133	7,338,549	169,598	15,203,084	115,723,002	82,852,320	
Motor cars	1,433,388,470	359,276,849	339,787,983	1,452,877,336	510,586,760	222,131,907	207,038,196	525,680,471	927,196,865	922,801,710	
Vehicles	15,984,752	89,194,755	14,700,000	90,479,507	15,012,690	6,930,723	14,700,000	7,243,413	83,236,094	972,062	
Computers	504,787,772	56,014,471	115,412,793	445,389,450	244,213,660	96,668,241	84,177,511	256,704,390	188,685,060	260,574,112	
(A)	5,012,965,425	1,112,467,493	581,436,331	5,543,996,587	1,138,582,544	493,427,391	336,159,934	1,295,850,001	4,248,146,586	3,874,382,881	
Intangible Assets											
Owned Assets											
Specialised software	126,639,543	36,564,270	-	163,203,813	60,198,549	40,956,009	-	101,154,558	62,049,255	66,440,994	
(B)	126,639,543	36,564,270	-	163,203,813	60,198,549	40,956,009	-	101,154,558	62,049,255	66,440,994	
(A) + (B)	5,139,604,968	1,149,031,763	581,436,331	5,707,200,400	1,198,781,093	534,383,400	336,159,934	1,397,004,559	4,310,195,841		
Previous year	3,207,190,929	2,279,810,138	347,396,099	5,139,604,968	907,995,155	470,617,084	179,831,146	1,198,781,093		3,940,823,875	
Add : Capital work-in-progress / advances									163,272,529	13,700,951	
									4,473,468,370	3,954,524,826	

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 6				
INVESTMENTS (At cost)				
Long term investments				
Government Securities		4,000		4,000
Debentures		1,690,339,700		-
Fully paid equity shares		1,155,941,931		735,016,931
Others		241,150,000		245,625,000
		3,087,435,631		980,645,931
Current investments				
Fully paid equity shares		6,159,000		50,877,771
Others		1,000		1,000
		6,160,000		50,878,771
		3,093,595,631		1,031,524,702
Less: Provision for diminution in value of investments		5,610,828		5,930,533
TOTAL		3,087,984,803		1,025,594,169

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Note :				
Quoted investments				
Book value		1,691,512,700		45,891,771
Market value		1,685,901,872		45,574,952
Unquoted Investments				
Book value		1,402,082,931		980,646,935
Particulars of investments :				
Long term investments				
Government Securities :				
12% National Saving Certificate 2002 (Deposited as security with sales tax authorities)		4,000		4,000
TOTAL		4,000		4,000
Debentures :				
Infrastructure Development Finance Limited				
IDFC Ltd (M+170bps) 16 May 2012 700 NCDs of Rs. 1,000,000 each	708,719,200		-	
IDFC Ltd (M+183bps) 04 Dec 2012 250 NCDs of Rs. 1,000,000 each	259,364,250		-	
IDFC Ltd (M+150bps) 16 May 2017 400 NCDs of Rs. 1,000,000 each	468,398,000		-	
		1,436,481,450		-
Mahindra & Mahindra Financial Services Limited				
M & M Fin Ser (M+260) 16 Jan 2012 250 NCDs of Rs. 1,000,000 each		253,858,250		-
TOTAL		1,690,339,700		-
Fully paid equity shares				
Subsidiary Companies :				
L&T Investment Management Limited 150,000,000 shares (<i>previous year 110,000,000</i>) of Rs. 10 each		1,068,391,931		668,391,931
L&T Mutual Fund Trustee Limited 50,000 shares (<i>previous year 50,000</i>) of Rs. 10 each		500,000		500,000
Other Companies:				
Invent Assets Securitisation & Reconstruction Private Limited 3,780,000 shares (<i>previous year 2,850,000</i>) of Rs. 10 each		85,050,000		64,125,000
Alpha Micro Finance Consultants Private Limited 200,000 shares (<i>previous year 200,000</i>) of Rs. 10 each		2,000,000		2,000,000
TOTAL		1,155,941,931		735,016,931
Others:				
Invent Assets Securitisation & Reconstruction Private Limited				
Share application money paid pending allotment		74,700,000		95,625,000
Security Receipts		166,450,000		150,000,000
TOTAL		241,150,000		245,625,000

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

Fully paid equity shares	Face Value per Unit	Number of units			31.03.2011 Rupees	31.03.2010 Rupees
		As at 01.04.2010	Purchases / additions	Sales/ deductions		
Metropoli Overseas Ltd.	10	99,400	-	-	99,400	1,491,000
Anil Chemicals and Industries Ltd.	10	40,000	-	-	40,000	800,000
Elque Polyesters Ltd.	10	194,300	-	-	194,300	1,943,000
Monnet Industries Ltd.	10	18,800	-	-	18,800	752,000
Intergrated Digital Info Services Ltd.	10	383,334	-	-	383,334	1,173,000
Axis Bank Ltd.	10	2,500	3,250	5,750	-	2,846,069
Ashok Leyland Ltd.	1	-	50,000	50,000	-	-
BEML Ltd.	10	6,000	479	6,479	-	6,823,715
Bharat Heavy Electricals Ltd.	10	2,000	1,200	3,200	-	4,745,191
Cairn India Limited	10	14,000	-	14,000	-	4,170,921
Hero Honda Motors Ltd.	2	2,000	1,000	3,000	-	3,925,218
Indrapastha Gas Ltd.	10	-	27,118	27,118	-	-
Infosys Technologies Ltd.	5	1,500	371	1,871	-	4,165,954
LIC Housing Finance Ltd.	2	-	36,500	36,500	-	-
Mahindra & Mahindra Ltd.	5	5,000	17,650	22,650	-	2,702,130
Polaris Software Lab Ltd.	5	-	2,500	2,500	-	-
Reliance Industries Ltd.	10	7,000	6,000	13,000	-	7,242,915
State Bank of India	10	-	4,180	4,180	-	-
Sintex Industries Ltd.	1	-	6,000	6,000	-	-
Standard Chartered PLC (IDR)	0.5 USD	-	1,477,972	1,477,972	-	-
Sterlite Industries (India) Ltd.	1	-	52,800	52,800	-	-
Tata Motors Ltd.	10	-	6,500	6,500	-	-
Tata Steel Ltd.	10	4,000	24,500	28,500	-	2,587,676
Tata Consultancy Services Ltd.	1	-	2,500	2,500	-	-
Yes Bank Ltd.	10	22,000	98,376	120,376	-	5,508,982
TOTAL					6,159,000	50,877,771
OTHERS						
LTFL Securitisation Trust 2002				1,000		1,000
TOTAL				1,000		1,000

Details of Investments purchased and sold during the year

Money Market Mutual Fund :	Face Value Rupees Per Unit	Nos.	Cost Rupees
Axis Liquid Fund - Institutional Plan - Growth Option	1,000	3,625,008	3,840,000,000
Baroda Pioneer Liquid Fund - Institutional Plan - Growth Option	10	105,258,831	1,150,000,000
Birla Sun Life Cash Plus - Institutional Premium Plan - Daily Dividend	10	2,101,901,292	21,060,000,000
Canara Robeco Liquid - Super Institutional - Growth	10	1,002,462,125	11,470,000,000
DWS Insta Cash Plus Fund - Super Institutional Plan - Daily Dividend	10	463,590,684	4,650,000,000
HSBC Cash Fund - Institutional Plus - Growth	10	8,288,438	120,000,000
ICICI Prudential Liquid Plan - Super Institutional - Growth Option	100	86,759,047	12,180,000,000
JM High Liquidity Fund - Super Institutional Plan - Daily Dividend	10	399,341,087	4,000,000,000
JPMorgan India Liquid Fund - Super Institutional - Daily Dividend Re-Investment Option	10	157,875,279	1,580,000,000
JPMorgan India Liquid Fund - Super Institutional - Growth	10	1,038,587,814	12,710,000,000
Kotak Floater Short Term - Growth	10	428,869,393	6,870,000,000

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Money Market Mutual Fund :	Face Value Rupees Per Unit	Nos.	Cost Rupees
Kotak Liquid - Institutional Premium Plan - Daily Dividend	10	40,889,427	500,000,000
Kotak Liquid - Institutional Premium Plan - Growth	10	775,734,322	14,920,000,000
L&T Liquid Fund - Cumulative - Super Institutional	10	246,492,186	3,150,000,000
LIC MF Liquid Fund - Growth	10	78,060,657	1,350,000,000
Principal Cash Management Fund -Growth Option	10	3,458,317	50,000,000
Reliance Liquidity Fund - Dividend Plan - Daily Dividend Reinvestment	10	67,965,737	680,000,000
Religare Liquid Fund - Super Institutional - Daily Dividend	10	203,841,004	2,040,000,000
Religare Liquid Fund - Super Institutional - Growth	10	22,568,269	300,000,000
TATA Liquid Super High Investment Plan - Daily	1,000	834,440	930,000,000
UTI MMF - Institutional Plan - Daily Dividend	1,000	1,116,221	1,120,000,000
UTI MMF - Institutional Growth Plan	1,000	1,805,949	1,900,000,000

Equity Shares :	Face Value Per Unit	Nos.	Cost Rupees
Ashok Leyland Ltd.	1	50,000	2,817,954
Axis Bank Ltd.	10	3,250	4,113,389
BEML Ltd.	10	479	476,095
Bharat Heavy Electricals Ltd.	10	1,200	2,981,235
Hero Honda Motors Ltd.	2	1,000	1,992,881
Indraprastha Gas Ltd.	10	27,118	7,820,676
Infosys Technologies Ltd.	5	371	981,723
LIC Housing Finance Ltd.	2	36,500	7,625,049
Mahindra & Mahindra Ltd.	5	17,650	10,663,851
Polaris Software Lab Ltd.	5	2,500	420,605
Reliance Industries Ltd.	10	6,000	6,437,792
Sintex Industries Ltd.	1	6,000	2,446,247
Standard Chartered PLC (IDR)	0.5 USD	1,477,972	153,709,088
State Bank of India	10	4,180	11,952,753
Sterlite Industries (India) Ltd.	1	52,800	11,230,807
Tata Motors Ltd.	10	6,500	5,122,758
Tata Steel Ltd.	10	24,500	12,989,706
Tata Consultancy Services Ltd.	1	2,500	2,376,956
Yes Bank Ltd.	10	98,376	28,603,588

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 7				
LOANS AND ADVANCES TOWARDS FINANCING ACTIVITIES				
Secured				
Considered good				
Loans against pledge of shares and securities	7,884,994,894		4,839,049,944	
Other loans	71,986,864,235		48,644,463,942	
Debentures	2,808,037,000		670,000,000	
Considered doubtful				
Other loans	175,658,376		294,934,003	
	<u>82,855,554,505</u>		<u>54,448,447,889</u>	
Less : Provision for non-performing assets	175,658,376		294,934,003	
		<u>82,679,896,129</u>		<u>54,153,513,886</u>

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

	As at 31.03.2011		As at 31.03.2010	
	Rupees	Rupees	Rupees	Rupees
Unsecured				
Considered good				
Bills discounted	2,673,518,152		1,843,129,269	
Other loans	11,104,420,341		11,615,652,712	
Considered doubtful				
Other loans	562,710,259		13,495,763	
	<u>14,340,648,752</u>		<u>13,472,277,744</u>	
Less : Provision for non-performing assets	562,710,259		13,495,763	
		<u>13,777,938,493</u>		<u>13,458,781,981</u>
TOTAL		<u>96,457,834,622</u>		<u>67,612,295,867</u>

SCHEDULE - 8**CURRENT ASSETS, LOANS AND ADVANCES****Sundry Debtors****Secured**

Debts outstanding for a period exceeding six months

Considered good	259,584,871	102,929,217
Considered doubtful	381,582,256	412,100,484
	<u>641,167,127</u>	<u>515,029,701</u>

Other debts

Considered good	1,774,310,861	1,598,251,852
Considered doubtful	–	–
	<u>1,774,310,861</u>	<u>1,598,251,852</u>

Less : Provision for doubtful debts

	<u>381,582,256</u>	<u>412,100,484</u>
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2,033,895,732**1,701,181,069****Unsecured**

Debts outstanding for a period exceeding six months

Considered good	–	14,745,432
Considered doubtful	190,979,690	29,123,702
	<u>190,979,690</u>	<u>43,869,134</u>

Other debts

Considered good	1,585,619,635	412,650,451
Considered doubtful	179,002,646	–
	<u>1,764,622,281</u>	<u>412,650,451</u>

Less : Provision for doubtful debts

	<u>369,982,336</u>	<u>29,123,702</u>
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1,585,619,635**427,395,883****3,619,515,367****2,128,576,952****Cash and Bank Balances**

Cash in hand

	253,901	477,204
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Balances with Scheduled Banks

on current account	1,164,800,954	1,105,741,170
on deposit account	53,598,200	1,229,133

1,218,653,055**1,107,447,507****Other Current Assets**

Interest accrued

	913,739,519	518,840,335
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SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 12				
OTHER INCOME				
Income from investments (trade)				
Interest and dividend on securities	155,353,261		10,359,179	
Profit on sale/redemption of investments (net)	22,922,163		35,263,714	
		178,275,424		45,622,893
Others		33,687,502		11,171,163
TOTAL		211,962,926		56,794,056
SCHEDULE - 13				
PERSONNEL EXPENSES				
Salaries		574,080,098		422,187,536
Contribution to and provision for:				
Provident fund and Pension fund	23,088,304		16,544,174	
Gratuity fund [Note no. 12 (ii) of Schedule 18]	8,336,900		2,991,324	
Superannuation fund	2,449,429		876,963	
Compensated absences/ leave encashment	11,161,492		7,488,777	
		45,036,125		27,901,238
Welfare and other expenses		40,773,123		27,635,792
TOTAL		659,889,346		477,724,566
SCHEDULE - 14				
ADMINISTRATIVE AND OTHER EXPENSES				
Travelling and conveyance		131,624,683		82,885,997
Printing and stationery		34,693,036		25,616,368
Telephone, postage and telegrams		80,267,242		62,388,944
Directors' Fees		120,000		–
Brokerage and service charges		37,116,818		20,183,225
Advertising and publicity		42,443,986		27,846,072
Repairs and maintenance				
Plant and machinery		2,523,070		1,260,864
Others		78,704,047		51,865,582
Rent		186,083,860		157,563,712
Rates and taxes		34,030,441		38,535,606
Electricity charges		25,387,207		18,673,683
Insurance		10,585,102		9,471,617
Auditors remuneration				
Audit fees	500,000		500,000	
Tax audit fees	78,000		78,000	
Certification	1,310,500		1,326,500	
Expenses reimbursed	22,737		40,880	
		1,911,237		1,945,380
Professional fees		513,428,506		258,998,018
Loss on foreclosure of loans		607,133,112		574,448,508
Miscellaneous expenses		47,291,862		8,282,586
TOTAL		1,833,344,209		1,339,966,162
SCHEDULE - 15				
PROVISIONS AND CONTINGENCIES				
Provision for standard assets [Note no. 19 of Schedule 18]		255,000,000		–
Provision for non-performing assets / write offs		781,633,425		705,773,739
Provision for diminution in value of investments		(319,705)		(10,764,077)
TOTAL		1,036,313,720		695,009,662

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

	2010-11		2009-10	
	Rupees	Rupees	Rupees	Rupees
SCHEDULE - 16				
INTEREST AND OTHER FINANCE CHARGES				
Fixed loans		4,807,555,341		3,408,522,007
Others		1,605,321,502		902,236,362
TOTAL		6,412,876,843		4,310,758,369

SCHEDULE - 17**SIGNIFICANT ACCOUNTING POLICIES****A. Basis of Accounting**

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with Generally Accepted Accounting Principles ('GAAP') and in compliance with the provisions of the Companies Act 1956, and the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, notified by the Central Government. Insurance and other claims are accounted for as and when admitted by the appropriate authorities.

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

B. Fixed Assets**Owned assets**

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

Leased assets

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

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

Assets taken on lease

Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability of each period.

Assets acquired on leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit and Loss Account on accrual basis.

C. Intangible Assets

An Intangible asset is recognised if, and only if:

- it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and
- the cost of the asset can be measured reliably.

D. Impairment of assets

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

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

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

Recoverable amount is determined:

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

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

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

E. Investments

Long-term investments are carried at cost, after providing for any diminution in value, if such diminution is of other than temporary in nature. Current investments are carried at lower of cost or market value. The determination of the carrying costs of such investments is done on the basis of specific identification.

F. Foreign currency transactions, Forward contracts and Derivatives

The reporting currency of the Company is the Indian Rupee.

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

Forward contracts other than those entered into to hedge foreign currency risk on unexecuted firm commitments or of highly probable forecast transactions are treated as foreign currency transactions and accounted accordingly as per Accounting Standard (AS)11 ["The Effects of Changes in Foreign Exchange Rates"]. Exchange differences arising on such contracts are recognised in the period in which they arise and the premium paid / received is accounted as expenses / income over the period of the contract.

Gains and losses arising on account of roll over / cancellation of forward contracts are recognised as income / expenses of the period in which such roll over / cancellation takes place.

Derivative contracts are recognized in financial statements and re-measured at fair value (mark to market) as on the Balance Sheet date. Wherever the test of effectiveness of the hedge is met the effective portion of the resultant gain or loss is initially recognised in the Profit and Loss Account in the period in which the hedged item affects the earnings. All other gains or losses on such contracts are recognized in the Profit & Loss Account immediately.

G. Revenue Recognition

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

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

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

I. 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

(a) Defined Contribution Plans:

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

(b) Defined Benefit Plans:

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

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plans, is based on the market yields on Government securities of a maturity period equivalent to the weighted average maturity profile of the related obligation at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the Profit and Loss Account.

In case of funded plans, 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.

Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs. Past service cost is recognized as expense on a straight-line basis over the average period until the benefits become vested.

Long Term Employee Benefits

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

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

J. Borrowing Costs

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

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

K. Depreciation

Owned assets

Depreciation on assets held for own use has been provided on straight-line basis as per Schedule XIV to the Companies Act, 1956, except for specialised software, computers & office equipment which are depreciated @ 33.33%, 20 % & 10 % per annum respectively. These rates are fixed in consonance with the expected useful life of the assets. Depreciation on assets acquired and given to employees under the hard furnishing scheme has been provided @ 18% per annum on straight line basis, except assets costing Rs. 5,000 or less which are depreciated on straight line basis as per Schedule XIV to the Companies Act, 1956.

Assets given on lease

In respect of the assets given on finance lease, Accounting Standards (AS) 19 Leases has been applied. Investment in leased assets is shown under loans and advances duly adjusted for recoveries during the lease period as required under the said Standard.

In respect of assets given on operating lease, depreciation is provided on straight line basis pro-rata from the month of acquisition/capitalization at the rates which have been determined on the basis of type of the asset, lease tenor, economic life of the asset, etc. These rates vary from 7% to 20% per annum.

Assets taken on lease

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

L. Taxes on Income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on the expected outcome of assessments / appeals.

Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year and quantified using the tax rates and the laws enacted or substantively enacted as on the Balance Sheet date.

Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised

M. Provisions, Contingent liabilities and contingent assets

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

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

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

Contingent liability is disclosed in the case of

1. a present obligation arising from a past events when it is not probable that an outflow of resources will be required to settle the obligation
2. a present obligation when no reliable estimate is possible; and
3. a possible obligation arising from past events where the probability of outflow of resources is not remote

Contingent assets are neither recognised nor disclosed.

Provisions, Contingent liabilities and Contingent assets are reviewed at each Balance Sheet date.

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**SCHEDULE - 18****NOTES ON FINANCIAL STATEMENTS**

1) During the year the Company has issued and allotted 18,750,000 equity shares of Rs. 10 each to L&T Finance Holdings Limited (formerly L&T Capital Holdings Limited) at issue price of Rs. 200 per share.

2) (i) Secured Redeemable Non-convertible Debentures : Private Placement

Sr. No.	Series	Face Value	Date of Allotment	Amount (Rupees in Lakhs)	Interest	Redemption
1	B of FY 2008-09	Rs. 10 lakh each	07-07-2008	30,000	10.25%	Redeemable at par at the end of 36 months from the date of allotment
2	A of FY 2009-10	Rs. 10 lakh each	21-07-2009	25,000	8.10%	Redeemable at par at the end of 24 months from the date of allotment
3	B of FY 2009-10	Rs. 10 lakh each	29-09-2009	11,500	9.62%	Redeemable at par at the end of 60 months from the date of allotment
4	A of FY 2010-11	Rs. 10 lakh each	12-04-2010	17,500	7.45%	Redeemable at par at the end of 24 months from the date of allotment
		Total		84,000		

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

Sr. No.	Series	Face Value	Date of Allotment	Amount (Rupees in Lakhs)	Interest	Redemption
1	NCD 2009 Series 1	Rs. 1000 each	17-09-2009	10,664	9.51%	Redeemable at par at the end of 60 months from the date of allotment
2	NCD 2009 Series 2	Rs. 1000 each	17-09-2009	29,635	9.62%	Redeemable at par at the end of 60 months from the date of allotment
3	NCD 2009 Series 3	Rs. 1000 each	17-09-2009	12,632	9.95%	Redeemable at par at the end of 88 months from the date of allotment
4	NCD 2009 Series 4	Rs. 1000 each	17-09-2009	47,069	10.24%	Redeemable at par at the end of 120 months from the date of allotment
5	NCD 2010 Series 1	Rs. 1000 each	10-03-2010	37,134	8.40%	Redeemable at par at the end of 36 months from the date of allotment
6	NCD 2010 Series 2	Rs. 1000 each	10-03-2010	12,866	8.50%	Redeemable at par at the end of 36 months from the date of allotment
		Total		150,000		

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.

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.

3) Unsecured Redeemable Non-convertible Subordinate Debt :

Series	Face Value	Date of Allotment	Amount (Rs. Lakhs)	Interest	Redemption
Series H of FY 2007-08	Rs. 10 lakhs each	20-02-2008	7,500	10.50%	Redeemable at par at the end of 120 months from the date of allotment
	Total		7,500		

4) (i) Cash Credit / Working Capital Demand Loan of Rs. Nil (*previous year Rs. Nil*) is secured by hypothecation of specified lease assets and book debts relating to lease, and other activities.

(ii) Term loan from bank and financial institution of Rs. 517,425 lakh (*previous year Rs. 204,350 lakhs*) is secured by hypothecation of specified lease/term loan receivables.

(iii) Foreign currency loan of Rs. 12,000 lakhs (*previous year Rs. 17,650.64 lakhs*) is secured by hypothecation of specified lease assets and term loan receivables and book debts relating to lease, and other activities.

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

5) Finance Lease

Assets given on lease

The Company has given assets on finance lease to its customers with respective underlying assets/equipments as security. The details of gross investments, unearned finance income and present value of rentals as at March 31, 2011 in respect of these assets are as under:

Rs. in Lakhs

Particulars	2010-11	2009-10
Gross Investments		
Within one year	116.07	2,240.32
Later than one year and not later than five years	16,864.24	5,653.34
TOTAL	16,980.31	7,893.66
Unearned Finance Income		
Within one year	5.76	665.41
Later than one year and not later than five years	3,253.03	915.37
TOTAL	3,258.79	1,580.78
Present Value of Rentals		
Within one year	110.31	1,574.91
Later than one year and not later than five years	13,611.21	4,737.97
TOTAL	13,721.52	6,312.88

6) Operating Lease

Assets taken on lease

The Company has taken cars on non-cancellable operating leases, the future minimum lease payments in respect of which as at March 31, 2011 are as follows:

Rs. in Lakhs

Particulars	2010-11	2009-10
	Lease Payments	
Within one year	9.30	10.55
Later than one year and not later than five years	8.67	27.57
Total	17.97	38.12

- 7) Income from term loan and other financing activities includes interest on loans and advances of Rs. 118,050.29 lakh (*previous year Rs. 84,269.07 lakh*)
- 8) Advances recoverable in cash or in kind include Rs. 28.18 lakh (*previous year Rs. 28.18 lakh*) being sales tax paid upto December 31, 1997 in various states on inter-state lease transactions. Due to ambiguity in certain provisions of Sales Tax Act in respective states with respect to such transactions, recovery of the same from the customers is kept in abeyance. The Company has since then been paying sales tax on such transactions under protest in various states to the extent it is collected from the customers.
- 9) Assignment of Receivables
The Company has assigned / sold some of the short term receivables amounting to Rs. 110,714.39 lakh (*previous year Rs. 17,661.90 lakh*). This assignment / sale is without recourse to the Company. The Company does not expect any contingent or other liability in future in respect of these assigned / sold receivables.
- 10) Managers salary and perquisites amounting to Rs. 17.40 lakh (*previous year Rs. 20.35 lakh*) have been charged to the accounts based on the deputation cost advice received by the Company.
- 11) Payments made in foreign exchange for value of import of capital goods Rs. 10,136.71 lakh (*previous year Rs. 7,951.32 lakh*) under Loan cum Hypothecation Agreement on behalf of the customers by way of Irrevocable Letter of Credit and / or Remittances.

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

12) Employee Benefits

i) Defined Contribution Plans :

Amount of Rs. 104.84 lakh (*previous year Rs. 73.03 lakh*) is recognised as an expense and included in Personnel Expenses in the Profit and Loss Account.

ii) Defined Benefit Gratuity Plans :

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

Rs. in Lakh

	Particulars	Gratuity Plan	
		As at 31.03.2011	As at 31.03.2010
A.	Amount to be recognized in Balance Sheet		
	Present Value of Defined Benefit Obligation		
	– Wholly Funded	200.69	125.26
	– Wholly Unfunded	–	–
	Less: Fair value of Plan Assets	(119.32)	(97.35)
	Unrecognised Past Service Costs	–	–
	Amount to be recognised as liability or (asset)	81.37	27.91
B.	Amounts reflected in the Balance Sheet		
	Liability	81.37	27.91
	Assets	–	–
	Net Liability (asset)	81.37	27.91

b) The amount recognised in Profit and Loss Account as follows:

Rs. in Lakh

	Particulars	Gratuity Plan	
		2010-11	2009-10
1	Current Service Cost	42.95	36.41
2	Interest on Defined Benefit Obligation	13.88	10.89
3	Expected Return on Plan Assets	(10.04)	(5.96)
4	Actuarial Losses / (Gains)	36.20	(15.43)
5	Past Service Cost	0.38	–
6	Effect of any curtailment or settlement	–	–
7	Actuarial Gain not recognized in books”	–	–
8	Adjustment for earlier years	–	–
	Total included in Employee Benefit Expenses	83.37	29.91
	Actual Return on Plan Assets	7.68	4.71

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

Rs. in Lakh

Particulars	Gratuity Plan	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the present value of Defined Benefit Obligation	125.26	102.31
Add: Current Service Cost	42.95	36.41
Add: Interest Cost	13.87	10.89
Add/(less): Actuarial Losses / (Gain)	33.85	(16.68)
Add: Past service cost	0.38	–
Add : Actuarial losses / (Gain) due to curtailments	–	–
Add: Liabilities Extinguished on Settlements	–	–
Add: Liabilities Assumed on Acquisition / (Settled on Divestiture)	–	–
Exchange Difference on Foreign Plans	–	–
Adjustments for earlier years	–	–
Less: Benefits paid	(15.62)	(7.67)
Closing balance of the present value of Defined Benefit Obligation	200.69	125.26

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

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

Rs. in Lakh

Particulars	Gratuity Plan	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the fair value of the plan assets	97.34	69.58
Add: Expected Return on plan assets	10.04	5.96
Add / (less): Actuarial gains / (losses)	(2.35)	(1.25)
Add: Assets Distributed on Settlements	-	-
Add: Contributions by Employer	29.91	30.73
Add: Assets Acquired on Acquisition / (Distributed on Divestiture)	-	-
Add: Exchange Difference on Foreign Plans	-	-
Less: Benefits Paid	(15.62)	(7.67)
Closing balance of the plan assets	119.32	97.35

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

		Gratuity Plan			
		As at 31.03.2011		As at 31.03.2010	
	Spares parts	%	Rs. Lakh	%	Rs. Lakh
1	Government of India Securities	37%	43.82	45%	43.52
2	Corporate Bonds	41%	49.26	49%	48.10
3	Special Deposit Scheme	20%	23.29	0%	-
4	Equity Shares of Listed Companies	0%	-	0%	-
5	Property	0%	-	0%	-
6	Insurer Managed Funds	0%	-	0%	-
7	Others	2%	2.95	6%	5.72

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 by the Company at the beginning of the year on the return expected on its existing portfolio, along with the estimated incremental investments to be made during the year. Yield on the portfolio is calculated based on suitable mark-up over the benchmark Government securities of similar maturities.

- f) Principal actuarial assumptions at the Balance Sheet date :

	Particulars	As at 31.03.2011	As at 31.03.2010
1.	Discount rate	8.30%	8.30%
2.	Expected return on plan assets	8.00%	7.50%
3.	Salary growth rate		
	Gratuity scheme	6.00%	6.00%

- g) Attrition rate:

For gratuity scheme the attrition rate varies for various age groups.

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

The amounts pertaining to defined benefit plans are as follows:

Rs. in Lakh

Particulars	As at 31.03.2011	As at 31.03.2010
Gratuity Plan		
Defined Benefit Obligation	200.69	125.26
Plan Assets	119.32	97.35
Surplus / (Deficit)	(81.37)	(27.91)

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

iii) Defined Benefit Provident Fund Plan:

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

Rs. Lakh

	Particulars	Provident Fund Plan	
		As at 31.03.2011	As at 31.03.2010
A.	Net (Liability) / Asset recognized in the Balance Sheet		
	Present Value of Funded Obligation	1,404.69	961.00
	Liability towards unpaid contribution	-	-
	Less: Fair value of Plan Assets	(1,428.01)	(975.77)
	Amount to be recognised in the Balance Sheet as liability or (asset)	(23.31)	(14.77)
B.	Amounts to be recognised in the Balance Sheet		
	Liability	-	-
	Assets	23.31	14.77

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

Rs. in Lakh

	Particulars	Provident Fund Plan	
		2010-11	2009-10
1	Current Service Cost	157.35	99.00
2	Interest on Defined Benefit Obligation	105.69	69.00
3	Expected Return on Plan Assets	(108.57)	(72.00)
4	Net Actuarial Losses / (Gains)	(5.40)	23.52
5	Past Service Cost	-	-
6	Losses / (Gains) on curtailment or settlement	-	-
7	(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	8.28	(20.52)
8	Expenses recognized in the statement of Profit & Loss Account	157.35	99.00
9	Actual Return of Plan Asset	113.97	48.48

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

Rs. in Lakh

Particulars	Provident Fund Plan	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the present value of Defined Benefit Obligation	960.75	719.00
Add: Current Service Cost	157.35	99.00
Add: Interest Cost	105.69	69.00
Add / (less): Actuarial Losses / (Gain)	-	-
Add: Past service cost	-	-
Add : Actuarial losses / (Gain) due to curtailments	-	-
Add: Liabilities Extinguished on Settlements	-	-
Add: Liabilities Assumed on Acquisition / (Settled on Divestiture)	-	-
Add: Contribution by Plan Participants	245.70	168.00
Exchange Difference on Foreign Plans	-	-
Adjustments for earlier years	-	-
Less: Benefits paid	(64.80)	(94.00)
Closing balance of the present value of Defined Benefit Obligation	1,404.69	961.00

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

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

Rs. in Lakh

Particulars	Provident Fund Plan	
	As at 31.03.2011	As at 31.03.2010
Opening balance of the fair value of the plan assets	975.77	755.00
Add: Expected Return on plan assets	108.57	72.00
Add / (less): Actuarial gains / (losses)	5.40	(23.52)
Add: Assets Distributed on Settlements	-	-
Add: Contributions by Employer	157.35	99.00
Add: Contribution by Plan participants	245.72	167.29
Add: Assets Acquired on Acquisition / (Distributed on Divestiture)	-	-
Add: Exchange Difference on Foreign Plans	-	-
Less: Benefits Paid	(64.80)	(94.00)
Closing balance of the plan assets	1,428.01	975.77

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

	Particulars	Provident Fund Plan	
		2010-11	2009-10
1	Government of India Securities	24%	23%
2	State Government Scheme	11%	12%
3	Special Deposit Scheme	18%	22%
4	Public Sector Unit Bond	38%	35%
5	Corporate Bonds	6%	6%
6	Others (cheques on hand)	3%	2%
		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 Profit and Loss Account as actuarial losses.

- iv) General description of defined benefit plans:

1. Gratuity Plan:

The Company operates gratuity plan 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. 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 300 days.

- v) 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), stock options were granted to the employees of the Company during the year 2007-08 and 2010-11 respectively. The details of total cost incurred, vesting and balance as on 31.03.2011 are as under:

Company	Status	Year of Grant	Total Grants	Recovered during the year (Rs. in Lakhs)	Balance as on 31.03.2011 (Rs. in Lakhs)
Larsen & Toubro Limited	Ultimate Holding Company	2007-08	191.88	17.26 (35.86)	3.95 (21.09)
L&T Finance Holdings Limited	Holding Company	2010-11	729.23	105.59 (Nil)	623.64 (Nil)

Previous year figures in brackets.

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)**13) (i) Borrowing Cost : AS-16**

Borrowing costs capitalised during the year are Rs. 776.35 lakhs. (Previous year Rs. Nil)

(ii) Segment Reporting : AS-17

Primary Segment (Business Segment)

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

Secondary Segment (Geographical Segment)

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

(iii) Related Party Disclosures : AS 18

List of related parties where control exists

- | | | |
|----|-----------------------------------|--------------------------|
| 1. | Larsen & Toubro Limited | Ultimate Holding Company |
| 2. | L&T Finance Holdings Limited | Holding Company |
| 3. | L&T Investment Management Limited | Subsidiary Company |
| 4. | L&T Mutual Fund Trustee Limited | Subsidiary Company |

The following related party transactions were carried out during the year ended March 31, 2011

Rs. in Lakh

No.	Name of Company	Relationship	Nature of transactions	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
1	Larsen & Toubro Limited	Ultimate Holding Company	Transactions						
			ICD borrowed	565,500.00	-	-	-	-	-
			Sale of investments	-	-	-	5.00	-	-
			Assignment of Receivables	49,902.95	-	-	-	-	-
			Operating Lease	77.22	-	-	-	-	-
			Lease finance given	-	-	-	-	-	-
			Subscription to public issue NCD's	-	-	-	8,431.74	-	-
			Accounts receivable	134.82	-	-	-	60.28	-
			Expenditure						
			Interest on ICD borrowed	971.74	-	-	-	-	-
			Interest on NCD's	-	-	-	239.45	-	-
			Service charges	600.23	21.25	-	446.07	95.13	-
			Salary, cost of employees on deputation	72.18	-	-	19.21	-	-
			Income						
Lease finance charges	-	-	-	-	-	2.14			
Operating lease rental	75.16	-	10.13	654.85	-	105.75			
Service charges	-	-	-	22.93	-	-			
2	L&T Finance Holdings Limited (formerly L&T Capital Holdings Limited)	Holding Company	Transactions						
			Equity Shares issued (including share premium)	37,500.00	-	-	15,000.00	-	-
			Accounts receivables	514.53	-	-	10.45	-	10.45
			ICD borrowed	868.00	-	-	834.00	-	-
			Expenditure						
Interest on ICD borrowed	23.93	-	-	21.40	-	-			
ESOP charges	105.59	-	58.26	-	-	-			
3	L&T Mutual Fund Trustee Limited	Subsidiary Company	Transactions						
Subscription to equity shares	-	-	-	5.00	-	-			

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

No.	Name of Company	Relationship	Nature of transactions	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
4	L&T Investment Management Limited	Subsidiary Company	Transactions						
			Subscription to equity shares	4,000.00	-	-	6,683.92	-	-
			Income						
			Rent	71.43	-	-	-	-	-
5	India Infrastructure Developers Limited	Fellow Subsidiary Company	Transactions						
			Assignment of Receivables	60,074.52	-	-	1,7465.00	-	-
			ICD Borrowed	4,973.50	-	-	4,557.00	-	-
			ICD Lent	2,000.00	-	-	-	-	-
			Income						
			Interest on ICD lent	0.36	-	-	-	-	-
			Accounts Receivable (Reimbursement)	68.89	-	-	42.11	-	1.48
			Expenditure						
			Interest on ICD Borrowed	259.12	-	-	148.01	-	-
6	Larsen & Toubro Infotech Limited	Fellow Subsidiary Company	Transactions						
			Operating Lease	9.76	-	-	23.45	-	0.63
			Expenditure						
			Service Charges	223.70	94.70	-	46.28	-	-
			Salary, cost of employees on deputation	3.56	-	-	-	-	-
			Income						
			Lease finance charges	-	-	-	-	-	0.02
			Operating lease rentals	11.13	-	-	3.67	-	-
7	L&T Capital Company Limited	Fellow Subsidiary Company	Transactions						
			ICD borrowed	2,185.66	542.76	-	1,512.10	77.10	-
			Account receivable	0.18	-	0.18	-	-	-
			Income						
			Operating lease rental	0.13	-	-	3.49	-	-
			Fees						
			Salary, cost of employees on deputation	13.73	-	13.73	-	-	-
			Expenditure						
			Interest on ICD	48.99	-	-	76.71	-	-
8	Tractors Engineers Limited	Fellow Subsidiary Company	Income						
			Operating lease rentals	4.80	-	-	0.31	-	-
9	L&T Infrastructure Finance Company Limited	Fellow Subsidiary Company	Transactions						
			Purchase of loan assets	-	-	-	32,825.36	-	42.69
			Sale of loan assets	29,408.56	-	-	30,283.00	-	-
			Accounts payable	5.59	5.59	-	-	-	-
			Income						
			Salary, cost of employees on deputation	7.90	-	-	7.50	-	-
			Interest	-	-	-	14.79	-	-
			Rent	256.27	-	-	111.27	-	-
			Overhead charged	7.81	-	-	0.93	-	-
			Expenses						
			Salary, cost of employees on deputation	31.69	-	-	51.95	-	-
Interest	6.21	-	-	19.58	-	-			

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

No.	Name of Company	Relationship	Nature of transactions	2010-11			2009-10		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
10	L&T General Insurance Company Limited	Fellow Subsidiary Company	Transactions Share application money ICD borrowed Accounts Receivables (Reimbursement) Expenditure Interest on ICD borrowed	- 3,340.00 1,960.59 5.52	- - - - -	- - 24.63 - -	200.00 315.00 229.41 3.33	- - - - -	- - 33.12 -
11	L&T-Valdel Engineering Limited	Fellow Subsidiary Company	Income Operating lease rental	0.13	-	-	2.98	-	-
12	L&T-Sargent & Lundy Limited	Fellow Subsidiary Company	Income Lease finance charges	0.08	-	0.02	0.01	-	0.74

(iv) Earnings Per Share

Particulars		2010-11	2009-10
Basic			
Profit after tax as per accounts (Rs. lakh)	A	23,044.42	15,647.24
Weighted average number of equity shares outstanding	B	212,377,748	200,791,869
Basic EPS (Rs.)	A / B	10.85	7.79
Diluted			
Profit after tax as per accounts (Rs. lakh)	A	23,044.42	15,647.24
Add: Weighted average number of equity shares outstanding	B	212,377,748	200,791,869
Add: Weighted average no. of equity shares on account of share application money	C	3,904,110	0.00
Weighted average number of shares outstanding for diluted EPS	D=B+C	216,281,858	200,791,869
Diluted EPS (Rupees)	A / D	10.65	7.79
Nominal value of shares (Rs.)		10.00	10.00

- 14) In line with the Company's risk management policy, the various financial risks mainly relating to the changes in the exchange rates and interest rate are hedged by using a combination of swaps and other derivative contracts, besides the natural hedges.

The particulars of the derivatives contracts entered into for hedging purposes outstanding as at March 31, 2011 are as under:

Rs. in Lakh

Category of derivative instruments	Amount of exposures hedged	
	2010-11	2009-10
Receive fixed, pay floating- INR Interest Rate Swap	7,000.00	20,000.00
Cross currency swap	27,000.00	24,500.00
TOTAL	34,000.00	44,500.00

- 15) Expenditure in foreign currency
On Interest Rs. 188.48 lakh (previous year Rs. 455.59 lakh)
On other matters Rs. 11.32 lakh (previous year Rs. 7.20 lakh)
- 16) Provision for current taxes
(a) i) Income tax Rs. 15,105.00 lakh (previous year Rs. 8,852.00 lakh)
ii) Wealth tax Rs. 25.00 lakh (previous year Rs. 23.00 lakh)

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

(b) Major components of Deferred Tax Assets and Liabilities:

Rs. Lakh

PARTICULARS	As at 31-03-2011		As at 31-03-2010	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Difference between book depreciation and tax depreciation		2,846.83	–	2,615.55
Provision for NPA and on outstanding standard assets debited to Profit and Loss Account	5,796.30		1,919.31	–
Unpaid statutory liability / provision for leave encashment debited to Profit and Loss Account	75.69		55.14	–
Expenses on Non-convertible Debentures - Public issue		917.20		1,287.76
Other items giving rise to timing difference	2.66	1,120.72	3.32	273.56
Total	5,874.65	4,884.75	1,977.77	4,176.87
Net deferred tax liability / (asset)	(989.90)		2,199.10	
Net incremental (credit) to Profit and Loss Account	(3,189.00)		(890.00)	

- 17) The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at March 31, 2011. This information is given in respect of such vendors as could be identified as 'Micro'/'Medium'/'Small Enterprises' on the basis of information available with the Company.
- 18) Sundry creditors include unclaimed matured fixed deposits of Rs. 4.61 lakh (*previous year Rs. 5.16 lakh*). There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at March 31, 2011.
- 19) The Company has made adequate provision for non performing assets in accordance with prudential norms prescribed by the Reserve Bank of India.
- During the year the Company has also made a provision of Rs. 2,550.00 Lakh on outstanding standard assets in accordance with Circular No. RBI/2010-11/370 dated January 17, 2011 issued by the Reserve Bank of India.
- 20) Estimated amount of contract remaining to be executed on capital account (net of advances) is Rs. 11,008.80 lakhs (*previous year Rs. Nil*).
- 21) Schedule to the Balance Sheet of a non-deposit taking Non-Banking Financial Company, as required in terms of paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction, 2007

Rs. in Lakhs

	Particulars		
		Amount Outstanding	Amount Overdue
	Liability Side:		
1	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	Debitures : Secured	239,041.81	–
	: Unsecured (Other than falling within the meaning of Public Deposits)	7,500.00	–
	(b) Deferred Credits	–	–
	(c) Term Loans	548,210.07	–
	(d) Inter-Corporate Loans and borrowings	2,317.80	–
	(e) Commercial Paper	81,500.00	–
	(f) Other Loans (Foreign Currency Loan)	12,350.28	–
	(g) Lease Finance	–	–
	Asset Side:		Amount Outstanding
2	Break-up of Loans and Advances including bills receivables [Other than those included in (3) below]		
	(a) Secured		189,957.14
	(b) Unsecured		114,188.03
3	Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities		

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Particulars			
Liability Side:		Amount Outstanding	Amount Overdue
(i)	Lease assets including lease rentals under sundry debtors :		
(a)	Financial Lease		14,015.32
(b)	Operating Lease		21,180.69
(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		1,079.87
(b)	Loans other than (a) above		696,360.27
4	Break-up of Investments		
	Current Investments		
	1. Quoted		
	(i) Shares : (a) Equity		5.48
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		–
	(v) Others (please specify)		–
	2. Unquoted		
	(i) Shares : (a) Equity		–
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		–
	(v) Others (please specify)		0.01
	Long Term Investments		
	1. Quoted		
	(i) Shares : (a) Equity		–
	(b) Preference		–
	(ii) Debentures and Bonds		16,903.40
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		–
	(v) Others (please specify)		–
	2. Unquoted :		
	(i) Shares : (a) Equity		11,559.42
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		0.04
	(v) Others (please specify) Sec deposits & share application money		2,411.50

5 Borrower group-wise classification of assets financed as in (2) and (3) above:**Rs. in Lakhs**

	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	–	–	–
(b) Companies in the same group	3,564.06	–	3,564.06
(c) Other related parties	–	–	–
2. Other than related parties	871,564.14	161,653.12	1,033,217.26
Total	875,128.20	161,653.12	1,036,781.32

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

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

Rs. in Lakhs

Category	Market Value/ Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	10,688.92	10,688.92
(b) Companies in the same group	–	–
(c) Other related parties	–	–
2. Other than related parties	20,134.82	20,190.93
TOTAL	30,823.74	30,879.85

7 Other information

Category	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	–
(b) Other than related parties	14,338.00
(ii) Net Non-Performing Assets	
(b) Related parties	–
(b) Other than related parties	7,881.00
(iii) Assets acquired in satisfaction of debt	1,079.87

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

1) CRAR:

Items	2010-11	2009-10
i) CRAR (%)	16.34	15.43
ii) CRAR – Tier I Capital (%)	15.44	14.46
iii) CRAR – Tier II Capital (%)	0.90	0.97

2) Exposures:

Exposure to Real Estate Sector

Rs. Lakh

Category	2010-11	2009-10
a) Direct exposure		
(i) Residential Mortgages –		
Lending secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs. 15 lakh may be shown separately)	Nil	Nil
(ii) Commercial Real Estate –		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	15,926.18 *17,000.00	Nil *20,773.60
(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures –		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil

SCHEDULES FORMING PART OF ACCOUNTS (Contd.)

Category		2010-11	2009-10
b)	Indirect exposure		
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil

* The cash flows for these repayments arise from hospitality service and not buying, selling or renting of real estate.

3) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities

Rs. in Lakh

	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 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
Liabilities:									
Borrowings from banks	40,000.00	14,300.00	20,625.00	55,575.00	69,950.00	358,975.00	0.00	0.00	559,425.00
Market Borrowings	31,800.00	42,500.00	8,100.00	55,175.00	982.76	67,760.00	51,798.64	67,201.36	325,317.76
Assets:									
Advances	32,937.10	505,80.24	40,357.25	64,870.21	108,946.48	443,424.25	221,606.28	47,189.09	1,009,910.90
Investments	11.00	-	-	-	2,539.12	9,673.73	-	18,656.00	30,879.85

23) Previous year figures have been regrouped / reclassified wherever necessary.

Signatures to Schedule 1 to 18

As per our report attached

SHARP & TANNAN

Chartered Accountants
Registration no. 109982W
by the hand of

MILIND P. PHADKE

Partner
Membership No. 33013

Place : Mumbai
Date : April 26, 2011

For and on behalf of the Board

T. SUKUMAR
Company Secretary

Place : Mumbai
Date : April 26, 2011

Y. M. DEOSTHALEE
Director

N. SIVARAMAN
Director

SCHEDULES FORMING PART OF ACCOUNTS (CONTD.)

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

State Code

Balance Sheet Date
Date Month Year

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

Public Issue

Rights Issue

Bonus Issue

Private Placement

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

Total Liabilities

Total Assets

Sources of Fund

Paid-up Capital

Reserves & Surplus

Secured Loans

Unsecured Loans

Deferred Tax Liabilities (Net)

Application of Funds

Net Fixed Assets and Net Intangible Assets

Investments

Deferred Tax Assets (Net)

Loans and Advances

Net Current Assets

Miscellaneous Expenditure

Accumulated Losses

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

Turnover

Total Expenditure

+ - Profit / Loss Before Tax

+ -

Profit / Loss After Tax

+ - **Earning per Share (in Rs.)

Dividend Rate %

** Annualised

V. Generic Names of Principal Products/Services of the Company (as per monetary items)

Item Code No.

(ITC Code)

Product Descriptions

T. SUKUMAR
Company Secretary

Y. M. DEOSTHALEE
Director

N. SIVARAMAN
Director

Place : Mumbai
Date : April 26, 2011

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

SUBSIDIARY COMPANIES

Name of the subsidiary company	L&T Investment Management Limited	L&T Mutual Fund Trustee Limited
Financial year of the subsidiary ended on	March 31, 2011	March 31, 2011
Number of equity shares of the subsidiary Company held by L&T Finance Limited and / or its nominee at the above date	150,000,000	50,000
The extent of holding Company's interest in subsidiary Company	100%	100%
The net aggregate of profits/(losses),of the subsidiary Company so far as it concerns the members of L&T Finance Limited	Rs. in Lakh	Rs. in Lakh
(i) Dealt with in the accounts of L&T Finance Limited amounted to		
a) for the subsidiary's financial year ended 31/03/2011	Nil	Nil
b) for the previous years of the subsidiary since it became subsidiary of L&T Finance Limited	Nil	Nil
(ii) Not dealt with in the accounts of L&T Finance Limited amounted to:		
a) for the subsidiary's financial year ended 31/03/2011	(3,957.66)	(3.68)
b) for the previous years of the subsidiary since it became subsidiary of L&T Finance Limited	** (528.84)	** (0.003)

** Since the companies became subsidiaries of L&T Finance Limited as on 20/01/2010, 71 day profit has been considered.

T. SUKUMAR
Company Secretary

Y. M. DEOSTHALEE
Director

N. SIVARAMAN
Director

Place : Mumbai
Date : April 26, 2011