



L&T FINANCE LIMITED

Registered Office: L&T House, Ballard Estate, Mumbai - 400 001. **Tel:** (022) 6752 5656, **Fax:** (022) 6752 5893
Administrative Office: 'The Metropolitan', 8th Floor, C-26/27, E-Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.
Tel: (022) 6737 2951, **Fax:** (022) 6737 2900, **Website:** www.ltfinance.com
Compliance Officer & Contact Person: Mr. S. Krishna Kumar, Spanco House, B. S. Deoshi Marg, Deonar, Mumbai - 400 088.
Tel: +91 22 4249 1300/4249 1400, **Fax:** +91 22 4249 1384, **E-mail:** ncd2@ltfinance.com

PUBLIC ISSUE OF 2010 A SERIES 2,500,000 SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES WITH A FACE VALUE OF RS. 1,000 EACH ("NCDs") OF L&T FINANCE LIMITED (THE "COMPANY" OR THE "ISSUER") AGGREGATING TO RS. 250 CRORES WITH AN OPTION TO RETAIN OVERSUBSCRIPTION UP TO RS. 250 CRORES FOR ISSUANCE OF ADDITIONAL 2,500,000 NCDs, AGGREGATING TO A TOTAL OF UP TO RS. 500 CRORES (THE "ISSUE").

GENERAL RISK

Investors are advised to read the section entitled "Risk Factors" carefully before taking an investment decision in this Issue. For the purposes of taking an investment decision, investors must rely on their own examination of the Issuer and of the Issue, including the risks involved. Specific attention of the investors is invited to the section entitled "Risk Factors" on pages 8 to 15 of this Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

CREDIT RATINGS

The NCDs have been rated 'CARE AA+' by CARE and 'LAA+' by ICRA. Instruments with a rating of 'CARE AA+' by CARE are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk. The rating of 'LAA+' by ICRA indicates high-credit-quality and the rated instrument carries low credit risk. The ratings provided by ICRA and CARE may be suspended, withdrawn or revised at any time by the assigning rating agency on the basis of new information etc., and should be evaluated independently of any other rating. These ratings are not a recommendation to buy, sell or hold securities and investors should take their own decisions. Please refer to page 21 of this Prospectus for the rationale for the above ratings.

LISTING

The NCDs offered through this Prospectus are proposed to be listed on the National Stock Exchange of India Limited (the "NSE") and on the Bombay Stock Exchange Limited (the "BSE"). The Company has received 'in-principle' approval from the NSE and the BSE for the listing of the NCDs issued pursuant to this Prospectus. For the purposes of this Issue, the NSE shall be the Designated Stock Exchange.

LEAD MANAGERS TO THE ISSUE

REGISTRAR TO THE ISSUE

JM Financial Consultants Private Limited 141 Maker Chambers III, Nariman Point, Mumbai-400021. Tel: +91 22 3953 3030 Fax: +91 22 2204 7185 Email: LTFBondIssue@jmfinancial.in Investor Grievance Email: grievance.ibd@jmfinancial.in Website: www.jmfinancial.in Contact Person: Ms. Lakshmi Lakshmanan SEBI Registration No.: INM000010361	Citigroup Global Markets India Private Limited 12th Floor, Bakhtawar, Nariman Point, Mumbai-400 021, India. Tel: +91 22 6631 9890 Fax: +91 22 6631 9803 Email: ltfin.publicbonds@citi.com Investor Grievance I.D.: investors.cgmb@citi.com Website: www.citibank.co.in Contact person: Mr. Shashank Pandey SEBI Registration No.: INM000010718	Kotak Mahindra Capital Company Limited 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021, India. Tel: +91 22 6634 1110 Fax: +91 22 2283 7517 Email: LTF.BondIssue@kotak.com Investor Grievance ID: kmccredressal@kotak.com Website: www.kmcc.co.in Contact Person: Mr. Chandrakant Bhole SEBI Registration No: INM000008704	Sharepro Services (India) Private Limited Samhita Warehousing Complex, Bldg. No.13A B, Gala No.52 to 56, Near Sakinaka Telephone Exchange, Andheri-Kurla Road, Sakinaka, Mumbai-400072. Tel: +91 22 67720300 / 67720400 Fax: +91 22 28591568 / 28508927 Email: sharepro@shareproservices.com Investor Grievance Email: ltfin2010@shareproservices.com Website: www.shareproservices.com Contact Person: Mr. Prakash Khare Compliance Officer: Mr. V. Kumaresan SEBI Registration No.: INR000001476

Debenture Trustee: Bank of Maharashtra shall be acting as debenture trustee for the NCD Holders

ISSUE PROGRAMME

ISSUE OPENS ON : FEBRUARY 9, 2010

ISSUE CLOSES ON : FEBRUARY 22, 2010

The subscription list for the public issue shall remain open for subscription during banking hours for the period indicated above, except that it may close on such earlier date as may be decided by the Board / Committee of Directors of the Company, as the case may be. In case of an earlier closure, the Company shall ensure that notice is given to investors through advertisements at least 3 days prior to such earlier closure date.

TABLE OF CONTENTS

SECTION I : GENERAL.....	2
DEFINITIONS & ABBREVIATIONS.....	2
FORWARD LOOKING STATEMENTS.....	6
PRESENTATION OF FINANCIALS & USE OF MARKET DATA	7
SECTION II : RISK FACTORS	8
SECTION III: INTRODUCTION.....	16
GENERAL INFORMATION.....	16
SUMMARY OF BUSINESS, STRENGTH & STRATEGY	23
THE ISSUE.....	24
SUMMARY FINANCIAL INFORMATION.....	25
CAPITAL STRUCTURE	29
OBJECTS OF THE ISSUE.....	36
STATEMENT OF TAX BENEFITS	37
SECTION IV: ABOUT THE ISSUER AND THE INDUSTRY.....	41
INDUSTRY	41
BUSINESS.....	53
HISTORY AND MAIN OBJECTS	63
OUR MANAGEMENT	64
OUR PROMOTERS	71
OUR SUBSIDIARY	79
SECTION V: FINANCIAL INFORMATION.....	80
AUDITOR'S REPORT.....	80
DISCLOSURES ON EXISTING FINANCIAL INDEBTEDNESS	144
SECTION VI : ISSUE RELATED INFORMATION.....	148
TERMS OF THE ISSUE	148
ISSUE STRUCTURE	151
ISSUE PROCEDURE.....	161
SECTION VII: LEGAL AND OTHER INFORMATION	171
OUTSTANDING LITIGATIONS AND STATUTORY DEFAULTS	171
OTHER REGULATORY AND STATUTORY DISCLOSURES	173
REGULATIONS AND POLICIES.....	179
SUMMARY OF KEY PROVISIONS OF ARTICLES OF ASSOCIATION	183
MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION:.....	185
DECLARATION	187

SECTION I : GENERAL

DEFINITIONS & ABBREVIATIONS

CONVENTIONAL / GENERAL TERMS

Term	Description
AGM	Annual General Meeting
AS	Accounting Standard
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
Financial Year / FY	Financial Year ending March 31
GDP	Gross Domestic Product
GIR	General Index Registration Number
Indian GAAP	Generally Accepted Accounting Principles in India
MNC	Multi-National Corporation / Company
NEFT	National Electronic Fund Transfer
NAV	Net Asset Value
NPA	Non Performing Asset
PAN	Permanent Account Number
RTGS	Real Time Gross Settlement
TDS	Tax Deducted at Source

ISSUE RELATED TERMS

Term	Description
Allotment / Allotted	Unless the context otherwise requires, allotment of NCDs to the successful applicants pursuant to this Issue
Allottee	A successful applicant to whom the NCDs are being / have been Allotted
Application Form	The form used by an applicant to apply for NCDs being issued through the Prospectus
Basis of Allotment	The basis on which NCDs will be allotted to applicants under the Issue and is described in the section entitled “Issue Procedure – Basis of Allotment” on page 169 of this Prospectus
CARE	Credit Analysis & Research Limited
Debenture Trust-cum-Mortgage Deed	The debenture trust-cum-mortgage deed to be executed between the Company and the Debenture Trustee in relation to this Issue
Designated Stock Exchange	The NSE
Draft Prospectus	Draft Prospectus dated January 25, 2010 filed with the NSE and with the BSE in accordance with the provisions of the Act and the of Debt Regulations
Escrow Account	Accounts opened with the Escrow Collection Bank(s) and in whose favour the applicants can issue cheques or bank drafts in respect of the application amount while submitting the application
Escrow Agreement	Agreement to be entered into amongst the Company, the Registrar, the Escrow Collection Bank(s) and the Lead Managers for collection of the application amounts towards allotment of NCDs and for remitting refunds for non-Allottees, if any, of the amounts collected, to the applicants on the

Term	Description
	terms and conditions thereof
Escrow Collection Bank(s) / Bankers to the Issue	The bank(s) with whom the Escrow Account will be opened, as specified on pages 18 and 19 of this Prospectus
ICRA	ICRA Limited
Issue	Public issue by the Company of 2,500,000 NCDs of face value of Rs. 1,000 each aggregating to Rs. 250 Crores with an option to retain oversubscription up to Rs. 250 Crores for issuance of additional 2,500,000 NCDs, aggregating up to a total of Rs. 500 Crores
Issue Opening Date	February 9, 2010
Issue Closing Date	February 22, 2010, or such other earlier date as may be decided by the Board / Committee of Directors of the Company, as the case may be, and informed to the authorities (the NSE / BSE and/or SEBI) and communicated to investors through advertisements at least 3 days prior to such earlier closure date
Lead Managers	Citigroup Global Markets India Private Limited, JM Financial Consultants Private Limited and Kotak Mahindra Capital Company Limited
Option(s)	Option(s) being offered to the applicants as stated in the section entitled “Issue Related Information” at page 148 of this Prospectus
Prospectus / Offer Document	This Prospectus containing <i>inter alia</i> the coupon rate for the NCDs and certain other information to be filed with the ROC in accordance with the provisions of the Act and the Debt Regulations
QIB or Qualified Institutional Buyer	A “qualified institutional buyer” as defined under Regulation 2(1)(zd) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
Registrar / Sharepro	Sharepro Services (India) Private Limited, being the Registrar to the Issue and the Transfer Agent to the Company
Stock Exchanges	The NSE and the BSE
Trustees / Debenture Trustee	Trustees for the NCD Holders, in this case being Bank of Maharashtra

COMPANY / INDUSTRY RELATED TERMS

Term	Description
“LTF”, “Issuer”, “the Company”, “we”, “us” and “our Company”	L&T Finance Limited, a public limited company incorporated under the Act having its registered office at L&T House, Ballard Estate, Mumbai - 400 001
Act	The Companies Act, 1956, as amended from time to time
ALCO	Asset-Liability Management Committee
Articles / Articles of Association	Articles of association of the Issuer
Auditors / Statutory Auditors	Sharp & Tannan, Chartered Accountants, the statutory auditors of the Company
Board / Board of Directors	The Board of Directors of the Issuer
Competition Act	Competition Act, 2002, as amended from time to time
Debentures / NCDs	Secured redeemable non-convertible debentures, with a face value of Rs. 1,000 each, offered through the Prospectus and the Prospectus
Debenture /NCD Holder (s)	The holders of the NCDs
Debt Regulations	SEBI (Issue and Listing of Debt Securities) Regulations, 2008
Depositories Act	Depositories Act, 1996, as amended from time to time

Term	Description
Depository(ies)	National Securities Depository Limited (NSDL) and / or Central Depository Services (India) Limited (CDSL)
DP / Depository Participant	A depository participant as defined under the Depositories Act
EXIM Bank	Export-Import Bank of India
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time
I.T. Act	Income Tax Act, 1961, as amended from time to time
L&T	Larsen & Toubro Limited
L&T CHL	L&T Capital Holdings Limited
Memorandum / MOA	Memorandum of Association of the Issuer, as amended from time to time
MFI	Micro Finance Institutions
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company as defined under Section 45-I(f) of the RBI Act, 1934
NBFC-ND-SI	Systemically Important Non-Deposit Taking NBFC
NGO	Non-governmental organizations
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended from time to time
Rs. / INR / Rupees	The lawful currency of the Republic of India
SBLP	SHG-bank linkage programme
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time
SHG	Self help group
SIDBI	Small Industries Development Bank of India
TFCI	Tourism Finance Corporation of India Limited

ABBREVIATIONS

Term	Description
ALM	Asset-Liability Management
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CAR	Capital Adequacy Ratio
CDSL	Central Depository Services (India) Limited
CRAR	Capital-to-Risk-Weighted Assets Ratio
DRR	Debenture Redemption Reserve
FII (s)	Foreign Institutional Investor(s)
G-Sec	Government Securities
IRDA	Insurance Regulatory and Development Authority

Term	Description
LIBOR	London Inter-Bank Offered Rate
MCA	Ministry of Corporate Affairs, Government of India
MIBOR	Mumbai Inter-Bank Offered Rate
NII(s)	Non-Institutional Investor(s)
NEFT	National Electronic Fund Transfer
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
ROC	Registrar of Companies, Maharashtra, Mumbai
RTGS	Real Time Gross Settlement
SME	Small and Medium Enterprises
WDM	Wholesale Debt Market
YTM	Yield to Maturity

FORWARD LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements such as “aim”, “anticipate”, “shall”, “will”, “will continue”, “would pursue”, “will likely result”, “expected to”, “will achieve”, “contemplate”, “seek to”, “target”, “propose to”, “future”, “goal”, “project”, “should”, “can”, “could”, “may”, “in management’s judgment”, “objective”, “plan”, “is likely”, “intends”, “believes”, “expects” and other similar expressions or variations of such expressions. These statements are primarily meant to give the investor an overview of the Company’s future plans, as they currently stand. The Company operates in a highly competitive, dynamic and regulated business environment, and a change in any of these variables may necessitate an alteration of the Company’s plans. Further, these plans are not static, but are subject to continuous internal review and policies, and may be altered, if the altered plans suit the Company’s needs better.

Further, many of the plans may be based on one or more underlying assumptions (all of which may not be contained in this Prospectus) which may not come to fruition. Thus, actual results may differ materially from those suggested by the forward-looking statements. The Company and all intermediaries associated with this Prospectus do not undertake to inform the investor of any change in any matter in respect of which any forward-looking statements are made.

All statements contained in this Prospectus that are not statements of historical fact constitute “forward-looking statements” and are not forecasts or projections relating to the Company’s financial performance. All forward-looking statements are subject to risks, uncertainties and assumptions that may cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that may cause actual results to differ materially from the Company’s expectations include, amongst others:

- ☐ General economic and business environment in India;
- ☐ The Company’s ability to successfully implement its strategy and growth plans;
- ☐ The Company’s ability to compete effectively and access funds at competitive cost;
- ☐ Effectiveness and accuracy of internal controls and procedures;
- ☐ Changes in domestic or international interest rates and liquidity conditions;
- ☐ Defaults by end customers resulting in an increase in the level of non-performing assets in its portfolio;
- ☐ Rate of growth of its loan assets and ability to maintain concomitant level of capital;
- ☐ Downward revision in credit rating/s;
- ☐ Potential mergers, acquisitions or restructurings and increased competition;
- ☐ Changes in tax benefits and incentives and other applicable regulations, including various tax laws;
- ☐ The Company’s ability to retain its management team and skilled personnel;
- ☐ Changes in laws and regulations that apply to NBFCs in India, including laws that impact its lending rates and its ability to enforce the assets financed/secured to it ; and
- ☐ Changes in political conditions in India.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither the Company nor any of its Directors have any obligation, or intent to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. For further discussion of the factors that could affect the Company’s future financial performance, see the section entitled “Risk Factors” beginning on page 8.

PRESENTATION OF FINANCIALS & USE OF MARKET DATA

Unless stated otherwise, the financial information used in this Prospectus is derived from the Company's financial statements for the period from 1st April 2004 to 30th September 2009, being FY 2005, 2006, 2007, 2008 and 2009 and the six months ended September 30, 2009 and prepared in accordance with Indian GAAP and the Act and are in accordance with Paragraph B Part – II of Schedule II to the Act, the Debt Regulations, as stated in the report of the Company's Statutory Auditors, Sharp & Tannan, Chartered Accountants, included in this Prospectus.

In this Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

Except as specifically disclosed, all financial / capital ratios and disclosures regarding NPAs in this Prospectus are in accordance with the applicable RBI norms.

For the purpose of calculation of interest on a per annum basis, the day count convention which will be used would be "Actual/ Actual" basis.

Unless stated otherwise, macroeconomic and industry data used throughout this Prospectus have been obtained from publications prepared by providers of industry information, government sources and multilateral institutions, with their consent, wherever necessary. Such publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Issuer believes that the industry data used in this Prospectus is reliable, it has not been independently verified.

Information regarding market position, growth rates and other industry data pertaining to our businesses contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, data from other external sources and our knowledge of the markets in which we compete. Market and industry data used in this Prospectus has generally been obtained or derived from industry and government publications and other sources. These publications typically state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. The extent to which the market and industry data used in this Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. The methodologies and assumptions may vary widely among different industry sources. While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, we accept responsibility for accurately reproducing such data. However, neither we nor the Lead Managers have independently verified this data and neither we nor the Lead Managers make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Lead Managers can assure potential investors as to their accuracy.

SECTION II : RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Prospectus before making any investment decision relating to the Issue. If any of the following risks or other risks that are not currently known or are deemed immaterial at this time, actually occur, our business, financial condition and results of operation could suffer, the trading price of the NCDs could decline and you may lose all or part of your redemption amounts and / or interest amounts. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein. The order of the risk factors appearing hereunder is intended to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another. Unless the context requires otherwise, the risk factors described below apply to us / our operations only.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Prospectus.

You must rely on your own examination of the Company and this Issue, including the risks and uncertainties involved.

A. INTERNAL RISK FACTORS

1) CREDIT RISK

As an NBFC, the risk of default and non-payment by borrowers and other counterparties is one of the most significant risks which may affect our profitability and asset quality.

Any lending or investment activity is exposed to credit risk arising from the risk of default and non-payment by borrowers and other counterparties. Our loan portfolio comprises a mix of corporate and retail assets and the gross loan size (excluding inter-corporate deposits) of the portfolio was Rs. 6,01,671 lakhs as on September 30, 2009. The size of our loan portfolio is expected to grow as part of our expansion strategy in existing as well as new products. This will continue to expose us to the risk of defaults as the portfolio expands. Our net NPAs were Rs.16,165 lakhs, representing 2.79% of net advances, as at September 30, 2009 as compared to Rs.10,648 lakhs, representing 2.04% of our net advances, as on March 31, 2009.

Our loan portfolio consists of loans provided to large corporates, including MNCs, as well as small and medium enterprises and individuals, with the latter segment constituting a significant portion of our portfolio. While large corporate customers are generally stable in their risk profile, the relatively large sized single ticket exposures to the same can impact profitability and result in NPAs on even a small number of defaults.

The borrowers and/or guarantors and/or third parties may default in their repayment obligations due to various reasons including insolvency, lack of liquidity, and operational failure. Besides macroeconomic conditions, we face risks specific to each line of our business, which may also result in increased defaults.

In deciding whether to extend credit to, or to enter into transactions with, customers and counterparties, our Company relies on (i) published credit information of such parties; (ii) financial and other relevant information furnished by or on behalf of their customers, based on which the Company performs its credit assessment. If any of the aforesaid information is materially misleading, the procedure to be followed by us may not be adequate to provide accurate data as to the creditworthiness of our customers and counterparties. In the event we do not suitably identify the risk of default, our business and operations may be affected. Our financial condition and results of operations could be negatively affected by relying on information that may not be true or may be materially misleading.

Our Company has made provisions of Rs.3,485 lakhs towards its gross NPAs as on September 30, 2009. Though the Company's total provisioning against the NPAs at present may be considered adequate to cover all the identified losses in the loan portfolio, there may not be any assurance that in the future, provisioning levels, though compliant with regulatory requirements, will be sufficient to cover all anticipated losses. This is because the Company may not be able to meet our recovery targets for NPAs set for the particular fiscal

year due to the general economic slowdown at both global and domestic levels and other factors mentioned above.

2) RECOVERY VALUE OF SECURITY / COLLATERAL GRANTED IN OUR FAVOUR

Our Company may be exposed to potential losses due to a decline in value of assets secured in our favour and due to delays in the enforcement of such security upon default by the Company's borrowers.

More than 87% of our total gross loan portfolio (excluding inter-corporate deposits) is secured by assets, movable and immovable. The value of certain types of assets may decline due to adverse market and economic conditions (both global and domestic). These assets also include equity shares offered as main security/collateral, as the case may be, which are inherently volatile in nature. The value of the security/collateral granted in our favour, as the case may be, may also decline due to delays in insolvency, winding up and foreclosure proceedings, defects in title, difficulty in locating movable assets, documentation of assets and the necessity of obtaining regulatory approvals for the enforcement of assets and we may not be able to recover the estimated value of the assets, thus exposing us to potential losses.

Any difficulties faced by our Company in controlling or reducing the number and value of its NPAs through collections may act as a constraint on our business.

3) NEW BUSINESSES

We have ventured and are in the process of venturing into new lines of business and there can be no assurance that our ventures will be profitable in the future.

As a part of our growth and expansion strategy, we have ventured into or otherwise are in the process of venturing into new areas of business as well as increasing our exposure in existing businesses. There are inherent risks in entering a market for the first time or in expanding a particular product portfolio. We have recently acquired 100% of an asset management company for DBS Cholamandalam mutual fund and have been granted permission by SEBI to act as sponsors for the mutual fund. Further, we may incur expenses including increase in staff levels and administrative expenses as we expand, and in case the expected growth is not achieved, such expenses may impact our profitability. The systems / processes / resources pertaining to the new businesses may need improvements or the products themselves may not find sufficient acceptability in the market. Any new business may be susceptible to competition from existing players and changes in the economic, political and regulatory conditions. The above factors may affect our operations, profitability, cash flow positions and asset quality. For details regarding our business operations please refer to the section entitled "Business" on page 53.

4) HIGHER COST OF BORROWINGS

We may not be able to access funds at competitive rates and such higher cost of borrowings could have a significant impact on the scale of our operations and on our profit margins.

Our growing business needs would require us to raise funds through commercial borrowings. Our ability to raise funds at competitive rates would depend on our credit rating, regulatory, economic and financial markets environment in the country and on the price and availability of liquidity in the financial markets. Besides any domestic developments, changes in the international markets also affect the Indian interest rate environment, and may relatively impact our borrowing costs. Being an NBFC, we also face certain restrictions in raising lower cost sources of funds from international markets, which could affect our ability to carry out business operations and expansion plans.

5) SYSTEMS AND TECHNOLOGY

System failures, infrastructure bottlenecks and security breaches in computer systems may adversely affect our business.

Our business is highly dependent on our ability to process, on a daily basis, a large number of increasingly complex transactions. Our financial, accounting or other data processing systems may fail to operate adequately or may become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services.

If any of these systems did not operate properly or were disabled or if other shortcomings or failures in our internal processes or systems were to arise, this could affect our operations and/or result in financial loss,

disruption of our businesses, regulatory intervention and/or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the localities in which we are located.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security.

6) LIQUIDITY CONCERNS

We face asset-liability mismatches in the short term, which could affect our liquidity position.

The difference between the value of assets and liabilities maturing, in any time period category provides the measure to which we are exposed to the liquidity risk. As is typically seen in several NBFCs, a portion of our funding requirements is met through short-term funding sources, i.e. bank loans, working capital demand loans, cash credit, short term loans and issuances of, non-convertible debentures and commercial papers. However, a large portion of our assets have medium to long-term maturities. In the event that the existing and committed credit facilities are withdrawn or are not available to the Company, funding mismatches may widen and it could have an adverse effect on our business and future financial performance.

7) RESTRICTIVE COVENANTS

Our indebtedness and restrictive covenants imposed by our financing agreements could restrict our ability to conduct our business and operations.

Some of our loan agreements with our lenders, have financial and other covenants including the requirement to obtain prior written consent from the concerned lender / trustee(s), as the case may be, for undertaking various activities including entering into any scheme of expansion, merger, amalgamation, compromise or reconstruction; selling / leasing / transferring secured receivables / immovable asset, as the case may be, which are specifically hypothecated / mortgaged; making any change in ownership or control or constitution of our Company, or in the shareholding or management of the Company or majority of directors, or in the nature of business of our Company. This may result in financial impact as well as restrict/ delay some of the actions / initiatives that our Company may like to undertake from time to time. Should we breach any financial or other covenants contained in any of our financing agreements, we may be required to immediately repay amounts outstanding either in whole or in part, together with any related costs.

8) INABILITY TO LEVERAGE THE STRENGTH OF THE L&T GROUP

We leverage on the strengths of being part of the L&T group, such as access to capital and human resources, including certain key managerial personnel, brand name and operational synergies. Any change in our ownership or withdrawal of such human resources or any other support provided by the L&T group may adversely impact our ratings, business and operations.

9) RISKS OF FRAUD AND MISCONDUCT

We are exposed to various operational risks including the risk of fraud and other misconduct by employees or outsiders.

Like other financial intermediaries, we are also exposed to various operational risks which include the risk of fraud or misconduct by our employees or by an outsider, unauthorized transactions by employees or third parties, misreporting and non-compliance of various statutory and legal requirements and operational errors. It may not always be possible to deter employees from misconduct or misappropriation of cash collections, and the precautions we take to detect and prevent these activities may not be effective in all cases. Any instance of employee misconduct, fraud or improper use or disclosure of confidential information could result in regulatory and legal proceedings and may adversely impact our operations and/or reputation.

10) TALENT POOL

We may not be able to attract or retain talented professionals required for our business.

The complexity of our business operations requires highly skilled and experienced manpower. The successful implementation of our growth plans would largely depend on the availability of such skilled manpower and our ability to attract such qualified manpower in the future. We may be unable to take

advantage of many business opportunities if such required manpower were not available on time. We may face the risk of losing our key management personnel due to reasons beyond our control and we may not be able to replace them in a satisfactory and timely manner, which may adversely affect our business and our future financial performance.

11) INTELLECTUAL PROPERTY

We may be unable to adequately protect our intellectual property since some of our trademarks, logos and other intellectual property are in the process of being registered and therefore do not enjoy any statutory protection. Further, we may be subject to claims alleging breach of third party intellectual property rights.

Third parties may infringe our intellectual property, causing damage to our business prospects, reputation and goodwill. Our efforts to protect our intellectual property may not be adequate and any third party claim on any of our unprotected brands may lead to erosion of our business value and our operations could be adversely affected. We may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and a favourable outcome cannot be guaranteed. We may not be able to detect any unauthorised use or take appropriate and timely steps to enforce or protect our intellectual property. We cannot assure that any unauthorised use by third parties of the trademarks will not similarly cause damage to our business prospects, reputation and goodwill.

12) RELATED PARTY TRANSACTIONS

We have entered into transactions with related parties, which create conflicts of interest

We have entered into, and may in the future enter into, transactions with related parties, including our Promoter and its affiliated companies. For further details, please refer to the section entitled “Financial Information – Related Party Disclosures” beginning on page 128. Such agreements may give rise to current or potential conflicts of interest with respect to dealings between us and such related parties. Additionally, there can be no assurance that any dispute that may arise between us and related parties will be resolved in our favour.

13) RISKS RELATING TO THE UTILIZATION OF ISSUE PROCEEDS

In accordance with all applicable legal requirements, our management will have significant flexibility in applying proceeds of the Issue. Our funding requirements and our intended use of proceeds mentioned in the section entitled “Objects of the Issue” have not been appraised by any bank, financial institution or independent agency.

We intend to use the proceeds of the Issue for financing activities including lending and investments, repaying our existing loans, deployment in business operations including for our capital expenditure and working capital requirements and for any other uses permitted by applicable law. For further details, please refer to the section entitled “Objects of the Issue” beginning on page 36 of this Prospectus. Our funding requirements and our intended use of proceeds are based on internal management estimates and have not been appraised by any bank, financial institution or independent agency. Accordingly, our management will have significant flexibility in applying the Issue proceeds. Further, as per the provisions of the Debt Regulations, we are not required to appoint a monitoring agency and therefore no monitoring agency has been appointed for this Issue.

RISKS SPECIFIC TO THE NCDs

14) LIQUIDITY OF NCDs

The current trading of our existing listed public issue / privately placed secured non-convertible debentures may not reflect the liquidity of the NCDs.

Before this offering, we completed a public offering of secured redeemable non-convertible debentures for an overall aggregate amount of Rs.1,000 Crores in September 2009, which are listed on the NSE and BSE. We have also offered other secured non-convertible debentures from time to time, on private placement basis, which have been listed on the WDM segment of NSE. There can be no assurance that an active public market for the NCDs will develop, and if such a market were to develop, there is no obligation on us to maintain such a market. The liquidity and market price of the NCDs may vary due to changes in market

and economic conditions, to the credit ratings of the NCDs, and to our financial condition and prospects and pursuant to other factors that generally influence market price of NCDs. Such fluctuations may significantly affect the liquidity and market price of the NCDs, which may trade at a discount to the price at which NCDs are being offered to investors through this Issue.

15) CHANGES IN SYSTEMIC INTEREST RATES

Changes in interest rates may affect the price of the NCDs.

All securities where a fixed rate of interest is offered, such as the NCDs, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent to which prices increase or decrease is a function of the existing coupon, days to maturity and the extent to which prevailing interest rates increase or decrease. Increased rates of interest frequently accompany inflation and/or arise in growing economies.

16) DEBENTURE REDEMPTION RESERVE

In the event we are unable to generate adequate profit, we may not be able to maintain adequate Debenture Redemption Reserve (DRR) for the NCDs issued under this Prospectus.

Section 117C of the Act states that any company that intends to issue debentures must create a DRR to which adequate amounts shall be credited out of the profits of the company until the redemption of the debentures. However, the MCA, through its circular dated April 18, 2002, has specified that NBFCs which are registered with the RBI under Section 45-IA of the RBI Act, 1934 shall create DRR to the extent of 50% of the value of debentures issued and allotted through public issue. Accordingly, our company shall create DRR of 50% of the value of Debentures issued and allotted in terms of this Prospectus, for the redemption of the NCDs. Therefore the DRR created shall not be adequate to meet the full value of redemption of the NCDs. Further, in case we are unable to generate adequate profit, we may not be able to provide for the DRR even to the extent of the stipulated 50%.

17) CHANGES IN RATING

Any downgrade in the credit ratings of our NCDs may affect the value of the NCDs and thus our ability to refinance our debt.

CARE has assigned the rating of 'CARE AA+' and ICRA has assigned a rating of 'LAA+' for issue of these NCDs for an aggregate amount of Rs. 600 Crores with maturity up to 3 years. The Issuer cannot guarantee that these ratings will not be downgraded. Such downgrades may lower the price of the NCDs and may also affect our ability to refinance our debt.

18) LEGAL PROCEEDINGS

We may be involved in legal proceedings arising from our operations from time to time to which we are, or may become, a party.

We may be involved from time to time in disputes with various parties with whom we transact for our lending and other activities. These disputes may result in legal proceedings which may cause us to incur litigation costs and may delay recovery of receivables.

B. EXTERNAL RISK FACTORS

1) INTEREST RATE RISK

A large part of the Company's loans are disbursed at fixed rates for specific tenures which may differ from its funding sources and therefore interest rate fluctuations could impact the Company's margins as well as profitability.

Our Company's business is largely dependent on interest income from our operations. We are exposed to interest rate risk principally as a result of lending to customers at interest rates and in amounts and for periods, which may differ from the funding sources (institutional/bank borrowings and debt offerings). We endeavour to match our interest rate positions to minimize our interest rate risk. Despite these efforts, there can be no assurance that significant interest rate movements will not have an effect on the results of our operations. Interest rates are highly sensitive to many external market factors, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and

political conditions and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility.

We may enter into hedging strategies to mitigate volatility in interest rates and reduce interest costs through derivative transactions. Any adverse / unexpected movements in interest rates may affect our profitability.

2) MATERIAL CHANGES IN LEGISLATION / NEW LEGISLATION

Regulatory changes in India could adversely affect our business.

Changes in laws and regulations or to the regulatory or enforcement environment in India may have an adverse effect on the products or services we offer, on the value of our assets or on the collateral available for our loans or on our business in general. The RBI has instituted several changes in regulations applicable to NBFCs, including an increase in risk-weights on certain categories of loans for computation of capital adequacy, an increase in general provisioning requirements for various categories of assets, changes to capital requirements and accounting norms for securitization, an increase in regulated interest rates, changes to limits on investments in group companies, changes to single party and group exposure limits on lending/investment and directed lending requirements.

3) ASSIGNMENT OF RECEIVABLES

A recent decision of the Gujarat High Court (in a matter where our Company is not a party) in relation to the assignment of receivables could affect such transactions.

The Company has assigned certain portion of its receivables, for consideration, to banks, mutual funds, financial institutions, as the case may be, as part of direct assignment transaction(s). However, a Gujarat High Court decision (in a matter where our Company is not a party) has struck down the legality of such purchases of receivables by banks. An appeal against the same is pending before the Supreme Court of India. The Supreme Court has allowed banks to trade in debt pending final hearing. An unfavourable decision by the Supreme Court in the said appeal may result in the assignment of receivables having to be reversed to the extent that they were made in favour of banks and may also affect such assignments in future.

4) SLOWDOWN IN ECONOMIC GROWTH

A slowdown in economic growth could cause the Company's business to suffer.

The Company's performance and the quality and growth of its assets are necessarily dependent on the health of the Indian economy as well as on global economic conditions. An economic slowdown could adversely affect our business, including our ability to grow our asset portfolio, to maintain the quality of our assets and to implement our strategy. The domestic economy could be adversely affected by a variety of domestic as well as global factors.

5) POLITICAL INSTABILITY

Political instability or changes in the Government could delay further liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact the Company's financial results and prospects.

Political instability could arise due to several reasons. Any political instability in the country could impact our business.

The role of the Indian Central and State Governments in the Indian economy has remained significant over the years. There can be no assurance that these governments' liberalization policies will continue in the future. The rate of economic liberalization could change and specific laws and policies affecting financial services companies, foreign investment, currency exchange rates and other matters affecting investments in Indian companies could change as well. A significant change in India's economic liberalization and deregulation policies could disrupt business and have an adverse effect on economic conditions in India, thus affecting our business.

6) TERRORIST ATTACKS AND OTHER ACTS OF VIOLENCE

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and the Company's business.

Terrorist attacks and other acts of violence or war may negatively affect the Indian/ global financial markets. Such acts may also result in a loss of business confidence. In addition, adverse social events in India could have a negative impact on the Company's business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on the Company's business.

7) FORCE MAJEURE

Our business may be adversely impacted by natural calamities or unfavourable climatic changes.

India has experienced natural calamities such as earthquakes, floods, droughts and a tsunami in recent years. India has also experienced pandemics, including the outbreak of avian flu and swine flu. The extent and severity of these natural disasters and pandemics determine their impact on the economy and in turn their effect on the financial services sector of which our Company is a part. Prolonged spells of abnormal rainfall and other natural calamities could have an adverse impact on the economy which in turn could adversely affect our results of operations.

8) INDIA'S SOVEREIGN RATING

A downgrade of India's sovereign rating may adversely affect our business and our liquidity to a great extent.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing by resulting in a change in the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our financial performance and our ability to obtain financing to fund our growth. International rating change could also affect domestic market liquidity conditions.

9) COMPETITION

The Company faces increasing competition from other established banks and other NBFCs. The success of our business depends on our ability to face the competition.

The Company's main competitors are established commercial banks and other NBFCs. Over the past few years, the retail financing area has seen the entry of banks, both public and private sectors as well as foreign. Banks have access to low cost funds which could enable them to offer finance to our customers at lower rates, thereby reducing our Company's margins as well as attracting quality customers.

NOTES TO RISK FACTORS:

1. This is a public issue by the Company of NCDs with a face value of Rs. 1,000 each, amounting to Rs. 250 Crores with an option to retain oversubscription up to Rs. 250 Crores for issuance of additional NCDs, aggregating to a total of up to Rs. 500 Crores.
2. For details on interests of the Company's Directors, please refer to the sections entitled "Our Management" and "Capital Structure" on pages 64 and 29, respectively, of this Prospectus.
3. The Company has entered into certain related party transactions as disclosed in the section entitled "Financial Information – Related Party Disclosures" beginning on page 128 of this Prospectus.
4. Any clarification or information relating to the Issue shall be made available by the Lead Managers and our Company to investors at large and no selective or additional information will be available for a section of investors in any manner whatsoever.
5. Investors may contact the Registrar, the Compliance Officer or the Lead Managers for any complaints or queries pertaining to the Issue. In case of any specific queries on allotment / refund, investors may contact the Registrar to the Issue.
6. In the event of oversubscription to the Issue, allocation of NCDs will be as per the "Basis of Allotment" set

out on page 169 of this Prospectus.

7. As on September 30, 2009, our contingent liabilities were Rs. 1,721 lakhs on account of income tax, sales tax liabilities in respect of matters in appeal and bonds executed in respect of legal matters. For details, please refer to the Auditors' Report at page 80 of this Prospectus.
8. For details of recovery proceedings initiated by the Company / outstanding litigations, please refer to page 171 of this Prospectus.

SECTION III: INTRODUCTION

GENERAL INFORMATION

L&T Finance Limited

Date of Incorporation: November 22, 1994

A Public Limited Company incorporated under the Act.

Registered Office:

L&T House, Ballard Estate, Mumbai – 400 001

Administrative Office:

‘The Metropolitan’, 8th Floor, C-26/27, E-Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051.

Registration:

Certification of Incorporation No.11-83147 dated November 22, 1994 issued by the Registrar of Companies, Maharashtra, Mumbai (Corporate Identification Number: U65990MH1994PLC083147).

Original Certificate of Registration No.B-13.00602 dated April 02, 1998 issued by RBI under section 45-IA of the Reserve Bank of India Act, 1934, classifying the Company as a non-banking financial institution without accepting public deposits.

Fresh Certificate of Registration No.B-13.00602 dated March 21, 2007 issued by RBI re-classifying the Company under the category “Asset Finance Company-Non Deposit Taking”, pursuant to revised regulatory framework prescribed by RBI.

Licence No.3921121 dated 08/01/2008 issued by Insurance Regulatory and Development Authority authorising the Company to act as a Corporate Agent under the Insurance Act, 1938.

AMFI Registration No.ARN-56817 dated January 16, 2008 issued by Association of Mutual Funds in India (AMFI) enrolling the Company as AMFI Registered Mutual Fund Advisor read with RBI approval vide letter Ref No.DNBS.MRO.No.7859/AFC-13.12.04/2007-08 dated February 14, 2008.

Income-Tax Registration:

PAN: AAACL8668G

Compliance Officer:

Name	:	S. Krishna Kumar
Designation	:	Compliance Officer
Address	:	L&T Finance Limited Spanco House, B. S. Deoshi Marg, Deonar, Mumbai - 400 088
Telephone	:	+91 22 4249 1300/ 4249 1400
Fax	:	+91 22 42491384
E-Mail	:	ncd2@ltfinance.com

Investors can contact the Registrar or the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, demat credit, refund orders or interest on application money.

Lead Managers:

JM Financial Consultants Private Limited 141 Maker Chambers III, Nariman Point, Mumbai - 400021 Tel: +91 22 3953 3030 Fax: +91 22 2204 7185 Email: LTFBondIssue@jmfinancial.in Investor Grievance Email: grievance.ibd@jmfinancial.in Website: www.jmfinancial.in Contact Person: Ms. Lakshmi Lakshmanan SEBI Registration No.: INM000010361 Compliance Officer: Mr. Chintal Sakaria Tel: +91 22 6630 3030 Fax: +91 22 2202 8224 Email: chintal.sakaria@jmfinancial.in	Citigroup Global Markets India Private Limited 12th Floor, Bakhtawar, Nariman Point, Mumbai - 400 021 India Tel: +91 22 6631 9890 Fax: +91 22 6631 9803 Email: ltfm.publicbonds@citi.com Investor Grievance I.D.: investors.cgimib@citi.com Website: www.citibank.co.in Contact person: Mr. Shashank Pandey SEBI Registration No.: INM000010718 Compliance Officer: Vinod Patil Tel: +91 22 6631 9999 Fax: +91 22 6631 9897 Email: vinod.patil@citi.com	Kotak Mahindra Capital Company Limited 1st Floor, Bakhtawar, 229, Nariman Point, Mumbai - 400 021 India. Tel: +91 22 6634 1110 Fax: +91 22 2283 7517 Email: LTF.BondIssue@kotak.com Investor Grievance ID: kmccredressal@kotak.com Website: www.kmcc.co.in Contact Person: Mr. Chandrakant Bhole SEBI Registration No.: INM000008704 Compliance Officer: Ajay Vaidya Tel: +91 22 6634 1100 Fax: +91 22 2284 0492 Email: ajay.vaidya@kotak.com
--	---	---

Debenture Trustee:
Bank of Maharashtra

Legal Services Department,
Head Office: "Lokmangal", 1501, Shivajinagar, Pune - 411 005
Tel: +91 20 2553 6256
Fax: +91 20 2551 3123
Website: www.bankofmaharashtra.in
Email: bomcolaw@mahabank.co.in

Bank of Maharashtra by its letter dated January 23, 2010 given its consent to act as Debenture Trustee to the proposed Issue and for its name to be included in the Draft Prospectus, the Prospectus and in all subsequent periodical communications sent to the holders of the NCDs issued pursuant to this Issue.

All the rights and remedies of the Debenture Holders under this Issue shall vest in and shall be exercised by the appointed Debenture Trustee for this Issue without having it referred to the Debenture Holders. All investors under this Issue are deemed to have irrevocably given their authority and consent to the Debenture Trustee so appointed by the Company for this Issue to act as their trustee and for doing such acts and signing such documents to carry out their duty in such capacity. Any payment by the Company to the Debenture Holders/Debenture Trustee, as the case may be, shall, from the time of making such payment, completely and irrevocably discharge the Company *pro tanto* from any liability to the Debenture Holders. For details on the terms of the Debenture Trust-cum-Mortgage Deed, please refer to the section entitled "Issue Related Information" of this Prospectus.

Registrar:
Sharepro Services (India) Pvt. Ltd.

Samhita Warehousing Complex,
Bldg. No.13 A B, Gala No. 52 to 56,
Near Sakinaka Telephone Exchange,
Andheri - Kurla Road, Sakinaka,
Mumbai - 400 072
Tel: +91 22 6772 0300 / 6772 0400
Fax: +91 22 2859 1568/2850 8927
Contact Person: Mr. Prakash Khare

Website: www.shareproservices.com
E-mail: sharepro@shareproservices.com
Investor Grievance Email: ltfin2010@shareproservices.com
Compliance Officer: Mr. V. Kumaresan
SEBI Registration Number: INR000001476

The investors can contact the Registrar in case of any pre-issue/post-issue related problems such as non-receipt of letters of allotment, demat credit, refund orders or interest on application money.

Statutory Auditors / Auditors:

Sharp & Tannan

Chartered Accountants
Ravindra Annexe, 194, Churchgate Reclamation,
Dinshaw Vachha Road, Mumbai - 400 020
Tel: +91 22 2204 7722-23 / 6633 8343-47
Fax: +91 22 6633 8352
E-mail: sharp@bom3.vsnl.net.in

Credit Rating Agencies:

Credit Analysis & Research Limited

4th Floor, Godrej Coliseum,
Somaiya Hospital Road,
Off Eastern Express Highway,
Sion (East), Mumbai – 400 022
Tel: +91 22 6754 3456
Fax: +91 22 6754 3457
Website: www.careratings.com
E-mail: care@careratings.com

ICRA Limited

Electric Mansion, 3rd Floor,
Appasaheb Marathe Marg, Prabhadevi,
Mumbai – 400 025
Tel: +91 22 2433 1046/53/62/74/86/87, 2436 2044, 2432 9109, 3047 0000
Fax: +91 22 2433 1390
Website: www.icra.in
E-mail: mumbai@icraindia.com

Legal Advisor to the Issue

AZB & Partners

23rd Floor, Express Towers
Nariman Point
Mumbai - 400021
Tel: +91 22 6639 6880
Fax: +91 22 6639 6888

Legal Advisor to Citigroup Global Markets India Private Limited

Wadia Ghandy & Co

123 N. M Wadia Building
M. G. Road, Fort,
Mumbai – 400 001
Tel: +91 22670069
Fax: +91 22 22676784

Bankers to the Issue:

ICICI Bank Limited

Bank Address: No-30, Mumbai
Samachar Marg, Fort, Mumbai
400 001
Attn: Mr. Sidhartha Sankar
Routray
Phone: +91 22-22627600
Fax: +91 22-22611138

HDFC Bank Ltd.

I-think Techno campus,
Kanjurmarg (E), Mumbai 400 042.
Contact Person: Deepak Rane
Email: deepak.rane@hdfcbank.com

Standard Chartered Bank

Transaction Banking,
90, MG Road, Fort
Mumbai 400 001.
Contact Person: Litesh Majethia
Phone: +91 22 6735 0363
Fax: +91 22 2262 2302

Axis Bank Limited
Western Zonal Office
3rd floor, RNA Corporate Park
Kalanagar, Bandra (E)
Mumbai 400 051.
Contact Person: Ravi Airen
Phone: +91 22-6724 8058
Fax: + 91 22-6724 8073

Kotak Mahindra Bank Limited
5th floor, Dani Corporate Park
158, CST Road
Kalina, Santacruz (E)
Mumbai 400 098.
Contact Person: Amit Kumar
Phone: +91 22 6759 5336
Fax: +91 22 6759 5374

Bankers to the Company:

The Federal Bank Limited
12/227, Nariman Bhavan,
Nariman Point,
Mumbai – 400 021

ING Vysya Bank Limited
702-B, Poonam Chambers, 'A' Wing,
Dr. A. B. Road, Worli,
Mumbai - 400 018

Kotak Mahindra Bank Ltd.
5th Floor, Dani Corporate Park,
158, CST Road, Kalina,
Santacruz (E), Mumbai – 400 098

State Bank of Hyderabad
Nariman Point Branch
11-C, Mittal Tower, 210, Nariman
Point,
Mumbai – 400 021

HDFC Bank Limited
Process House, 2nd Floor, Kamala Mills
Compound, Senapati Bapat Marg,
Lower Parel, Mumbai – 400 013

Punjab & Sind Bank
J.K. Somani Building,
British Hotel Lane, Fort,
Mumbai - 400 023

The Bank of Nova Scotia
Mittal Tower, "B" Wing,
Nariman Point, Mumbai – 400 021

BNP Paribas
1 Forbes, 6th Floor, 1, Dr. V.B. Gandhi
Marg, Mumbai – 400 023

ICICI Bank Ltd.
Corporate & Institutional Banking
Division, 1st Floor, Trans Trade
Centre, Near SEEPZ, MIDC,
Andheri (E), Mumbai – 400 093

Corporation Bank
Industrial Finance Branch, Bharat
House, No.104, Ground Floor,
M.S.Marg, Mumbai – 400 023

Union Bank of India
Industrial Finance Branch, Union Bank
Bhavan, 239, Vidhan Bhavan Marg,
Nariman Point, Mumbai – 400 021

Standard Chartered Bank
Transaction Banking
90, Mahatma Gandhi Road, Fort,
Mumbai – 400 001

Calyon Bank - India
Hoechst House, 11th, 12th & 14th
Floors, Nariman Point,
Mumbai – 400 021

Bank of Baroda
Corporate Financial Services Branch,
1st Floor, 3, Walchand Hirachand Marg,
Ballard Pier, Mumbai – 400 001

Axis Bank Ltd.
Universal Insurance Building,
Sir P.M.Road, Fort,
Mumbai – 400 001

City Union Bank Ltd.
24 BD, Raja Bahadur Compound,
Ambalal Doshi Marg, Fort,
Mumbai – 400 023

Bank of India
Nariman Point Branch,
Air India Building,
Nariman Point, Mumbai – 400 021

DBS Bank Limited
3rd Floor, Fort House,
221, Dr. D.N. Road, Fort,
Mumbai – 400 001

**State Bank of Bikaner and
Jaipur**
Sir P.M. Road
United India Life Building, Fort,
Mumbai – 400 023

State Bank of India
Corporate Accounts Group Branch,
Voltas House, 23, J. N. Heredia Marg,
Ballard Estate, Mumbai – 400 001

IDBI Bank Limited
Nariman Point Branch,
224, 'A' Wing, Mittal Court,
Nariman Point,
Mumbai - 400 021

Lead Brokers to the Issue:

Enam Securities Pvt. Ltd.
Khatau Building, 2nd Floor, 44
Bank Street, Fort,
Mumbai – 400 001
Tel: +91 22 22677901
Fax: +91 22 22665613
Contact Person: Mr. Ajay Sheth /

ICICI Securities Ltd.
ICICI Centre, H. T. Parekh Marg,
Churchgate, Mumbai -400 020
Tel: +91 22 66377157
Fax: +91 22 66377211
Contact Person: Mr. Anil Mukashi
Email:

Kotak Securities Ltd.
1st Floor, Nirlon House, Dr.
A.B. Road, Worli,
Mumbai -400025
Tel: +91 22 67409431
Fax: +91 22 66617041
Contact Person: Mr. Sanjeeb

Vinay Ketkar
Email: ajays@enam.com;
vinay@enam.com
Website: www.enam.com

anil.mokashi@icicisecurities.com
Website: www.icicisecurities.com

Kumar Das
Email: sanjeeb.das@kotak.com
Website: www.kotak.com

Karvy Stock Broking Ltd.
46, Avenue 4, Street No.1,
Banjara Hills, Hyderabad -500 034
Tel: +91 40 23312454
Fax: +91 40 66621474
Contact Person: Mr. D.
Jayantkumar
Email: jayantkumard@karvy.com
Website: www.karvy.com

Bajaj Capital Ltd.
97, Bajaj House, Nehru Place,
New Delhi – 110 019
Tel: +91 22 40099999
Fax: +91 22 40099911
Contact Person: Mr. Gurumurthi Iyer/
Sumit Dudani
Email: mbdbombay@bajajcapital.com
Website: www.bajajcapital.com

RR Equity Brokers Pvt. Ltd.
47, M.M. Road, Jhandewalan,
New Delhi -110055
Tel: +91 11 23636362- 63
Fax: +91 11 23636666
Contact Person: Mr. Mr.
Rajender Rautela
Email: rajenderr@rrfcl.com
Website: www.rrfcl.com

Integrated Securities Ltd.
15, I Floor, Modern House,
Dr. VB Gandhi Marg, Forbes
Street,
Fort, Mumbai -400023
Tel: +91 22 40661800
Fax: +91 22 22874676
Contact Person: Mr. V. Krishnan
Email: krishnan_v@iepinidia.com
Website:
www.cubsharebroking.com

JM Financial Services Pvt. Ltd.
Kamanwala Chamber, Ground Floor,
P M Road, Mumbai -400 001
Tel: +91 22 30213500/22665577-80
Fax: +91 22 22665902
Contact Person: Mr. Rohit Singh
Email: Rohit.singh@jmfinancial.in
Website: www.jmfinancial.in

Edelweiss Securities Ltd.
14th Floor, Express Towers,
Nariman Point, Mumbai -400 021
Tel: +91 22 67471340
Fax: +91 22 67471347
Contact Person: Mr. Niramal
Rewaria
Email:
nirmalrewaria@edelcap.com
Website: www.edelcap.com

SMC Global Securities Ltd.
17, Netaji Subhash Marg,
Daryaganj,,
New Delhi – 110 005
Tel: +91 11 30121212 /
9818620470
Fax: +91 11 23261059
Contact Person: MR. Mahesh
Gupta
Email: mkg@smcindiaonline.com
Website:
www.smcindiaonline.com

Standard Chartered -STCI Capital Markets Limited
Standard Chartered Tower, 201-B/1,
1st Floor, Western Express Highway,
Goregaon (East),
Mumbai – 400063
Tel: +91 22 67515999
Fax: +91 22 67515998
Contact Person: Mr. Sanjay Rajoria
Email:
sanjay.rajoria@standardcharteredcapital
markets.com
Website: www.standardchartered-
wealthmanagers.co.in

Reliance Securities Ltd.
4th Floor, Parijat House,
1076, Off Dr.E Moses Road,
Manjrekar Lane, Worli,
Mumbai- 400018
Tel: +91 22 30462300
Fax: +91 22 30462532
Contact Person: Mr. Jitesh
Narayanan
Email:
jitesh.narayanan@relianceada.co
m
Website:
www.reliancemoney.com

HDFC Securities Ltd
Office Floor 8, “I Think” Bldg.,
Jolly Board Campus
Opp.Crompton Greaves Factory
Kanjurmarg (East)
Mumbai 400042.
Tel: +91 022-3073442
Fax: +91 022-30753435
Contact Person: Mr.Sunil Raula
Email: sunil.raula@hdfcsec.com
Website: www.hdfcsec.com

TATA Securities Ltd
2nd Floor, C Wing,
One Forbes,
Dr V.B.Gandhi Marg, Fort,
Mumbai – 400001
Tel: +91 9223381870
Fax: +91 022-66106722
Contact Person: Mr. Ashish Jain
Email: ashish.jain@tatacapital.com
Website: www.tatacapital.com

All members of any recognised stock exchange would be eligible to act as brokers to the Issue.

Minimum Subscription

If the Company does not receive the minimum subscription of 75% of the base issue amount of Rs. 250 Crores, i.e. Rs. 187.50 Crores, on or before the closure of the Issue, the entire subscription amount shall be refunded to the applicants within 15 days from the date of closure of the Issue. If there is a delay in the refund of the subscription amount by more than 8 days after the Company becomes liable to pay the same, the Company will pay interest for the period of delay, at rates prescribed under subsections (2) and (2A) of Section 73 of the Act.

Impersonation

As a matter of extra precaution, attention of the investors is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, relating to punishment for fictitious applications.

Credit Ratings

By its letter dated January 20, 2010 CARE has assigned a rating of **‘CARE AA+’ [Double A Plus]** to this issue of NCDs by the Issuer to the extent of Rs.600 Crores with maturity up to 3 years. Instruments with this rating are considered to offer a high safety for timely servicing of debt obligations. Such instruments carry very low credit risk. Set out below is an extract of the rating rationale adopted by CARE:

“The rating factors in the strength of the ultimate parent – Larsen and Toubro Ltd. (L&T) and its continued demonstrated support to LTF, by way of capital support as well as provision of additional business opportunities. The brand equity of L&T also benefits LTF. LTF’s board comprises of senior executives of L&T. The rating is also supported by the established track record of LTF, comfortable profitability, well diversified revenue streams and financial flexibility. LTF’s ability to scale up operations in a highly competitive business scenario while maintaining control over asset quality, effectively managing its liquidity position, ability to raise resources at competitive cost and continued support from L&T would be the key rating sensitivities.”

By its letter dated January 20, 2010, **ICRA** has assigned a rating of **“LAA+”** (pronounced L Double A plus) **with a stable outlook** to this issue of NCDs by the Issuer to the extent of Rs.600 Crores. This rating indicates the high credit-quality rating assigned by ICRA. The rated instrument carries low credit risk. Set out below is an extract of the rating rationale adopted by ICRA:

“The rating primarily factors in LTF’s strong parentage [Larsen & Toubro Ltd (L&T), rated at LAAA by ICRA, which through a holding company L&T Capital Holdings Limited, owns 99.99% stake in LTF]; LTF’s consequent close association with L&T provides it with access to management and funding/capital support. In addition, LTF enjoys a strong brand reputation built on the foundation of L&T’s long track record in engineering and infrastructure sector, which provides it with access to an existing strong customer base as well as support in acquiring new customers. In the first half of FY2010 asset quality of LTF has deteriorated owing to rising NPAs in the construction equipment book, which is a result of the general slowdown in construction activity. A likely pickup in construction activity should support recoveries, although this could take some time. As for CV segment, where asset quality deteriorated in 2008-09, there has been a marginal improvement in asset quality as a result of company’s initiatives and an improvement in operating environment. ICRA has also taken note of a change in the portfolio mix of LTF in favour of long gestation infrastructure projects, tractor loans (this segment has high NPAs) and microfinance loans. Ability of the company to improve asset quality in construction equipment book, CV book, tractor book and to maintain a tight control on asset quality in relatively unseasoned microfinance and infrastructure book would have a strong bearing on the credit profile of the company going forward. The rating continues to factor in LTF’s strategic importance to its parent and ICRA’s expectation of continued commitment by L&T; any dilution of the same or change in credit profile of L&T could impact the credit profile of LTF, and may warrant a review of the rating. While during H1 2010 there has been a rise in the credit losses of the company, LTF’s earnings profile has been supported by an improvement in its incremental lending spreads as the company benefited from its access to funds at competitive costs. ICRA has evaluated the latest ALM position of LTF, based on which, there are mismatches in the short term bucket. However in light of the strong financial flexibility derived from being part of the L&T group, LTF should be in a position to plug these mismatches”.

Kindly note that the above ratings are not a recommendation to buy, sell or hold the NCDs and investors should take their own independent decisions. The ratings may be subject to revision or withdrawal at any time by the

rating agencies and each rating should be evaluated independently of any other rating. CARE and ICRA have a right to suspend or withdraw the rating(s) at any time on the basis of new information, etc.

Utilisation of Issue proceeds

Our Board / Committee of Directors, as the case may be, certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Act;
- details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested; and
- we shall utilize the Issue proceeds only upon the execution of the documents for creation of security as stated in this Prospectus in Section VI (Issue Related Information) under the section entitled “Security” on page 158 of this Prospectus and upon the listing of the NCDs.

Issue Programme

The subscription list for the public issue shall remain open for subscription during banking hours for the period indicated below, except it may close on such earlier date as may be decided by the Board / Committee of Directors of the Company, as the case may be. In case of an earlier closure, the Company shall ensure that notice is given to investors through advertisements at least 3 days prior to such earlier closure date.

ISSUE OPENS ON	February 9, 2010
ISSUE CLOSES ON	February 22, 2010

SUMMARY OF BUSINESS, STRENGTH & STRATEGY

Overview

Our Company, promoted by L&T, was incorporated in November 1994 as a public limited company under the Act, to provide a range of financial products / services. Our Company began by financing small and medium enterprises and took advantage of the opportunities provided by its relationship with L&T - through L&T's subsidiaries and associates and through its large network of dealers, vendors, suppliers, clients, etc. We have since evolved into a multi product asset backed finance company with a diversified corporate and retail portfolio.

We are a wholly owned subsidiary of L&T CHL which, in turn, is a 99.99% subsidiary company of L&T.

Our Company is headquartered in Mumbai and has a presence in major cities in India. As on September 30, 2009, we had 77 Branches and 355 points of presence. The network has been built to cater to the growing business needs and to provide satisfactory customer services.

Being a subsidiary of L&T, we have leveraged the knowledge, experience and businesses of L&T, while continuing to grow and expand independently. As on September 30, 2009, we had an asset base of Rs. 601,671 lakhs. We have relationships with over 500 corporates, 8,000 contractors, 1,500 vendors, 900 dealers, 10,000 transporters, 40,000 farmers and over 5,00,000 micro finance clients. Our revenues for the six-month period ending September 30, 2009 stood at Rs.42,181 lakhs. We have consistently made profits and generated return on assets of over 1.85% in the past 5 years.

(Rs. in lakhs)

	2004-05	2005-06	2006-07	2007-08	2008-09	*2009-10
Assets	92,327.29	144,044.29	309,673.53	514,404.83	553,854.90	627,401.00
Revenue	11,004.79	14,905.60	27,537.59	60,606.19	83,027.67	42,180.95
Profit Before Tax	2,611.19	4,284.78	7,722.06	16,135.20	14,536.10	8,681.47
Return on Assets (Annualised %)	3.28	2.83	2.76	2.79	1.85	2.03

*Half year ended September 30, 2009

Our core business is that of asset backed finance, covering a wide range of commercial and farm assets. As at September 30, 2009, asset backed loans constituted 87.50% of our total loan assets. We also provide loans for meeting the working capital needs of small and medium enterprise (primarily to vendors and dealers of large corporate) and loans against capital market assets for corporates. We continue to strengthen our Micro Finance business furthering our commitment towards financial inclusion in the rural economy.

Our client base for asset backed loans includes large corporates, banks, multinational companies, small and medium enterprises, contractors, commercial vehicle operators and farmers.

We believe that the following are our key strengths:

- Diversified and balanced mix of businesses and customers
- Portfolio quality
- Respected brand arising out of our parentage
- Experienced management team
- Controls, processes and risk management systems
- Commitment from L&T
- Adequate capitalisation
- High credit ratings

The key elements of our business strategy are as follows:

- Expand the existing lines of business
- Increase presence in infrastructure and rural finance
- Explore new business opportunities
- Pursue strategic alliances
- Attract and retain talented professionals
- Expand our client base and geographical presence

THE ISSUE

The following is a summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the chapter titled “Terms of the Issue” beginning on page 148 of this Prospectus.

Common Terms of the NCDs

Issuer	L&T Finance Limited
Issue	2,500,000 NCDs of Rs. 1,000 each aggregating to Rs. 250 Crores with an option to retain oversubscription up to Rs. 250 Crores for issuance of additional 2,500,000 NCDs, aggregating to a total of up to Rs. 500 Crores
Stock Exchanges proposed for listing of the NCDs	The NSE and the BSE
Issuance and trading	In dematerialised form only
Depository	NSDL and CDSL
Security	Security will be created for the purpose of this Issue as per the Debenture Trust - cum - Mortgage Deed. For further details, please refer to page 158 of this Prospectus.
Rating(s)	‘CARE AA+’ by CARE and ‘LAA+’ by ICRA
Issue Schedule*	Issue Opening Date: February 9, 2010 and Issue Closing Date: February 22, 2010
Date of Allotment	The date of allotment shall be the date on which the Board / Committee of Directors, as the case may be, approves the allotment of NCDs.
Settlement	Please refer to the section entitled “Terms of the Issue” beginning on page 148.

* The subscription list for the public issue shall remain open for subscription during banking hours for the period indicated above, except that it may close on such earlier date as may be decided by the Board / Committee of Directors of the Company, as the case may be. In case of an earlier closure, the Company shall ensure that notice is given to investors through advertisements at least 3 days prior to such earlier closure date.

The NCDs will be issued with a face value of Rs. 1,000 each.

The specific terms of each instrument are set out below:

Option	I	II
Interest Payment	Semi-annual	Annual
Minimum Application (Rs.)	10,000/- (Retail) 1,01,000/- (NIIs & QIBs)	
Multiples (Rs.)	1,000/-	
Face Value (Rs.)	1,000/-	1,000/-
Mode of Interest Payment	Through various modes available*	Through various modes available*
Coupon Rate	8.40% p.a.	8.50% p.a.
Yield on Redemption	8.58%	8.50%
Tenor	36 months	36 months
Redemption Date / Maturity Period	36 months from the date of allotment	36 months from the date of allotment
Redemption Amount	Face value plus any interest that may have accrued payable on redemption.	Face value plus any interest that may have accrued payable on redemption

* For various modes of interest payment, please refer page 154 of this Prospectus.

The Issue proposed to be made hereunder shall be made in India to investors specified under the section entitled “Who Can Apply” on page 161 of this Prospectus.

SUMMARY FINANCIAL INFORMATION

STATEMENT OF ASSETS & LIABILITIES (UNCONSOLIDATED)

Rs. Lakhs

	Particulars	As at 30 th September, 2009	As at 31 st March,				
			2009	2008	2007	2006	2005
A	Fixed Assets	24,490.97	24,192.88	40,135.71	37,106.68	22,319.49	15,101.45
B	Investments	430.15	702.36	3,666.78	4,571.91	1,161.12	6,234.93
C	Current Assets, Loans and Advances						
	Stock-on-Hire	-	-	16.04	108.43	756.98	2,618.08
	Cash and Bank Balances	2,147.49	6,975.85	2,934.78	2,985.54	3,177.90	1,683.65
	Loans and Advances	565,703.34	499,827.05	453,968.98	258,193.94	114,366.13	65,689.67
	Sundry Debtors	28,583.60	17,906.07	11,206.81	5,946.76	2,229.96	973.83
	Other Current Assets	4,801.76	3,312.25	2,136.83	760.27	32.71	25.68
		626,157.31	528,021.22	470,263.44	267,994.94	120,563.68	70,990.91
D	Liabilities and Provisions						
	Secured Loans	349,653.08	248,358.09	232,424.08	120,927.89	57,870.31	27,721.53
	Unsecured Loans	163,863.77	196,750.27	171,877.09	133,503.99	55,184.97	44,207.01
	Current Liabilities and Provisions	19,212.08	20,173.19	35,077.86	17,470.15	9,478.96	7,002.15
		532,728.93	465,281.55	439,379.03	271,902.03	122,534.24	78,930.69
E	Deferred Tax Asset/(Liability)	(3,145.10)	(3,089.10)	(2,524.10)	-	-	-
F	Net Worth	90,283.28	84,545.81	72,162.80	37,771.50	21,510.05	13,396.60
G	Represented by						
	1. Share Capital	19,294.15	18,669.15	18,669.15	12,419.15	9,919.15	8,669.15
	2. Share Application Money	-	2,500.00	-	-	-	-
	3. Reserves and Surplus	70,989.13	63,376.66	53,493.65	25,352.35	11,590.90	4,727.45
	Net Worth	90,283.28	84,545.81	72,162.80	37,771.50	21,510.05	13,396.60

STATEMENT OF PROFITS & LOSSES (UNCONSOLIDATED)

Rs. Lakhs

Particulars	For the half-year ended 30 th September, 2009	For the year ended 31 st March,				
		2009	2008	2007	2006	2005
Income						
Income from Operations	42,180.95	83,027.67	60,606.19	27,537.59	14,905.60	11,004.79
Total	42,180.95	83,027.67	60,606.19	27,537.59	14,905.60	11,004.79
Expenditure						
Employee cost	2,209.72	3,189.02	1,865.27	847.27	520.19	355.86
Administration and other expenses	8,101.75	8,241.55	3,612.54	2,087.22	1,077.89	1,982.34
Interest & Other Finance Charges	20,925.98	51,370.36	33,634.08	13,559.46	7,081.33	4,710.50
Depreciation and Amortisation	2,262.03	5,690.63	5,359.10	3,321.58	1,941.41	1,344.90
Total	33,499.48	68,491.56	44,470.99	19,815.53	10,620.82	8,393.60
Net Profit before taxes and extra-ordinary items	8,681.47	14,536.11	16,135.20	7,722.06	4,284.78	2,611.19
Current Tax (including wealth tax)	2,888.00	4,031.00	4,183.00	1,434.00	754.00	208.00
Deferred Tax	56.00	565.00	414.00	-	-	-
Fringe Benefit Tax	-	57.10	36.80	26.61	17.32	-
Net Profit before extra-ordinary items	5,737.47	9,883.01	11,501.40	6,261.45	3,513.46	2,403.19
Extra-ordinary items	-	-	-	-	-	-
Net Profit after extra-ordinary items	5,737.47	9,883.01	11,501.40	6,261.45	3,513.46	2,403.19

CASH FLOW STATEMENT (UNCONSOLIDATED)

Rs. Lakhs

Particulars	For the half-year ended 30 th September, 2009	For the year ended 31st March,				
		2009	2008	2007	2006	2005
A. Cash flow from operating activities						
Net profit before tax as per profit and loss account	8,681.47	14,536.11	16,135.20	7,722.05	4,284.78	2,611.19
Adjustment for :						
Depreciation	2,262.03	5,690.63	5,359.10	3,321.58	1,941.41	1,344.90
(Profit)/Loss on sale of investments(net)	(307.57)	189.06	(147.58)	(709.50)	(499.62)	(162.98)
(Profit)/Loss on sale of fixed assets	(49.59)	107.39	(22.54)	(28.96)	(20.31)	(36.44)
Interest and dividend received on investments	(51.56)	(531.26)	(881.95)	(153.81)	(298.44)	(202.09)
Provision for leave encashment	30.00	19.12	40.32	12.34	18.55	2.28
Provision for diminution in value of investments	(115.87)	117.09	(214.58)	213.93	(239.68)	240.33
Provision for non performing assets/write offs	3,372.00	538.57	605.27	181.23	47.37	163.24
Operating profit before working capital changes	13,820.91	20,666.70	20,873.24	10,558.86	5,234.06	3,960.43
Adjustment for :						
(Increase)/Decrease in net stock on hire	-	16.04	92.39	306.81	1,408.49	4,677.67
(Increase)/Decrease in trade and other receivables and advances	(81,415.34)	(54,271.31)	(203,016.93)	(148,110.36)	(49,934.38)	(23,745.14)
Increase/(Decrease) in trade and other payables	(991.11)	(14,923.80)	17,567.39	7,977.56	2,476.81	616.93
Cash generated from operations	(68,585.54)	(48,512.37)	(164,483.91)	(129,267.13)	(40,815.02)	(14,490.11)
Direct taxes paid	(2,888.00)	(4,088.10)	(4,219.80)	(1,460.61)	(771.32)	(208.00)
Net cash flow from operating activities (A)	(71,473.54)	(52,600.47)	(168,703.71)	(130,727.74)	(41,586.34)	(14,698.11)
B. Cash flow from investing activities						
Purchase of fixed assets (including capital work in progress)	(3,615.54)	(8,658.41)	(8,856.87)	(18,821.35)	(9,301.68)	(7,045.90)
Proceeds/Adjustments from sale of fixed assets	1,105.02	18,803.23	491.28	741.54	143.98	1,507.40
Purchase of shares of	(200.00)	-	(1,305.00)	-	-	-

subsidiaries & associate company						
Purchase of Investments	(333,385.34)	(1,405,367.22)	(1,608,266.80)	(328,334.97)	(13,707.15)	(36,336.03)
Sale of Investments	334,280.99	1,405,875.50	1,610,839.09	325,419.76	19,520.26	34,088.42
Sale of shares of subsidiaries & associate company	-	2,150.00	-	-	-	-
Interest or dividend received on investments	51.55	531.26	881.95	153.81	298.44	202.09
Net cash from investing activities (B)	(1,763.32)	13,334.36	(6,216.35)	(20,841.21)	(3,046.15)	(7,584.02)
C. Cash flow from financing activities						
Increase/(Decrease) in secured loans	101,295.00	15,934.00	111,496.19	63,057.58	30,148.78	(3,961.36)
Increase/(Decrease) in unsecured loans (net)	(32,886.50)	24,873.19	38,373.11	78,319.01	10,977.96	26,567.71
Dividends paid during the year	-	-	-	-	-	(490.11)
Proceeds from issue of share capital including securities premium	-	2,500.00	25,000.00	10,000.00	5,000.00	-
Net cash generated (used in)/ from financing activities (C)	68,408.50	43,307.19	174,869.30	151,376.59	46,126.74	22,116.24
Net cash increase/(decrease) in cash and cash equivalents (A+B+C)	(4,828.36)	4,041.07	(50.76)	(192.36)	1,494.25	(165.89)
Cash and cash equivalents as at beginning of the year	6,975.85	2,934.78	2,985.54	3,177.90	1,683.65	1,849.54
Cash and cash equivalents as at end of the year	2,147.49	6,975.85	2,934.78	2,985.54	3,177.90	1,683.65

Notes:

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

CAPITAL STRUCTURE

Details of Share Capital

The share capital of the Company as on the date of this Prospectus is set forth below:

SHARE CAPITAL	Amount (in Rs.)
Authorised Capital 25,00,00,000 equity shares of Rs.10/- each	250,00,00,000/-
Issued, Subscribed and Paid-up Capital 21,21,72,269 equity shares of Rs.10/- each	2,12,17,22,690/-

Changes in the authorised capital of the Company as on the date of this Prospectus are set forth below:

Sr. No.	Month and Year	Alteration
1	November 1994	The authorised share capital of the Company during incorporation was Rs.5,00,00,000/- divided into 50,00,000 equity shares of Rs.10/- each.
2	February 1995	The authorised share capital of the Company was increased to Rs.15,00,00,000/- divided into 1,50,00,000 equity shares of Rs.10/- each.
3	July 1995	The authorised share capital of the Company was increased to Rs.60,00,00,000/- divided into 4,50,00,000 equity shares of Rs.10/- each and 1,50,000 Redeemable Cumulative Preferences Shares of Rs.1,000/- each.
4	January 1996	1,50,00,000 unissued equity shares of Rs.10/- each of the Company was consolidated and classified as 1,50,000 Redeemable Cumulative Preference Shares of Rs.1000/- each and the authorised share capital of the Company was classified as Rs.60,00,00,000/- divided into 3,00,00,000 equity shares of Rs.10/- each and 3,00,000 Redeemable Cumulative Preferences Shares of Rs.1,000/- each
5	August 1998	The authorised share capital of the Company was altered to Rs.60,00,00,000/- divided into 4,50,00,000 equity shares of Rs. 10/- each and 1,50,000 Redeemable Cumulative Preferences shares of Rs.1,000/- each
6	January 1999 (By Resolution of November 1998)	The authorised share capital of the Company was re-classified as Rs.60,00,00,000/- divided into 5,75,00,000 equity shares of Rs.10/- each and 25,000 Redeemable Cumulative Preferences Shares of Rs.1,000/- each
7	February 1999 (By Resolution of November 1998)	The authorised share capital of the Company was re-classified as Rs.60,00,00,000/- divided into 6,00,00,000 equity shares of Rs.10/- each
8	June 2003	The authorised share capital of the Company was increased to Rs.100,00,00,000/- divided into 10,00,00,000 equity shares of Rs.10/- each.
9	July 2006	The authorised share capital of the Company was increased to Rs.125,00,00,000/- divided into 12,50,00,000 equity shares of Rs.10/- each.
10	March 2007	The authorised share capital of the Company was increased to Rs.175,00,00,000/- divided into 17,50,00,000 equity shares of Rs.10/- each.
11	April 2007	The authorised share capital of the Company was increased to Rs.190,00,00,000/- divided into 19,00,00,000 equity shares of Rs.10/- each.

12	March 2009	The authorised share capital of the Company was increased to Rs.200,00,00,000/- divided into 20,00,00,000 equity shares of Rs.10/- each.
13	November 2009	The authorised share capital of the Company was increased to Rs.250,00,00,000/- divided into 25,00,00,000 equity shares of Rs.10/- each.

Changes in the issued and subscribed capital (equity capital) of the Company till the date of this Prospectus is set forth below:

Date of Allotment	No. of Shares (Face value of Rs. 10 each)	Issue Price Per Share (Rs.)	Nature of Allotment	Cumulative Paid-up Capital (Rs.)	Consideration (Rs.)
22/11/1994	50,00,000	10/-	Subscription to the Memorandum of Association	5,00,00,000/-	5,00,00,000/-
21/02/1995	1,00,00,000	10/-	Private Placement to L&T	15,00,00,000/-	10,00,00,000/-
22/12/1995	1,50,00,000	10/-	Private Placement to L&T	30,00,00,000/-	15,00,00,000/-
21/09/1998	1,50,00,000	10/-	Private Placement to L&T	45,00,00,000/-	15,00,00,000/-
23/03/1999	1,50,00,000	10/-	Private Placement to L&T	60,00,00,000/-	15,00,00,000/-
06/05/2004	2,66,91,500	10/-	Allotted to the shareholders of L&T Equipment Leasing Company Limited, L&T Netcom Limited and LTM Limited on merger with LTF	86,69,15,000/-	26,69,15,000/-
13/03/2006	1,25,00,000	40/-*	Private Placement to L&T	99,19,15,000/-	50,00,00,000/-
28/07/2006	2,50,00,000	40/-*	Private Placement to L&T	124,19,15,000/-	100,00,00,000/-
04/05/2007	2,50,00,000	40/-*	Private Placement to L&T	149,19,15,000/-	100,00,00,000/-
10/10/2007	3,75,00,000	40/-*	Private Placement to L&T	186,69,15,000/-	150,00,00,000/-
25/04/2009	62,50,000	40/-*	Private Placement to L&T CHL	192,94,15,000/-	25,00,00,000/-
18/11/2009	1,92,30,769	65/-**	Private Placement to L&T CHL	212,17,22,690/-	124,99,99,985/-

* Includes premium of Rs.30/- per share

** Includes premium of Rs. 55/- per share

- (1) There is no lock-in period in respect of these shares.
- (2) We have not made any public offering of shares in the past.
- (3) The Company had come out with a Public issue of secured redeemable non-convertible debentures for an overall aggregate amount of Rs.1,000 Crores in August 2009.
- (4) The present issue, being of NCDs, will have no bearing on the capital structure as aforesaid.
- (5) The details of issued and subscribed preference share capital have not been included, since the Company has redeemed the entire preference shares issued in the past.

Shareholding Pattern of the Company

The entire share capital of the Company was held by L&T since its inception of which, seven (7) shares were held by certain directors / employees of L&T as nominees of L&T. As per consolidation plan in financial services business, L&T's investment *inter alia* in the Company was transferred to L&T CHL on March 31, 2009. L&T CHL is a subsidiary company of L&T (as on the date of this Prospectus, L&T holds 99.99% share capital in L&T CHL). The registered offices of L&T and L&T CHL are located at L&T House, Ballard Estate, Mumbai - 400 001.

Shareholding pattern of the Company as on the date of this Prospectus is set forth below:-

Name of shareholder	Address	No. of shares held	%	Face Value (Rs.)	Total Paid-up Capital (Rs.)
L&T Capital Holdings Limited	L&T House, Ballard Estate, Mumbai – 400 001	21,21,72,269 *	100%	Rs.10/-	212,17,22,690/-

* Includes 7 shares held by the nominees of L&T and held jointly with L&T CHL. As on the date of this Prospectus, the Company has 8 shareholders.

Shareholding pattern of L&T Capital Holdings Limited as on the date of this Prospectus is set forth below:-

Name of shareholder	Address	No. of shares held	%	Face Value (Rs.)	Total Paid-up Capital (Rs.)
Larsen & Toubro Limited	L&T House, Ballard Estate, Mumbai - 400 001	135,35,91,386 *	99.99%	Rs.10/-	1353,59,13,860 /-
Clarity Advertising Pvt. Ltd.	L&T House, Ballard Estate, Mumbai - 400 001	205	0.01%	Rs.10/-	2,050/-
TOTAL		135,35,91,591			1353,59,15,910 /-

* Includes 6 shares held by the nominees of L&T and held jointly with L&T. As on the date of this Prospectus, L&T CHL has 8 shareholders.

List of top 10 debenture holders (secured redeemable non-convertible debentures issued by LTF vide various series on private placement basis only and listed on the WDM segment of NSE) as on February 2, 2010*

Sr. No.	Name	Address	Number of Units**
1	Life Insurance Corporation Of India	Investment Department, 6th Floor, West Wing, Central Office, 'Yogakshema', Jeevan Bima Marg, Mumbai – 400 021	3,000
2	Reliance Capital Trustee Co Ltd A/c- Reliance Money Manager Fund	C/o.Deutsche Bank AG, DB House, Hazarimal Somani Marg, Next to Sterling Theatre, Fort, P.O.Box No.1142, Mumbai – 400 001	1,000
3	UTI - Treasury Advantage Fund	UTI AMC Pvt Ltd., UTI Tower, 'G' Block, Bandra- Kurla Complex, Bandra (East), Mumbai – 400 051	650
4	IDFC Super Saver Fund – Short Term	C/o.Deutsche Bank AG, DB House, Hazarimal Somani Marg, Next to Sterling Theatre, Fort, P.O.Box No.1142, Mumbai – 400 001	500
5	HDFC Trustee Company Limited A/c HDFC Cash Management Fund Treasury Advantage Plan	C/o.HDFC Bank Ltd. Custody Services, Lodha -I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	450

6	Reliance Capital Trustee Co Ltd A/c- Reliance Money Manager Fund	C/o.Deutsche Bank AG, DB House, Hazarimal Somani Marg, Next to Sterling Theatre, Fort, P.O.Box No.1142, Mumbai – 400 001	410
7	ICICI Prudential Short Term Plan	C/o.HDFC Bank Ltd. Custody Services, Lodha -I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	364
8	HDFC Trustee Company Ltd-HDFC Floating Rate Income Fund A/c Short Term Plan	C/o.HDFC Bank Ltd. Custody Services, Lodha -I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	300
9	Canara Robeco Mutual Fund A/c Canara Robeco Income	HSBC Securities Services, 2nd Floor "Shiv", Plot No. 139-140 B, Western Express Highway, Vile Parle (E), Mumbai 400 057	300
10	Union Bank of India	C/o.ILFS, ILFS House, Plot No. 14, Raheja Vihar, Chandivli, Andheri (E), Mumbai – 400 072	250

* Beneficiary Position downloaded from NSDL/CDSL, as the case may be

** Face value of each unit across all series is Rs.10,00,000/-

List of top 10 holders of unsecured redeemable non-convertible debentures (short term) issued on a private placement basis as on February 2, 2010*

Sr. No.	Name	Address	Number of Units**
1	LIC Mutual Fund	C/o.HDFC Bank Ltd. Custody Services, Lodha - I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	100
2	LIC Mutual Fund	C/o.HDFC Bank Ltd. Custody Services, Lodha - I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	100
3	Tata Mutual Fund	C/o.HDFC Bank Ltd. Custody Services, Lodha - I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	75
4	LIC Mutual Fund	C/o.HDFC Bank Ltd. Custody Services, Lodha - I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	50
5	Tata Mutual Fund	C/o.HDFC Bank Ltd. Custody Services, Lodha - I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	50
6	SBI Mutual Fund	C/o.HDFC Bank Ltd. Custody Services, Lodha - I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	50

7	UTI Mutual Fund	UTI AMC Pvt Ltd., UTI Tower, 'G' Block, Bandra- Kurla Complex, Bandra (East), Mumbai – 400 051	35
8	UTI Mutual Fund	UTI AMC Pvt Ltd., UTI Tower, 'G' Block, Bandra- Kurla Complex, Bandra (East), Mumbai – 400 051	30
9	Tata Mutual Fund	C/o.HDFC Bank Ltd. Custody Services, Lodha - I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	25

* The NCDs are with daily put/call option, and as on February 2, 2010 the allotment is pending

** Face value of each unit across all series is Rs.1,00,00,000/-

List of top 10 debenture holders (Tier II Capital - unsecured, redeemable, non-convertible subordinated debt in the form of debentures issued vide Series "H" of FY 2007-08 on private placement basis and listed on the WDM segment of NSE) as on February 2, 2010*

Sr. No.	Name	Address	Number of Units**
1	HVPNL Employees Pension Fund Trust	Shakti Bhavan, Sector 6, Panchkula – 134 109	140
2	Bharat Petroleum Corporation Limited Employees Contributory Superannuation Fund	Bharat Bhavan, 4 & 6, Curimbhoy Road, Ballard Estate, Mumbai – 400 001	70
3	Life Insurance Corporation Of India	Investment Department, 6th Floor, West Wing, Central Office, Yogakshema, Jeevan Bima Marg, Mumbai – 400 021	65
4	The Tata Engineering And Locomotive Company Ltd Superannuation Fund	24, Homi Modi Street, Bombay House, Fort, Mumbai – 400 001	62
5	HPGCL Employees Pension Fund Trust	Shakti Bhavan, Sector 6, Panchkula, Haryana – 134 109	56
6	Food Corporation Of India CPF Trust	Khadya Sadan, 13th Floor, 16-20 Barkhamba Lane, New Delhi – 110 001	50
7	Board Of Trustees M .S. R.T.C. CPF	Maharashtra State Road Transport Corporation, Vahatuk Bhavan , Dr. Anandrao Nair Road, Mumbai Central, Mumbai – 400 008	46
8	The Indian Hotels Co. Ltd Employees Provident Fund	The Indian Hotels Company Ltd., Mandlik House, 1st Floor, Mandlik Road, Mumbai – 400 001	27
9	Dena Bank Employee's Pension Fund	Sharda Bhavan, 1st Floor, Near Mithibai College, V M Marg, Juhu, Vile Parle, Mumbai - 400 056	25
10	HVPNL Employees Provident Fund Trust	Shakti Bhavan, Sector 6, Panchkula, Haryana – 134 109	25

* Beneficiary Position downloaded from NSDL/CDSL, as the case may be

** Face value of each unit across all series is Rs.10,00,000/-

List of top 10 Commercial Paper holders as on February 2, 2010*

Sr. No.	Name	Address	Number of Units**
1	UTI - Treasury Advantage Fund	UTI AMC Pvt Ltd., UTI Tower, 'G' Block, Bandra- Kurla Complex, Bandra (East), Mumbai – 400 051	3,000
2	SBI Short Horizon Debt Fund - Ultra Short Term Fund	C/o.HDFC Bank Ltd. Custody Services, Lodha -I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	1,996
3	Birla Sun Life Trustee Company Private Limited A/c Birla Sun Life Savings Fund	C/o.Standard Chartered Bank, Custody & Clearing Services, 23-25, M.G. Road, Fort, Mumbai – 400 001	1,500
4	HSBC Floating Rate Fund -Long Term Plan	C/o.Standard Chartered Bank, Custody & Clearing Services, 23-25, M.G. Road, Fort, Mumbai – 400 001	1,500
5	Religare Trustee Company Private Limited - A/c Religare Short Term Plan	C/o.Deutsche Bank AG, DB House, Hazarimal Somani Marg, Next to Sterling Theatre, Fort, P.O.Box No.1142, Mumbai – 400 001	1,500
6	UTI - Treasury Advantage Fund	UTI AMC Pvt Ltd., UTI Tower, 'G' Block, Bandra- Kurla Complex, Bandra (East), Mumbai – 400 051	1,500
7	ICICI Prudential Flexible Income Plan	C/o.HDFC Bank Ltd. Custody Services, Lodha -I, Think Techno Campus, Floor 8, Next to Kanjurmarg Station, Kanjurmarg (E), Mumbai – 400 042	1,000
8	Kotak Mahindra Trustee Company Ltd. A/c Kotak Flexi Debt Scheme	C/o.Deutsche Bank AG, DB House, Hazarimal Somani Marg, Next to Sterling Theatre, Fort, P.O.Box No.1142, Mumbai – 400 001	1,000
9	Kotak Mahindra Trustee Company Ltd. A/c Kotak Floater Long Term Scheme	C/o.Deutsche Bank AG, DB House, Hazarimal Somani Marg, Next to Sterling Theatre, Fort, P.O.Box No.1142, Mumbai – 400 001	1,000
10	State Bank of India	C/o.Securities Services Branch, 2 nd Floor, Mumbai Main Branch, Mumbai Samachar Marg, Mumbai – 400 023	1,000

* Beneficiary Position downloaded from NSDL/CDSL, as the case may be

** Face value of each unit across all series is Rs.5,00,000/-

Debt–Equity Ratio:

The debt-equity ratio of the Company prior to this Issue is based on a total outstanding debt of Rs. 623,494 lakhs and shareholder funds amounting to Rs. 107,486 lakhs which was 5.80 times as on February 2, 2010. The debt-equity ratio post the Issue (assuming subscription of Rs. 50,000 lakhs) is 6.27 times, based on a total outstanding debt of Rs. 673,494 lakhs and shareholders' fund of Rs. 107,486 lakhs as on February 2, 2010.

		(Rs. In Lakhs)
Particulars	Prior to the Issue	Post the Issue*
Secured Loans	377,233	427,233
Unsecured Loans	246,261	246,261
Total Debt	623,494	673,494
Share Capital	21,217	21,217
Reserves	86,269	86,269
Less: Misc. Expenditure (to the extent not written off or adjusted)	---	---
Total Shareholders' Funds	107,486	107,486
Debt-Equity Ratio (Number of times)	5.80	6.27

* The debt-equity ratio post the Issue is indicative on account of the assumed inflow of Rs. 50,000 lakhs from the proposed Issue in the secured debt category as on February 2, 2010. The actual debt-equity ratio post the issue would depend on the actual position of debt and equity on the Date of Allotment.

OBJECTS OF THE ISSUE

The funds raised through this Issue, after meeting the expenditures of and related to the Issue, will be used for our various financing activities, including lending and investments, to repay our existing loans and for our business operations, including for our capital expenditure and working capital requirements, as well as for any other uses permitted by applicable law.

The main objects clause of the Memorandum of Association of the Company permits the Company to undertake its existing activities as well as the activities for which the funds are being raised through this Issue.

However, the Company will not utilize the proceeds of the Issue to provide loans to, or to acquire shares of, any person who is part of the same group as the Company or who is under the same management as the Company or any subsidiary of the Company.

Interim Use of Proceeds

The management of the Company, in accordance with the policies formulated by it from time to time, will have flexibility in deploying the proceeds received from the Issue. Pending utilization of the proceeds out of the Issue for the purposes described above, the Company intends to temporarily invest funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks or temporarily deploy the funds in investment grade interest bearing securities as may be approved by the Board / Committee of Directors of the Company, as the case may be. Such investment would be in accordance with the investment policy of our Company.

Monitoring of Utilization of Funds

There is no requirement for appointment of a monitoring agency in terms of the Debt Regulations. The Company's Board / Committee of Directors, as the case may be, shall monitor the utilization of the proceeds of the Issue. The Company will disclose in the Company's financial statements for the relevant Financial Year commencing from FY 2010, the utilization of the proceeds of the Issue under a separate head along with details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue. We shall utilize the Issue proceeds only upon the execution of the documents for creation of security as stated in this Prospectus in the section entitled "Issue Structure - Security" on page 158 and upon the listing of the NCDs.

STATEMENT OF TAX BENEFITS

Under the current tax laws (existing as well as proposed) the following tax benefits inter alia, will be available to the Debenture Holder as mentioned below. The benefits are given as per the prevailing tax laws and may vary from time to time in accordance with amendments to the law or enactments thereto. The Debenture Holder is advised to consider in his own case the tax implications in respect of subscription to the Debentures after consulting his tax advisor as alternate views are possible. We are not liable to the Debenture Holder in any manner for placing reliance upon the contents of this statement of tax benefits.

To our Debenture Holder

A. INCOME TAX

I To the Resident Debenture Holder

1. Interest on Non Convertible Debentures (“NCDs”) received by Debenture Holder would be subject to the following provisions of the Income Tax Act (“I.T.Act”).
2. No income tax is deductible at source on interest on debentures as per the provisions of section 193 of the I.T.Act in respect of the following:
 - (a) In case the payment of interest on debentures to resident individual Debenture Holder by company by an account payee cheque and such debentures being listed on a recognized stock exchange in India, provided the amount of interest or the aggregate of the amounts of such interest paid or likely to be paid during the financial year does not exceed Rs 2500;
 - (b) When the Assessing Officer issues a certificate on an application by a Debenture Holder on satisfaction that the total income of the Debenture Holder justifies nil/lower deduction of tax at source as per the provisions of Section 197(1) of the I.T.Act;
 - (c) When the resident Debenture Holder (not being a company or a firm or a senior citizen) submits a declaration to the payer in the prescribed Form 15G verified in the prescribed manner to the effect that the tax on his estimated total income of the financial year in which such income is to be included in computing his total income will be ‘nil’ as per the provisions of Section 197A (1A) of the I.T.Act. Under Section 197A (1B) of the I.T. Act, Form 15G cannot be submitted nor considered for exemption from deduction of tax at source if the aggregate of income of the nature referred to in the said section, viz. dividend, interest, etc as prescribed therein, credited or paid or likely to be credited or paid during the financial year in which such income is to be included exceeds the maximum amount which is not chargeable to tax. To illustrate, the maximum amount of income not chargeable to tax in case of individuals (other than women assesses and senior citizens) and HUFs is Rs 160,000, in case of women assesses is Rs.190, 000 and in case of senior citizen is Rs. 240,000 for financial year 2009-10. Senior citizens, who are 65 or more years of age at any time during the financial year, enjoy the special privilege to submit a self declaration to the payer in the prescribed Form 15H for non-deduction of tax at source in accordance with the provisions of section 197A (1C) of the I.T. Act even if the aggregate income credited or paid or likely to be credited or paid exceed the maximum amount not chargeable to tax i.e. Rs 240,000 for FY 2009-10, provided tax on his estimated total income of the financial year in which such income is to be included in computing his total income will be nil.
 - (d) On any securities issued by a company in a dematerialised form listed on recognized stock exchange in India. (w.e.f. 1.06.2008).

In all other situations, tax would be deducted at source as per prevailing provisions of the I.T.Act;
3. Under section 2 (29A) of the I.T.Act, read with section 2 (42A) of the I.T.Act, a listed debenture is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer.

Under section 112 of the I.T.Act, capital gains arising on the transfer of long term capital assets being listed securities are subject to tax at the rate of 10% of capital gains calculated without indexation of the cost of acquisition. The capital gains will be computed by deducting expenditure incurred in connection with such transfer and cost of acquisition of the debentures from the sale consideration.

In case of an individual or HUF, being a resident, where the total income as reduced by the long term capital gains is below the maximum amount not chargeable to tax i.e. Rs 160,000 in case of all individuals, Rs 190000 in case of women and Rs 240,000 in case of senior citizens, the long term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such long-term capital gains shall be computed at the rate of ten per cent in accordance with and the proviso to sub-section (1) of section 112 of the I.T.Act read with CBDT Circular 721 dated September 13, 1995.

In addition to the aforesaid tax, in the case of domestic companies where the income exceeds Rs 10,000,000 a surcharge of 10% of such tax liability is also payable. A 2% education cess and 1% secondary and higher education cess on the total income tax (including surcharge) is payable by all categories of tax payers.

4. Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months would be taxed at the normal rates of tax in accordance with and subject to the provision of the I.T. Act.

The provisions related to minimum amount not chargeable to tax, surcharge and education cess described at para 3 above would also apply to such short-term capital gains.

- 5 In case the debentures are held as stock in trade, the income on transfer of debentures would be taxed as business income or loss in accordance with and subject to the provisions of the I.T.Act.
- 6 As per section 56(2)(vii) of the I.T.Act, in case where individual or Hindu undivided Family receives debentures from any person on or after 1st October, 2009

A. without any consideration, aggregate fair market value of which exceeds fifty thousand rupees, then the whole of the aggregate fair market value of such property or;

B. for a consideration which is less than the aggregate fair market value of the debenture by an amount exceeding fifty thousand rupees, then the aggregate fair market value of such property as exceeds such consideration;

shall be taxable as the income of the recipient.

II To the Non Resident Indian

1. A non resident Indian has an option to be governed by Chapter XII-A of the I.T.Act, subject to the provisions contained therein which are given in brief as under:
 - (a) Under section 115E of the I.T.Act, income from debentures acquired or purchased with or subscribed to in convertible foreign exchange will be taxable at 20% (plus applicable education cess and secondary & higher education cess), whereas, long term capital gain on transfer of such Debenture will be taxable at 10% (plus applicable education cess and secondary & higher education cess). Short-term capital gains will be taxable at the normal rates of tax in accordance with and subject to the provisions contained therein.
 - (b) Under section 115F of the I.T.Act, subject to the conditions and to the extent specified therein, long term capital gain arising to a non-resident Indian from transfer of debentures acquired or purchased with or subscribed to convertible foreign exchange will be exempt from capital gain tax if the net consideration is invested within six months after the date of transfer of the debentures in any specified asset or in any saving certificates referred to in clause (4B) of section 10 of the I.T.Act in accordance with and subject to the provisions contained therein.

- (c) Under section 115G of the I.T. Act, it shall not be necessary for a non-resident Indian to file a return income under section 139(1) of the I.T. Act, if his total income consist only of investment income and/or long term capital gains earned on transfer of such investment acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the I.T. Act in accordance with and subject to the provisions contained therein.
 - (d) Under section 115H of the I.T. Act, where a non-resident Indian becomes a resident in India in any subsequent year, he may furnish to the Assessing Officer a declaration in writing along with return of income under section 139 for the assessment year for which he is assessable, to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income (other than shares in an Indian Company) derived from any foreign exchange assets in accordance with and subject to the provisions contained therein. On doing so, the provisions of Chapter XII-A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion into money of such assets.
2. In accordance with and subject to the provisions of section 115I of the I.T. Act, non-resident Indian may opt not to be governed by the provisions of Chapter XII-A of the I.T. Act. In that case:
- (a) Under Section 195 of the I.T. Act, the company is required to deduct tax at source at the rate at the rate of 20% on investment income and at the rate of 10% on any long-term capital gains and at the normal rates for Short Term Capital Gains as referred to in section 115E if the payee Debenture holder is a non-resident Indian.
- The provisions related to education cess and secondary & higher education cess described at para 1 above would apply to such income/gains.
- (b) As per section 90(2) of the I.T. Act read with the circular no.728 dated 30th October, 1995 issued by the CBDT, in the case of a remittance to a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, which ever is more beneficial to the assessee.
 - (c) Alternatively, to ensure non deduction or lower deduction of tax at source, as the case may be, the Debenture Holder should furnish a certificate under section 197(1) or 195(3) of the I.T. Act, from the Assessing Officer.
3. The provisions of para I (6) above would apply to non-resident Indian also.

III To the Foreign Institutional Investors (FIIs):

In accordance with and subject to the provisions of section 115AD of the I.T. Act on transfer of debentures by FIIs, long term capital gains are taxable at 10% (plus applicable surcharge and education and secondary and higher education cess) and short term capital gains are taxable at 30% (plus applicable surcharge and education and secondary and higher education cess). The cost indexation benefit will not be available. Further, benefit of provisions of the first and second proviso of section 48 of the I.T. Act is also not applicable. Income other than capital gains arising out of debentures is taxable at 20% in accordance with and subject to the provisions contained therein.

In addition to the aforesaid tax, in case of foreign corporate FIIs where the income exceeds Rs 10,000,000, a surcharge of 2.5% of such tax liability is also payable. A 2% education cess and 1% secondary and higher education cess on the total income tax (including surcharge) is payable by all categories of tax payers.

In accordance with and subject to the provisions of section 196D (2) of the I.T. Act, no deduction of tax at source is applicable in respect of capital gains arising on the transfer of debentures by FIIs.

The provisions of para II (2(b) and (c)) above would apply to FIIs also.

IV To the Other Eligible Institutions

All mutual funds registered under Securities and Exchange Board of India or set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India will be exempt from tax on all their income, including income from investment in Debentures under the provisions of Section 10(23D) of the I.T. Act subject to and in accordance with the provisions contained therein.

B. WEALTH TAX

Wealth-tax is not levied on investment in debentures under section 2(ea) of the Wealth-tax Act, 1957.

C. GIFT TAX

Gift-tax is not levied on gift of debentures in the hands of the donor as well as the donee because the provisions of the Gift-tax Act, 1958 have ceased to apply in respect of gifts made on or after 1st October, 1998.

D. Proposals made in Direct Taxes Code

The following proposals have been made in the Direct Taxes Code Bill, 2009 (DTC), a discussion paper, which has been introduced in the Parliament and the provisions contained therein are proposed to be made applicable from financial year 2011-12. The DTC is still in the draft stage and therefore the provisions contained therein are subject to change.

As regards the taxability of income and capital gains from Debentures, following proposals have been made.

1. There will not be any distinction between long term capital gains and short term capital gains. All the capital gains shall be chargeable at 30% in case of all non-resident tax payers. The other category of tax payers will be required to pay tax on capital gains as per the slab rates applicable which are as below.

Basic exemption limit to Rs.10, 00,000/- @ 10%
From Rs.10, 00,000/- to Rs.25, 00,000/- @ 20%
Over and above Rs. 25, 00,000/- @ 30%

There is no change in basic exemption limit.

2. The provisions contained in para II (b) to (d) do not find place in DTC.

3. There is no provision for levy of surcharge or cess on total income tax in the DTC.

4. The financial assets have been included within the purview of wealth tax in the DTC. Therefore investment in debentures shall be treated as wealth for the purposes of wealth tax and tax shall be levied @ 0.25% of net wealth in excess of Rs.50 crores.

SECTION IV: ABOUT THE ISSUER AND THE INDUSTRY

INDUSTRY

The information in this section has been extracted from publicly available documents / sources and has not been prepared or independently verified by us or any of the lead managers or legal advisors .

Indian Economy

The global economy is showing tentative signs of recovery signalling, albeit hesitantly, the winding down of the global recession. For several advanced economies the pace of contraction in output has declined in the second quarter of 2009. The recovery is widely perceived to remain slow and gradual, with receding but significant downside risks. After a series of successive and frequent downward revisions to the growth outlook of the world economy for 2009 from (+) 3.9 per cent in July 2008 to (-) 1.4 per cent in July 2009, the IMF, for the first time, revised the projected growth outlook upwards in October 2009, recognising the emerging signs of recovery. The latest forecast is for a contraction in the world output by (-) 1.1 per cent. The recovery is expected to be led by emerging market economies (EMEs), particularly from Asia. *(Source: Reserve Bank of India; Macroeconomic and monetary developments, second quarter review 2009-10)*

The prospects of Indian economy are somewhat different from most other countries. A large domestic market, resilient banking system and a policy of gradual liberalisation of capital account have been key factors. The Economic Survey 2008-09 says a major concern at this stage though not entirely unexpected is a sharp dip in the growth of private consumption. Four factors seem to have contributed to this slowdown. First, it could be due to the wealth effect, resulting from decline in the equity/property prices. Secondly, the uncertainty in the labour market and some decline in employment. Thirdly, cutbacks in consumer credit by private banks, NBFCs and other lenders. Fourthly, during slowdown a dominance of precautionary motive may induce consumer to either defer their spending decisions or shift to unbranded alternatives. *(Source: Economic Survey 2007-2008; Ministry of Finance, Government of India; text available at – <http://pib.nic.in/release/release.asp?relid=49545>)*

Table 1: Rate of growth at factor cost at 1999-2000 prices (per cent)

Sector	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	Q1 2009-10	Q2 2009-10
Agriculture, forestry & fishing	10.0	-	5.8	4.0	4.9	1.6	2.4	0.9
Mining & quarrying	3.1	8.2	4.9	8.8	3.3	3.6	7.9	9.5
Manufacturing	6.6	8.7	9.1	11.8	8.2	2.4	3.4	9.2
Electricity, gas & water supply	4.8	7.9	5.1	5.3	5.3	3.4	6.2	7.4
Construction	12.0	16.1	16.2	11.8	10.1	7.2	7.1	6.5
Trade, hotels & restaurants	10.1	7.7	10.3	10.4	10.1	9.0	8.1	8.5
Transport, storage & communication	15.3	15.6	14.9	16.3	15.5			
Financing, insurance, real estate & business services	5.6	8.7	11.4	13.8	11.7	7.8	8.1	7.7
Community, social & personal services	5.4	6.8	7.1	5.7	6.8	13.1	6.8	12.7
Total GDP at factor cost	8.5	7.5	9.5	9.7	9.0	6.7	6.1	7.9

* Trade, hotels & restaurants and Transport & communication were clubbed for reporting since FY 2009

Source: Central Statistical Organisation

To counter the negative fall out of the global slowdown on the Indian economy, the Government responded by providing substantial fiscal expansion in the form of tax relief to boost demand and increased expenditure on public assets. The net result was an increase in fiscal deficit from 2.7 per cent in 2007-08 to 6.2 per cent of GDP in 2008-09. The difference between the actuals of 2007-08

and 2008-09 constituted the total fiscal stimulus notwithstanding that some expenditure was on account of implementation of the Sixth Pay Commission Award and the Agriculture Debt Relief Scheme announced in 2008-09 Budget.

Despite the slowdown in growth, investment remained relatively buoyant growing at a rate higher than at the rate of the GDP. The ratio of the fixed investment to GDP consequently increased to 32.2 per cent in 2008-09 from 31.6 per cent in 2007-08. This reflects the resilience of Indian enterprise, in the face of massive increase in global uncertainty and risk aversion and freezing of highly developed financial markets. Domestic food price inflation as measured by the Wholesale Price Index (WPI) food sub index, though declining remains much higher than overall inflation. (Source: *Economic Survey 2008-2009*; Ministry of Finance, Government of India; text available at – <http://pib.nic.in/release/release.asp?relid=49545>)

Financial Services Industry

Historically, banks have played the role of intermediaries between the savers and the investors. However, in the last few decades, the importance and nature of financial intermediation has undergone a dramatic transformation the world over. The dependence on bank credit to fund investments is giving way to raising resources through a range of market based instruments such as the stock and bond markets, new financial products and instruments like mortgage and other asset backed securities, financial futures and derivative instruments like swaps and complex options. Besides transferring resources from savers to investors, these instruments enable allocation of risks and re-allocation of capital to more efficient use. The increase in the breadth and depth of financial markets has also coincided with a pronounced shift among the ultimate lenders who have moved away from direct participation in the financial markets to participation through a range of intermediaries. These developments in international financial markets have been mirrored in the financial market in India. (Source: *Economic Survey 2008-2009*; Ministry of Finance, Government of India; text available at – <http://indiabudget.nic.in/es2008-09/chapt2009/chap51.pdf>)

As the Indian economy has entered a higher growth trajectory, the investment demand is expected to remain strong in the short to medium term. The banking sector is equipped to meet the growing demand for resources but credit expansion needs to be non inflationary and ensure that productive sectors receive adequate credit at a reasonable cost. This may call for the banking sector to review the spreads suitably, thereby ensuring that credit off taken by productive sectors is maintained facilitating the growth momentum of the economy. With a vibrant capital market, the Indian corporates would step up their access to the primary market to raise resources both through equity and debt issues. Alongside, the overseas issues (ADR/GDR) too are expected to gain importance to supplement the domestic resource mobilization by the corporates. The Government's efforts to streamline the regulatory framework and to bring business transparency may enhance activity in the primary capital market in terms of increase in the number of debt and equity issues as well as larger participation of investors, particularly retail investors. The performance of Indian stock prices in the secondary market hinges broadly on long term and short-term factors. In the long run, strong output growth is important to sustain the investment activity across the globe. Since India's growth performance is relatively better among the emerging economies, the country would continue to attract significant cross-border portfolio investments. In the short term, expectation of higher relative returns from investment in India, favourable risk perception of investors and improved global liquidity would help the country in being an attractive destination for investment. Going forward, despite the possible subdued global growth, the strong fundamentals of the Indian economy in tandem with higher growth would help in sustaining the interest of domestic and foreign investors in the Indian market. (Source: *Economic Survey 2007-2008*; Ministry of Finance, Government of India; text available at – <http://indiabudget.nic.in/es2007-08/chapt2008/chap57.pdf>)

Structure of India's Financial Services Industry

The RBI, the central banking and monetary authority of India, is the central regulatory and supervisory authority for the Indian financial system. SEBI and IRDA regulate the capital markets and insurance sector, respectively. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- Commercial banks;
- NBFCs;
- Specialised financial institutions like NABARD, EXIM Bank, SIDBI and TFCI;
- Securities brokers;

- Investment banks;
- Insurance companies;
- Mutual funds; and
- Venture capital funds.

At end-March 2009, there were 801 commercial banks (excluding RRBs); 4 local area banks; 86 RRBs; 1,721 UCBs; 4 development finance institutions; 12,739 NBFCs (of which 336 NBFCs were permitted to accept/hold public deposits) and 182 primary dealers (PDs).

Table 6.8: Select Financial Indicators

Item	End-March	Scheduled Commercial Banks	Scheduled Urban Co-operative Banks	Development Finance Institutions	Primary Dealers	Non-Banking Financial Companies
1	2	3	4	5	6	7
CRAR	2008	13.0	11.8	26.3	37.5	22.4
	2009	13.2	12.6	25.5	34.8	18.3
Gross NPAs to Gross Advances	2008	2.4	13.9	0.6	N.A.	1.5
	2009	2.4	11.5	0.3	N.A.	1.7
Net NPAs to Net Advances	2008	1.1	2.9	0.12	N.A.	-8.7
	2009	1.1	2.3	0.07	N.A.	-0.4
Return on Total Assets	2008	0.99	0.8	1.4	2.5	2.9
	2009	1.02	1.2	1.2	6.6	N.A.
Return on Equity	2008	12.5	N.A.	10.7	10.7	16.9
	2009	13.3	N.A.	9.3	21.5	N.A.
Efficiency (Cost/Income Ratio)	2008	48.9	56.4	19.4	25.4	68.5
	2009	45.3	53.2	15.9	11.7	N.A.

N.A.: Not Available.

Note: 1. Unaudited and provisional data.

2. Data for 2009 in respect of NBFCs pertain to the period ended September 2008.

3. CRAR for scheduled UCBs excludes Madhavpura Mercantile Co-Op Bank Ltd.

(Source: RBI Annual Report 2008-09)

Non-Banking Finance Companies (NBFCs)

Overview

NBFCs are fast emerging as an important segment of Indian financial system. It is an heterogeneous group of institutions (other than commercial and co-operative banks) performing financial intermediation in a variety of ways, like accepting deposits, making loans and advances, leasing, hire purchase, etc. They raise funds from the public, directly or indirectly, and lend them to ultimate spenders. They advance loans to the various wholesale and retail traders, small-scale industries and self-employed persons. Thus, they have broadened and diversified the range of products and services offered by a financial sector. Gradually, they are being recognised as complementary to the banking sector due to their customer-oriented services, simplified procedures, attractive rates of return on deposits; flexibility and timeliness in meeting the credit needs of specified sectors.

(Source: Business Portal of India http://business.gov.in/business_financing/non_banking.php)

NBFCs have traditionally been extending credit across various parts of the country through their geographical presence, with NBFCs being a supplier of credit to segments such as equipment leasing, hire purchase, and consumer finance. These are areas which warrant infusion of financing due to the existing demand-supply gap. NBFCs have been a more flexible source of financing and have been able to disburse funds to a gamut of clientele, from the common man to a variety of corporate clientele. NBFCs are also able to accelerate the pace of decision making to disburse funds, customise and tailor their products according to the client needs and take on higher risks on their portfolio.

NBFCs broadly fall into three categories, viz.

- NBFCs accepting deposits from the public;
- NBFCs not accepting/holding public deposits; and
- Core investment companies (i.e., those acquiring shares / securities of their group / holding / subsidiary companies to the extent of not less than 90 per cent of total assets and which do not accept public deposit).

Until some years back, the prudential norms applicable to banking and non-banking financial companies were not uniform. Moreover, within the NBFC sector, the prudential norms applicable to deposit taking NBFCs (NBFCs-D) were more stringent than those for non-deposit taking NBFCs (NBFCs-ND). Since the NBFCs-ND

were not subjected to any exposure norms, they could take large exposures. The absence of capital adequacy requirements resulted in high leverage by the NBFCs. Therefore, since 2000, the Reserve Bank has initiated measures to reduce the scope of "regulatory arbitrage" between banks, NBFCs-D and NBFCs-ND.

Total number of NBFCs registered with the Reserve Bank, consisting of NBFCs-D (deposit taking NBFCs), Residual Non-Banking Companies (RNBCs), Mutual Benefit Companies (MBCs), Miscellaneous Non-Banking Companies (MNBCs) and Nidhi companies, declined from 14,077 at end-June 2002 to 12,740 at end-June 2009. The number of NBFCs-D has shown a steady decline from 784 at end-June 2002 to 336 at end-June 2008, mainly due to the exit of many NBFCs from deposit taking activity. The number of RNBCs declined to two at end-March 2008. Even though the public deposits declined 11.7% in 2008-09 over the previous year, partly reflecting the decline in number of reporting NBFCs, total assets declined marginally by Rs. 3,287 Crores (3.3 per cent), while net owned funds increased by Rs. 1,537 Crores (8.8 per cent) during the same period.

Continuing the trend of the preceding year, public deposits held by all groups of NBFCs taken together, declined moderately during 2008-09. The outstanding borrowings by NBFCs increased by 9.3 per cent during 2008-09. Borrowings by equipment leasing companies and loan companies declined, while those by asset finance companies and hire purchase companies increased during the year 2008-09. Asset Finance Companies (AFCs) continued to hold the largest share (72.8 per cent) of borrowings of all NBFCs, followed by loan companies (27.1 per cent). Borrowings by NBFCs from banks and financial institutions increased sharply by 29.3 per cent while borrowings by way of bonds and debentures remained at the same level during 2008-09. The borrowings from Government declined by 21.4 per cent during 2008-09. Other deposits (which include, inter alia, money borrowed from other companies, unsecured loans from directors/promoters, commercial paper, borrowings from mutual funds and any other type of funds which are not treated as public deposits) also registered a decline of 2.6 per cent during 2008-09.

Financial performance of NBFCs in terms of income and net profit improved during 2008-09. Both fund based income (16.9 per cent) and fee based income (46.0 per cent) registered robust growth. While growth in expenditure decelerated over the previous year, it, however, witnessed higher growth than income resulting in decline in operating profit by 2.2 per cent. Net profit registered a moderate growth mainly due to lower provisioning for tax. The cost to income ratio deteriorated from 68.9 per cent 2007-08 to 74.1 per cent in 2008-09.

In contrast to the trend during the last few years, Gross NPA ratio increased to 2.7 per cent during 2008-09 from 2.1 per cent in 2007-08. Net NPA remained negative with provisions exceeding NPA at end-March 2009.

Asset quality of various types of NBFCs as reflected in various categories of NPAs (substandard, doubtful and loss) shows that there was sharp improvement in the asset quality of equipment leasing companies and deterioration in the asset quality of hire purchase companies during 2008-09 over previous year.

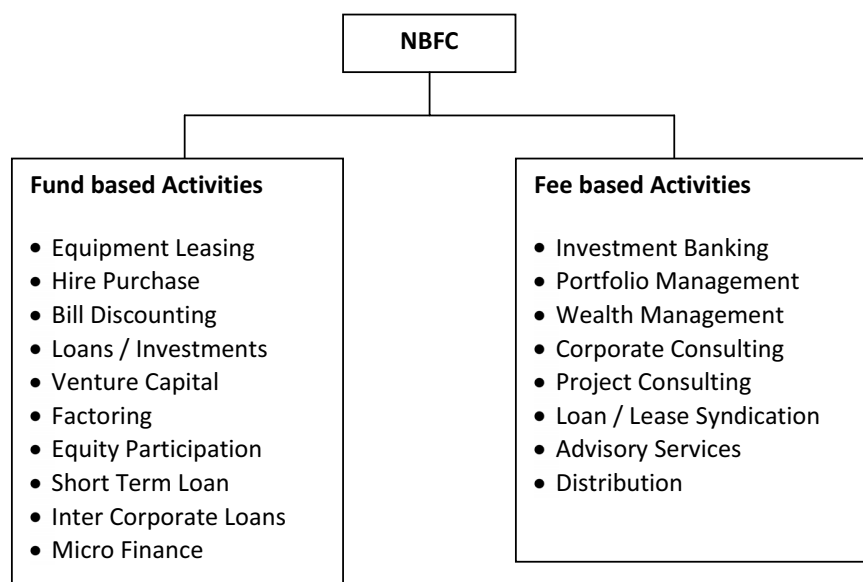
(Per cent)		
End-March	Gross NPAs to Gross Advances	Net NPAs to Net Advances
1	2	3
2001	11.5	5.6
2002	10.6	3.9
2003	8.8	2.7
2004	8.2	2.4
2005	5.7	2.5
2006	3.6	0.5
2007	2.2	0.2
2008	2.1	0*
2009 P	2.7	0*

P : Provisional.
 * : Provision exceeds NPA
Source: Half-Yearly Returns.

(Source: Report on Trend and Progress of Banking in India 2008-09, RBI)

The NBFCs-ND have inter-linkages with financial markets, banks and other financial institutions. They have witnessed substantial growth in number, product variety and size in recent years. In order to address the systemic concerns arising from minimal regulation in the case of non-deposit taking NBFCs, NBFCs-ND with asset size of Rs.100 Crores and above have been classified as systemically important NBFCs (NBFCs-ND-SI) and these are now being subject to limited regulations. A system of monthly reporting on important parameters such as capital market exposure has been introduced. A system of ALM reporting and additional disclosures in the balance sheet was also introduced. (Source: Reserve Bank of India; text available at – <http://www.rbi.org.in/scripts/PublicationsView.aspx?Id=10934>) With a view to further strengthening their resilience, CRAR has been enhanced to 12 per cent (from the current 10 per cent) to be reached by March 31, 2010 and further to 15 per cent by March 31, 2011. (Source: RBI Master Circular on NBFCs-ND dated July 1, 2009 bearing No. DNBS(PD)CC No.145/03.02.001/2009-10)

The activities carried out by NBFCs in India can be grouped as under –



Even though NBFCs are performing functions akin to that of banks, there are, however, a few differences:-

- (i) NBFCs cannot accept demand deposits;
- (ii) NBFCs are not a part of the payment and settlement system and as such cannot allow its customers to operate their accounts through issue of cheques; and
- (iii) Deposit insurance facility of Deposit Insurance and Credit Guarantee Corporation (“DICGC”) is not available for NBFC depositors unlike in case of banks.

Initially, the NBFCs registered with RBI could operate as –

- (i) Equipment leasing company;
- (ii) Hire-purchase company;
- (iii) Loan company; and
- (iv) Investment company.

However, with effect from December 6, 2006, the NBFCs registered with RBI have been re-classified as:-

- (i) Asset Finance Company (AFC);
- (ii) Investment Company (IC); and
- (iii) Loan Company (LC)

In its Second Quarter Review of Monetary Policy for the Year 2009-10, RBI has been decided to introduce a fourth category of NBFCs as ‘infrastructure NBFCs’, defined as entities which hold minimum of 75 per cent of their total assets for financing infrastructure projects. Since financing by such NBFCs would essentially result in the creation of physical infrastructure, RBI proposed to link the risk weights of banks’ exposure to such NBFCs to the credit rating assigned to the NBFC by external credit assessment institutions.

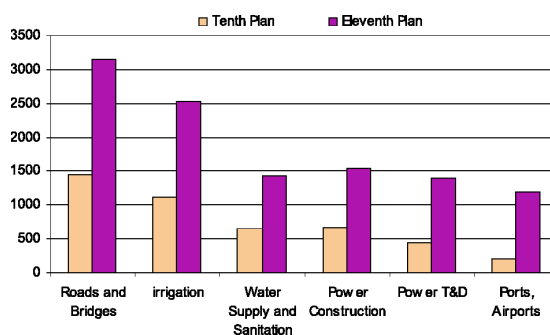
(Source: <http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/MMDSQ261009.pdf>)

Overview of the company specific NBFC activities in India

Infrastructure

Infrastructure is expected to be a key area of growth in a developing country like India. The Government has been actively promoting the country’s infrastructure through a sustained focus on areas like power, roads, ports and urban transportation. Private sector participation through public private partnerships as well as privately funded projects is being encouraged in order to enable quick scale up of government’s efforts and better management. As per Planning Commission’s estimates the investments in infrastructure during the Tenth Plan aggregated to Rs. 4,52,900 Crores which is expected to increase to Rs. 11,25,000 Crores in the Eleventh Plan. The chart below describes the anticipated and estimated investments under the two plans respectively.

Investment in Infrastructure during Tenth and Eleventh Plans



Source: Planning Commission, all figures in Rs. Hundred Crores

Power sector reforms like unbundling of the state electricity boards have paved the way for commercially viable projects in the generation, transmission as well as distribution space. The proposed ultra mega power projects, four of which have already been awarded are targeted towards easing the power shortage situation in the country and require huge investments over the next 10-15 years. Introduction of tariff based bidding will provide for better efficiencies in setting up as well as maintenance of power projects while provide better returns to investors. Measures like awarding coal mines on priority to power projects, efforts to tap the hydro electric potential of the country and opening up nuclear power generation to private sector will lead to heavy investment in the power generation sector. Efforts are on to set up an integrated national power grid and to enable power trading through setting up of power exchanges.

The Government of India has embarked upon massive road construction projects, under the National Highway Development Program. The Golden Quadrilateral Project as well as the North South Corridor will require a lot on investment in real estate, warehouses and container terminals besides the basic investment on the roads and bridges. Investments will also be required in urban transportation projects like the Hyderabad Metro, the Mumbai trans-harbour link project and monorail projects in several cities. The Government's decision to open the construction of roads, bridges, airports and ports to the private sector and allowing 100% foreign investment in certain real estate projects along with Government's continuous thrust towards infrastructure and additional spending through its stimulus package will provide a boost to the construction industry as well as generate demand for construction machinery.

The Union Budget for 2009-10 has also increased the outlay for infrastructure projects. Allocation to National Highways Authority of India (NHAI) for the National Highway Development Programme (NHDP) increased by 23 per cent over B.E. 2008-09 in B.E. 2009-10 and allocation for Railways increased from Rs.10,800 Crores in Interim B.E. 2009-10 to Rs.15,800 Crores in B.E. 2009-10. *(Source: Budget Highlights 2009-2010; Ministry of Finance, Government of India; text available at – <http://indiabudget.nic.in/ub2009-10/bh/bh1.pdf>)*

Addressing the growing infrastructure gap would be critical for both sustaining higher growth as well as improving the quality of life. The Eleventh Five Year Plan has estimated an investment requirement of US\$ 502.88 billion (Rs.20, 11,521 crore) in infrastructure; financing this level of investment, however, remains a challenge ahead. Several new initiatives have been initiated in the recent years focusing particularly on the rural infrastructure development. To stimulate public investment in infrastructure, a special purpose vehicle - India Infrastructure Finance Company Limited (IIFCL) was set up for providing long-term financial assistance to infrastructure projects. The Union Budget for 2009-10 announced that IIFCL would, in consultation with banks, evolve a 'take out financing' scheme (which would address asset liability mismatch of commercial banks arising out of infrastructure financing) to facilitate incremental lending to the infrastructure sector. In recent years, some progress is discernible in attracting private investment in infrastructure sectors such as telecommunications, power generation, airports, ports, roads and the railways through public private partnerships (PPPs). (RBI Annual Report, 2008-09)

Rural Economy

The Rural Economy in India is wholly agriculture based and it is of tremendous importance because it has vital supply and demand links with the other Indian industries. Agriculture is the main stay of the Indian economy, as it constitutes the backbone of rural India which inhabits more than 70% of total Indian population. Rural Economy in India has been playing an important role towards the overall economic growth and social growth of India. Agriculture (including allied activities) accounted for 17.8 per cent of the GDP in 2007-08 as compared to 21.7 per cent in 2003-04. Notwithstanding the fact that the share of this sector in GDP has been declining over the years, its role remains critical as it accounts for about 52 per cent of the employment in the country. Apart from being the provider of food and fodder, its importance also stems from the raw materials that it provides to industry. The prosperity of the rural economy is also closely linked to agriculture and allied activities. Agricultural sector contributed 12.2 per cent of national exports in 2007-08. The rural sector (including agriculture) is being increasingly seen as a potential source of domestic demand; a recognition, that is shaping the marketing strategies of entrepreneurs wishing to widen the demand for goods and services. *(Source: Economic Survey 2007-2008; Ministry of Finance, Government of India; text available at – <http://indiabudget.nic.in/es2008-09/chapt2009/chap71.pdf>)*

Commercial Vehicle Finance

The growth potential in the Commercial Vehicles (CV) segment is substantial as in India the penetration ratio for CVs is low. Several factors have arisen now to further contribute to growing demand for CVs. These include:

- Massive network of roads being constructed across the country thereby facilitating better connectivity between important destinations.
- Construction of 4 lane/6 lane highways and expressways, bypass roads which has reduced congestion and improved turn around time of CVs.
- Increasing GDP growth rates that necessitate transportation requirements for industries.
- Government regulations prohibiting use of CVs that are more than 8 years old.
- Several International manufacturers setting up production units in India such as Volvo, Mercedes Benz, Tata, etc.
- Shift in the market towards usage of high tonnage vehicles capable of carrying long cargo volumes speedily.
- Majority of the CVs sold are with financial assistance from either Banks or NBFC's.
- Small Road Transport Operators have been included in the Priority Sector list by RBI.

The commercial vehicle industry has seen a major fall in sales in 2008-09 after a continuous upward trend from 2002-03 to 2007-08 as can be seen from Table 2 below. Sales of Commercial Vehicles declined by -21.69 percent during 2008-09 over the same period last year. Medium & Heavy Commercial Vehicles declined by -33.16 percent and Light Commercial Vehicles recorded de-growth at -7.10 percent. (Source: Society of Indian Automobile Manufacturers)

Table 2: Sales of Commercial Vehicles (number of vehicles)

Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	CAGR
Commercial Vehicles	190,682	260,114	318,430	351,041	467,765	490,494	384,122	12.4%

Source: Society of Indian Automobile Manufacturers website

However, all Segments of Auto Industry registered positive growth in production in April-December 2009. Commercial Vehicles segment registered positive growth at 22.32 percent during April-December 2009 as compared to the same period last year. While Medium & Heavy Commercial Vehicles (M&HCVs) grew at 9.73 percent, Light Commercial Vehicles grew at 34.65 percent. In Medium & Heavy Commercial Vehicles segment, passenger & goods carrier also grew at 11.66 and 9.30 percent respectively. (Source: Society of Indian Automobile Manufacturers, <http://www.siamindia.com/media/release/ViewMedia.aspx?id=260>)

Companies providing Commercial Vehicle finance slowed down disbursements in the 2008-09 on back of rising delinquencies, rising interest rates and a slowing economy, which in turn had affected the road transporters. Disbursements are likely to recover as the liquidity in the financial system is boosted due to Government measures and revival of business and consumer confidence.

Farm Equipment Financing

The agricultural economy has seen a major boost between 2005-06 to 2007-08 in light of higher yields and higher commodity prices. However, in 2008-09, the growth originating from agriculture and allied activities declined to 1.6 per cent. The fall in agricultural growth and tightening of credit norms has affected the tractor sales growth. Tractor sales declined marginally from 3.46 lakh in 2007-08 to an estimated 3.43 lakh in 2008-09.

Table 12.1: Year-wise sale of tractors and power tillers

Year	Sale of Tractors (Nos.)	Sale of Power Tillers (Nos.)
2003-04	1,90,336	15,665
2004-05	2,47,531	17,481
2005-06	2,96,080	22,303
2006-07	3,52,781	24,791
2007-08	3,46,501	26,135
2008-09 (April 2008-31 March 2009)	3,42,836	35,296

(Source: Department of Agriculture and Co-operation, Ministry of Agriculture, Annual Report 2008-09)

The domestic industry volume sales are expected to grow at a Compounded Annual Growth Rate (CAGR) of 3-5 per cent by 2013-14. In value terms, the industry is expected to reach a size of Rs 215 billion by 2013-14 growing at a CAGR of 6-8 per cent.

Tractor financing plays an important role in the prospects of the tractor industry as out of the total tractors sold in India, 80-90 per cent of the tractors are purchased on finance. In 2008-09, new tractor industry sales volumes are estimated at Rs. 112 billion. Thus, an estimated Rs. 76 billion of tractor financing was undertaken.

Distribution of Financial Products

There is a potential market for financial products like mutual funds and insurance in India given their low penetration rates. According to the 2008-09 Economic Survey, the life insurance penetration in India increased from 1.77 percent in 2000 to 4 percent in 2007. Similarly the general insurance penetration rose from 0.55 percent in 2000 to 0.6 percent in 2007. With the liberalisation of the insurance sector, various Indian private and foreign companies (such as New York Life, Aviva, Allianz, Standard Life, Lombard General, etc.) have targeted the hitherto untapped market. The presence of these new market participants has heightened the competition, resulting in a paradigm shift in approach and led to the launch of innovative products, services and value-added benefits. There are currently 23 life insurers and 21 non-life insurers operating in India.

As per AMFI, at the end of September 2004, there were 31 mutual fund providers managing assets of Rs. 1,496 billion. As of December 2009, there were 37 individual registered mutual fund providers, with a total AUM, of Rs. 7,945 billion. Currently the mutual fund penetration in India is very low as compared to the total household savings, and the industry is banking on tapping investors in tier II and tier III cities for growth. The recent rebound in the stock market has started attracting new players to the industry.

Given the slew of new players in the mutual fund and insurance, their lack of distribution networks and the need to tap the markets beyond tier-1 cities, it provides an opportunity for third party distributors for such products.

Micro Finance

Micro finance is the provision of thrift, credit and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and improve their living standards. It has been recognised that micro finance helps the poor people meet their needs for small credit and other financial services. The informal and flexible services offered to low-income borrowers for meeting their modest consumption and livelihood needs have not only made micro finance movement grow at a rapid pace across the world, but in turn has also impacted the lives of millions of poor positively.

In the case of India, the banking sector witnessed large scale branch expansion after the nationalisation of banks in 1969, which facilitated a shift in focus of banking from class banking to mass banking. It was, however, realised that, notwithstanding the wide spread of formal financial institutions, these institutions were not able to cater completely to the small and frequent credit needs of most of the poor. This led to a search for alternative policies and reforms for reaching out to the poor to satisfy their credit needs. The micro finance movement started in India with the introduction of self help group (SHG)-bank linkage programme (SBLP) in the early 1990s. At present, there are two models of micro finance delivery in India: the SBLP model and the MFI (Micro

Finance Institution) model. The SBLP model has emerged as the dominant model in terms of number of borrowers and loans outstanding. In terms of coverage, this model is considered to be the largest micro finance programme in the world.

The SBLP has made considerable progress since its inception in the early 1990s, both in terms of the number of SHGs credit linked with banks as also the bank loans disbursed by SHGs. The cumulative number of SHGs credit linked with banks increased sharply from 33,000 in 1992-99 to 264,000 in 2000-01 and further to 2,239,000 in 2005-06. During the above period, the cumulative bank loans disbursed to SHGs also witnessed a sharp increase from Rs. 57 Crores in 1992-99 to Rs.481 Crores in 2000-01 and further to Rs.11,398 Crores in 2005-06.

MFIs in India exist in a variety of forms like trusts, societies, co-operatives and NBFC-MFIs or NBFCs registered with the Reserve Bank. These MFIs are scattered across the country and due to the multiplicity of registering authorities, there is no reliable estimate of the number of MFIs. The most frequently used estimate is that their number is likely to be around 800. Attempts have been made by some of the associations of MFIs like Sa-Dhan to capture the business volume of the MFI sector. As per the Bharat Micro Finance Report of Sa-Dhan, in March 2008, the 223 member MFIs of Sa-Dhan had an outreach of 14.1 million clients with an outstanding micro finance portfolio of Rs.5,954 Crores. (Source: Reserve Bank of India; text available at - <http://www.rbi.org.in/scripts/PublicationsView.aspx?id=10933> and <http://www.rbi.org.in/scripts/PublicationsView.aspx?Id=10932>)

As on 31 March 2009, total 61,21,147 SHGs were having saving bank accounts with the banking sector with outstanding savings of Rs. 5,545.62 crore as against 50,09,794 SHGs having savings of Rs. 3785.39 crore as on 31 March 2008, thereby having growth rate of 22.2% and 46.5% respectively. Thus, more than 8.6 crore poor households were associated with banking agencies under SHG-Bank Linkage Programme. As on 31 March 2009, the Commercial Banks had the maximum share of SHGs' savings of 35,49,509 SHGs (58%) with savings amount of Rs. 2772.99 crore (50%) followed by Regional Rural Banks having savings bank accounts of 16,28,588 SHGs (26.6%) with savings amount of Rs. 1989.75 crore (35.9%) and Cooperative Banks having savings bank accounts of 9,43,050 SHGs (15.4%) with savings amount of Rs. 782.88 crore (14.1%). As on 31 March 2009, totally 292 banks had reported data on NPAs. Based on the data, NPAs to total bank loans outstanding against SHGs were 2.9%, which amounted to Rs.625.86 crore. Whereas, during 2007-08, it was Rs 422.93 crore, which was also 2.9% of total bank loans outstanding against SHGs.

Micro Finance Institutions (MFIs) are playing an important role of financial intermediaries in microfinance sector. The MFIs operate under various legal forms, viz.

- i. NGO MFIs – Registered under Societies Registration Act, 1860 and / or Indian Trust Act, 1880
- ii. Cooperative MFIs – Registered under State Cooperative Societies Act or Mutually Aided Cooperative Societies Act (MACS) or Multi- State Coop. Societies Act, 2002
- iii. NBFC MFIs under Section 25 of Companies Act, 1956 (Not for profit)
- iv. NBFC MFIs incorporated under Companies Act, 1956 & registered with RBI

Following the RBI guidelines issued vide its circular dated 18 February 2000, to all scheduled commercial banks including RRBs, MFIs are availing bulk loans from banks for on-lending to SHGs and other small borrowers. On the basis of returns received from banks for the year 2008-09, 10 Public Sector Commercial Banks, 10 private sector Commercial Banks, 4 foreign Commercial Banks, 9 Regional Rural Banks (RRBs) had reportedly financed to MFIs for on-lending for microfinance activities.

During the year 2008-09, the banks financed 581 MFIs with bank loans of Rs. 3,732.33 crore as against 518 MFIs with bank loans of Rs. 1,970.15 crore during 2007-08, thus achieving a growth rate of 12.2% (No. of MFIs) and 89.4% (Bank Loans disbursed to MFIs). As on 31 March 2009, the outstanding bank loans to 1915 MFIs was Rs. 5009.09 crore as against Rs. 2748.84 crore to 1109 MFIs as on 31 March 2008.

(Source: Status of Micro Finance in India, 2008-09, National Bank for Agriculture and Rural Development, India)

Debt Market in India

(Source: Economic Survey 2008-2009; Ministry of Finance, Government of India; text available at – <http://indiabudget.nic.in/es2008-09/chapt2009/chap57.pdf>)

The Indian debt market has two segments, viz. Government securities market and corporate debt market.

Government securities market

The fresh issuance of Government of India (GOI) dated securities in 2008 amounted to Rs.1,76,000 Crores as against Rs. 1,62,000 Crores in 2007. The outstanding dated securities of the GOI increased from Rs.13,17,133 Crores at end-December 2007 to Rs. 14,16,443 Crores at end-December 2008. Yields on securities showed large intra-year variations in 2008 as compared with the previous year. The range of yield-to-maturity (YTM) on one year bond (fresh issuance) widened from 6.27-7.90 per cent in 2007 to 5.02-9.40 per cent in 2008. The range of YTM on 10-year bonds also widened to 5.61- 9.54 per cent in 2008 from 7.49-8.35 per cent in 2007.

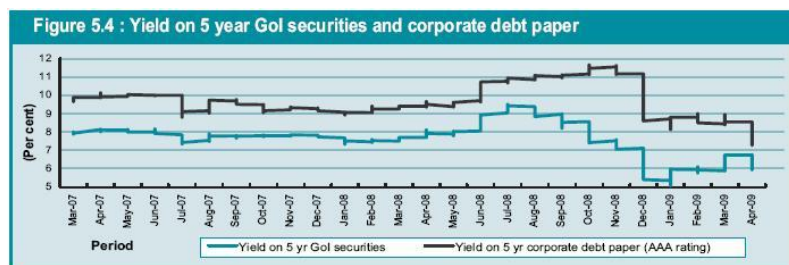
A liquid and well developed secondary market for Government securities is crucial for effective management of Government debt. The volume of secondary market transactions (outright) in Government securities has improved, with the turnover ratio (volume of transactions as a ratio of end-period stock) increasing to 1.4 in the calendar year 2008, compared to 0.8 in 2007.

In the secondary market, the yield on dated Government securities tracked the policy rate hikes during the first half of 2008 and the 10-year and 30-year yields touched their highest levels by the end of July 2008. In the second half, following the policy measures announced by the Reserve Bank, the liquidity in the system increased; the secondary market yields mirrored the impact of the emerging liquidity conditions. However, during January-March 2009, the secondary market yields edged up, attributable to higher level of borrowing of the GOI.

Corporate debt market

In pursuance of the guidelines of the High Level Expert Committee on Corporate Bonds and Securitisation (December 2005) and the subsequent announcement made in the Union Budget 2006-07, SEBI authorised BSE (January 2007), NSE (March 2007) and Fixed Income Money Market and Derivatives Association of India (FIMMDA) (August 2007) to set up and maintain corporate bond reporting platforms for capturing all information related to trading in corporate bonds as accurately as possible. In the second phase of development, BSE and NSE put in place corporate bonds trading platforms in July 2007 to enable efficient price discovery in the market. Reflecting these developments, trading in corporate bonds increased significantly in terms of number of trades and amount in 2008-09; the increase in terms of amount was from Rs. 96,119 Crores in 2007-08 to Rs. 1,48,747 Crores in 2008-09.

The yield on corporate debt paper (with AAA rating) for five-year maturity ranged between 8.13 per cent and 11.64 per cent during 2008-09. The spread between yield on five-year GOI bonds and Indian corporate debt paper (AAA rating) with five year maturity, which had moved in a range of 133-223 basis points between April-August 2008, widened thereafter to reach as high as 416 basis points in November 2008, which reflected tight liquidity conditions in the market. However, it narrowed down from December 2008 and was around 200 basis points by the end of March 2009.



The development of corporate bond and securitisation markets in India has been an important area, which has received policy attention in the recent past. A reasonably well developed bond market is required to supplement

the banking system in meeting the requirements of the corporate sector for long-term capital investment besides raising resources for infrastructure development in the country. (Source: *Economic Survey 2008-2009; Ministry of Finance, Government of India; text available at – <http://indiabudget.nic.in/es2008-09/chapt2009/chap59.pdf>*)

As on December 31, 2009, the yield spread between 5 year GOI bonds and corporate debt paper (AAA rating) has further narrowed to 95 bps. (Source: <http://www.fimmda.org/corpspreads.asp>)

Policy and Regulatory Changes

During 2007, several policy initiatives relating to the capital market were taken. The salient developments in the primary and secondary markets are delineated below.

Primary Market Regulations

Under the overall guidance of SEBI, BSE and NSE jointly launched a common electronic platform at www.corpfiling.co.in (also referred as Corporate Filing and Dissemination System (CFDS)) on April 1, 2007. This portal acts as:

- (i) A common place for filing of information on listed companies; and
- (ii) A common place for viewing information about listed companies.

A sub-committee appointed by the SEBI Committee on Disclosures and Accounting (SCODA) has been given the task of integrating initial and continuous disclosures of listed companies. The main objective of this exercise is to reduce duplication of disclosures by issuers/intermediaries/investors and improving access to the information placed on the public domain.

A group called GRIP (Group on Review of Issue Process) appointed by the Primary Market Advisory Committee has been given the task of reviewing the entire issue process with the objective of making the process :

- (i) More efficient in terms of time and cost and align it with international standards;
- (ii) Widely accessible to all;
- (iii) Leverage the existing infrastructure and databases of Indian securities market; and
- (iv) Bring more efficiency in discovering price of public issues.

With the objective of developing the corporate bond market, SEBI has proposed the simplification of the primary debt market issuance process. Some of the major features of the proposed regulations include rationalization of disclosure requirements, enhanced responsibilities to merchant bankers for exercising due diligence and issuance of certificates in regard to new issuances, and mandatory listing of private placement of debt.

Secondary Market Regulations

To implement the Budget announcement on creation of a unified platform for trading of corporate bonds, SEBI stipulated that an authorized reporting platform be established to capture all information related to trading in corporate bonds as accurately and as close to execution as possible. Permission was accorded for setting up trading platforms at BSE and NSE for corporate bonds.

It was made mandatory for companies issuing debentures to disseminate all the required information in the event of:

- (i) default by issuer companies to pay interest on debentures or redemption amount;
- (ii) failure to create a charge on the assets; and
- (iii) revision of rating assigned to the debentures.

BUSINESS

In this section “our Company”, “we”, “us” and “our” refer to LTF.

Overview

Our Company, promoted by L&T, was incorporated in November 1994 as a public limited company under the Act to provide a range of financial products / services. Our Company began by financing small and medium enterprises and took advantage of the opportunities provided by its relationship with L&T - through L&T's subsidiaries and associates and through its large network of dealers, vendors, suppliers, clients, etc. We have since evolved into a multi product asset backed finance company with a diversified corporate and retail portfolio.

We are a wholly owned subsidiary of L&T CHL which is in turn a 99.99% subsidiary company of L&T.

Our Company is headquartered in Mumbai and has a presence in major cities in India. As on September 30, 2009, we had 77 Branches and 355 points of presence. The network has been built to cater to the growing business needs and to provide satisfactory customer services.

Being a subsidiary of L&T, we have leveraged the knowledge, experience and businesses of L&T, while continuing to grow and expand independently. As on September 30, 2009, we had an asset base of Rs. 601,671 lakhs. We have relationships with over 500 corporates, 8,000 contractors, 1,500 vendors, 900 dealers, 10,000 transporters, 40,000 farmers and over 5,00,000 micro finance clients. Our revenues for the six-month period ending September 30, 2009 stood at Rs.42,181 lakhs. We have consistently made profits and have generated return on assets of over 1.85% in the past 5 years.

(Rs. in lakhs)

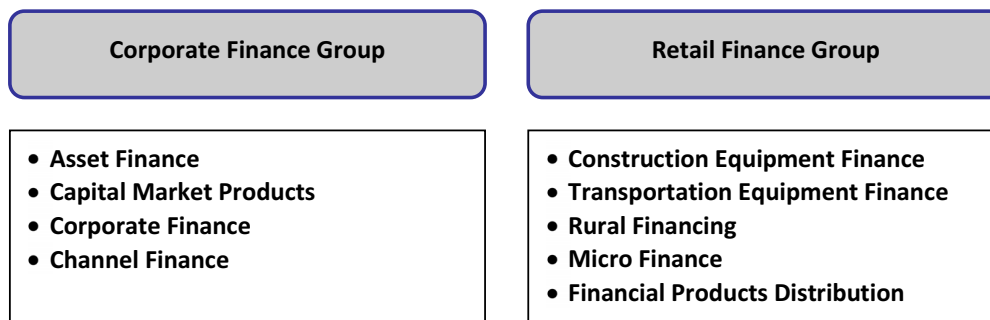
	2004-05	2005-06	2006-07	2007-08	2008-09	*2009-10
Assets	92,327.29	144,044.29	309,673.53	514,404.83	553,854.90	627,401.00
Revenue	11,004.79	14,905.60	27,537.59	60,606.19	83,027.67	42,180.95
Profit Before Tax	2,611.19	4,284.78	7,722.06	16,135.20	14,536.10	8,681.47
Return on Assets (Annualised %)	3.28	2.83	2.76	2.79	1.85	2.03

*Half year ended September 30, 2009

Our core business is that of asset backed financing, covering a wide range of commercial and farm assets. As at September 30, 2009, asset backed loans constituted 87.50% of our total loan assets. We also provide loans for meeting the working capital needs of small and medium enterprise (primarily to vendors and dealers of large corporate) and loans against capital market assets for corporates. Through our foray into the Micro Finance business, we are further strengthening our commitment towards financial inclusion in the rural economy.

Our client base for asset backed loans includes large corporates, banks, multinational companies, small and medium enterprises, contractors, commercial vehicle operators and farmers.

A pictorial overview of our diversified business is given below:



Corporate finance group accounts for 38% of total assets as on September 30, 2009 and Retail finance group accounted for the balance 62%.

Strengths

We believe that the following are our key strengths:-

- **Diversified and balanced mix of businesses and customers**

We provide services to clients in most of the growing sectors of the economy such as construction & ancillaries, rural finance and infrastructure, which are the focus areas for the Government of India. We offer a broad spectrum of financial products and services and cater to the needs of diverse customers which extends from construction contractors, truck owners, farmers, shopkeepers, etc. in the small segment, to medium sized vendors, dealers and contractors and also to large corporates including MNCs. Over the last 15 years, we have developed long term relationships with a varied and diverse customer base. We have, through our quality of services and products, been able to build and maintain a loyal customer base. We believe that our presence in diversified businesses across asset classes and client segments reduces the risk of product and client concentration. Our diverse product range also allows us to offer innovative financial solutions.

- **Portfolio quality**

We believe that one of our major strengths is our ability to maintain the quality of our asset portfolio. We derive significant benefits from the knowledge, experience and businesses of our promoter and group companies to understand our corporate and small business clients and provide them with financial services and products that meet their requirements. Over a period of time, we have developed a mechanism for credit checking and valuation of assets that enables us to check the quality of our asset portfolio. This is reflected in a relatively lower level of delinquencies represented by the Gross NPA levels.

- **Respected brand arising out of our parentage**

L&T is one of the leading companies in infrastructure space and has received numerous awards and recognition from both domestic and international bodies over the years for its excellence and leadership. In 2009, L&T was ranked within the top 50 in a survey of the World's Most Reputable Companies. (Source: *Forbes* website: <http://www.forbes.com/2009/05/06/world-reputable-companies-leadership-reputation-table.html>). Being a subsidiary of L&T has provided us with a platform to reach out to potential customers and lenders. The reputation of the L&T brand has facilitated our entry and consolidation in the construction equipment industry. Furthermore, the background of L&T in the infrastructure sector has also provided us knowledge of the dynamics of such industry. The ethos of L&T and the culture of conservatism drive our business practices. L&T's focus on corporate social responsibility as well as the prevalent opportunities have driven our foray into Rural Finance business.

While the reputation of the L&T brand is crucial in our ability to reach out to customers as well as to access financing for our business, our aspiration has been to carve out an independent identity in our focus sectors.

- **Experienced management team**

We have an experienced senior management team which is supported by a capable and talented team. Our management team will continue to be the principal driver of growth and success in all of our existing and proposed businesses. Its knowledge and experience are supported by inputs and coordination from other group companies and we believe that this combined effort provides us with a competitive strength required for success.

- **Controls, processes and risk management systems**

We believe that we have an adequate credit framework and suitable policies and risk management systems to evaluate and monitor risks both at the time of origination and periodically thereafter. Our Board of Directors has appointed various committees, including the Asset-Liability Management Committee and the Risk Management Committee, to monitor and manage risks at the standalone business level and at the company level. A separate Analytics Department has been constituted with their scope being to analyse

business data within the company and provide business intelligence by observing trends, deviations, shortcomings, and high performing areas with reference to various performance parameters like productivity, profitability, potential risk areas, delinquencies, etc.

All new lines of business and product launches follow a rigorous internal approval process that requires assessing risk, client suitability, and understanding regulatory and internal policy compliance prior to launch. We believe that we have effective procedures for evaluating and managing the market, credit and other relevant risks as well as for maintaining our reputation in the market.

- **Commitment from L&T**

L&T has, directly or indirectly through L&T CHL, infused a total capital of Rs. 63,669 lakhs into our Company to date, including share premium of Rs. 42,451.92 lakhs. The financial services business is important for L&T in furthering its outreach, providing stable sources of income and participating in the growing opportunities in the financial sector.

- **Adequately capitalised**

We are subject to the capital adequacy requirements prescribed by the RBI. We are currently required to maintain a minimum capital ratio of 10% as prescribed under the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended from time to time) based on total capital to risk weighted assets. As per the RBI circular for NBFC-ND-SI, this limit would have to be increased to 12% by March 31, 2010. As a part of our governance policy, we ordinarily maintain capital adequacy higher than the statutorily prescribed CAR. Our CAR as on March 31, 2009 (audited) and as on September 30, 2009 (audited) were 16.41% and 15.60% respectively.

Year	FY05	FY06	FY07	FY08	FY09	*FY10
Capital Adequacy Ratio	12.99%	15.48%	12.54%	15.81%	16.41%	15.60%

*As of September 30, 2009

- **High credit ratings**

The NCDs have been rated 'CARE AA+' by CARE and 'LAA+' by ICRA. Instruments with these ratings carry low credit risk. These ratings allow us to access funds at competitive rates from a wide variety of market participants. Our ratings have been consistent over the last 15 years, marked by upgrades by CARE.

Strategies

- **Expand existing lines of business**

We currently have in place a broad spectrum of financial products and services. We intend to further grow both by increasing the breadth and depth of services in our existing lines of business, as well as by developing new products and services. In the last few years, we have developed a wide network of branches pan-India. Our human resources levels have been scaled up and necessary training has been imparted to support our future growth plans. We believe that our current business segments, i.e. Construction Equipments, Commercial Vehicles, Farm Equipment and Micro Finance, have potential and scope for wider penetration into the Indian market.

- **Increase presence in infrastructure and rural finance**

Our aim is to be a comprehensive financial solutions provider in the infrastructure segment. We believe the infrastructure sector provides continued potential for growth, with increased Government spending and focus in that area. We shall aim to cater our products for sectors such as energy, transport, urban infrastructure, oil exploration, mining, irrigation, etc.

We will continue with our expansion into rural finance. We believe there is potential for growth in this segment. We are looking at growing and at increasing our presence in this sector, while maintaining our commitment to corporate social responsibility and our aim of achieving financial inclusion in rural India

in a commercially viable manner. Within Rural Finance, for our Micro Finance product, we follow the model of direct lending through joint liability groups. As of September 30, 2009, we had about 5 lakhs customers. Other of our products include financing of farming equipment and of agricultural implements, such as harvesters to farmers, as well as providing finance for the purchase of rural transport vehicles, namely three wheelers and utility vehicles.

- **Explore new business opportunities**

In addition to our existing products and services, we intend to continue diversifying our business areas by identifying new business opportunities with potential for long term growth whilst meeting profitability targets. We offer new products and services to address the needs of existing and potential customers across a wider spectrum of financial services. It is our belief that this will enable us to maintain growth and profitability in a more stable manner, as we will be further limiting our exposure to market fluctuations or dependence on any particular line of business. We also plan to increase our asset portfolio in our various business lines including the corporate finance, infrastructure finance, commercial vehicle finance and rural finance segments by strengthening and expanding our relationship with our current corporate and retail clients as well as leveraging the significant network of vendors, dealers and customers of various companies in L&T group for new clients and business opportunities. However, we believe that asset backed financial solutions will continue as our major source of business.

- **Pursue strategic alliances**

We have already commenced our distribution business in the areas of life and non-life insurance products. In addition to the insurance distribution business, we are also in the business of distributing mutual fund products and plan to pursue this business further as a focus area for growth and profitability, keeping in the mind the large scope in this segment. For both the insurance and the mutual fund distribution businesses, we intend to pursue alliances and agreements with established market players as necessary to build up our strength and presence in this business group.

- **Attract and retain talented professionals**

Our business is largely dependent on human resources. We believe that the team-based approach that exists within our organization, together with the reputation and goodwill of the L&T group, will enable us to attract and retain key people. We have attracted key professionals and intend to continue to seek out talent to further enhance and grow our business.

- **Expand our client base and geographical presence**

Keeping in mind the nature of our business, where assets are geographically spread across India, we are aiming to reach the hinterlands of India and create newer markets, where there exists a significant opportunity to increase revenue and good quality customer base. The small towns where access to organized financial channels is limited shall be exploited by us to grow our business further.

We intend to further expand the scale of our operations, explore new distribution channels and increase our reach and customer base across all business groups. Though our main aim is to have an established presence across the country, our present and immediate focus is on expanding the scale and reach of our operations to rural and semi-urban areas, which we believe would not only provide benefits in terms of adding clients and increasing revenues, but would also prevent the concentration of risk into few geographical areas.

Our Services

We currently have two business groups:-

- Corporate Finance Group
- Retail Finance Group.

A brief outline of the above is provided hereunder:

Corporate Finance Group

This group provides a wide range of financial products / services to corporates. This includes providing asset backed finance for acquisition of a range of equipment and short-term working capital finance, as well as providing non-fund based arrangements for the establishment of letters of credits, guarantees, etc.

Financing may be provided through diverse products, including term loans, operating leases, finance leases, the purchase of receivables, channel financing, and tie-ups for providing financing to employees of corporates. Some of the major businesses that we undertake in this category are as follows:-

Leases

a) Operating Leases

We offer cars, technology equipment and plant & machinery on operating lease. We have also entered into arrangements with the major automobile manufacturers to ensure that our lease product is structured appropriately.

The target customers for the product are large companies.

b) Finance Leases

Finance leases as a product are less attractive in the current environment as a result of higher costs arising out of certain tax issues. However, depending on the customer's requirements, we offer this product for the purposes of financing cars, computers and plant & machinery. Our major customers include several large companies.

Channel Finance

a) Vendor Finance

This product primarily caters to the requirements of vendors / suppliers of large corporates. Currently, a substantial part of the customer base for this product is comprised of the vendors of L&T group. Under this product, we provide short-term working capital finance facilities to the vendors of L&T and its subsidiaries and associates. This is mainly in the form of discounting of invoices raised by vendors / suppliers on L&T's various operating divisions / subsidiaries/ associates. Recently, our product coverage has been expanded to include vendors of other large corporates.

The tenor of such financing extends from 1 month to 6 months.

b) Dealer Finance

This division focuses on dealers of various operating divisions of L&T and its subsidiaries and associate companies. It offers short term financing with automatic revolving credit to dealers who contribute substantially towards the sale of L&T's finished products.

We are preferred by the dealers due to various factors, including our levels of transparency, our fast turnaround times in sanctioning limits and disbursements and our unique position to coordinate with L&T.

It is our plan to extend this facility to channel partners of other companies as well.

Receivable Discounting

This refers to the discounting of receivables from large corporates. It is an asset-backed facility, where the periodic rentals from an operating lease are assigned to us.

We have a tie-up with large IT equipment & service providers involved in leasing IT equipment, furniture & fixtures to large corporates.

We have the option of choosing the agreements to be financed through this product. Typically, in such cases, the lessor assigns the rentals arising from the operating lease in our favour and a suitable confirmation from the lessee is also obtained. Additionally, a charge on the asset is also created in our favour.

Asset Backed Term Loans

We provide term loans for financing of plant & machinery, IT equipment, furniture & fixtures. A charge on the relevant asset is created in our favour as security for repayment of the loan.

Target customers for this product include large corporates as well as the SMEs having specific linkages to a large corporate. Presently, large corporates constitute a majority of our outstanding book of asset backed term loans.

Our transparent functioning and quick processing, ensures that the customers preference for our Company is maintained.

Capital Market Products

We continue to retain our small but strategic portfolio of our loan against securities (“LAS”) business. Based on opportunities available, we selectively provide finance to high net worth individuals and promoters against a pledge of shares and other securities.

As of September 30, 2009, our LAS business had a book-size of Rs. 44,759 lakhs and the NPAs stand at 0%.

In the current year, based on market conditions, we intend to continue to selectively provide finance against shares and securities and additionally may also consider financing subscriptions to IPOs, which is a high-yielding product.

Retail Finance Group

The major businesses that we undertake in this category are as follows:

Construction Equipment Finance

We provide financing for a wide range of equipment including earthmoving equipment, heavy-duty cranes, road construction equipment and mining equipment. We have extensive knowledge and experience in this industry in particular. This knowledge of the industry provides us with a competitive edge both in terms of sourcing as well as assessment of business. Further, our understanding of the industry and of the clients enables us to provide our services in a manner that meets the requirements of the client and hence helps us retain our client base.

The construction equipment industry consists of a variety of products, such as, hydraulic excavators, wheel loaders, loader backhoes, vibratory compactors, cranes, stone crushing machine and others. These products are widely used in industries like power generation, national highway development, mining, transportation and earthworks for urban infrastructure.

Keeping in view the growth potential for infrastructure in India and the parentage of L&T, which has been in this sector for the past 50 years, construction equipment finance would continue to be one of the major thrust areas of our business.

We have already made our presence felt in the equipment finance sector over the last few years. Major foreign banks and private sector banks have entered this segment in the last few years. However, despite severe competition from banks and other major NBFCs in this segment, we have expanded our asset base through our experience and knowledge base developed during the last few years. Further, our Company plans to expand its geographic presence to some of the major markets where we have limited presence thus helping us grow our book size and expand market share.

Transportation Equipment Finance

In 1996, we made a foray into financing of commercial vehicles to the transporters used by the erstwhile L&T Cement. However, this segment was not our main focus since there were already established players in the market. However, since we had already built a network for its construction equipment and farm equipment segments and in order to leverage on their network and gain entry into another important sector of the economy, CV Finance was launched in FY 2004-05. The slowdown in the economy in the second half of FY 2008-09 had resulted in lower disbursements, but with the relative recovery in the economy this business is growing again.

The CV market in India comprises of four segments namely – small, light, medium and heavy. We are present in all these segments and are involved in financing commercial vehicles manufactured by all major players. We also undertake funding of the body of the CV on a selective basis. Major manufacturers with whom we have a tie-up include Tata Motors, Ashok Leyland, Volvo, Eicher Motors, Force Motors and M&M.

We are adding manpower and setting up infrastructure across the country, so that volumes are ramped up and the market is diversified. Our vision is to emerge as a leading player in this industry, while at the same time maintaining good portfolio quality.

Rural Finance

The Government of India has classified farm mechanization amongst its priorities. To exploit this opportunity, the rural finance group was launched with its focus on rediscovering the rural potential.

We started financing farm equipment in 2004 under the Kisan Gaurav® retail finance scheme. The scheme was well received in the market by dealers and retail customers on account of the competitive terms, the schemes being tailor-made, and the quick processing times.

We also have a Kisan Vanijya® scheme for commercial hiring of tractors.

With more feeder roads being developed in rural areas under Prime Minister's Gram Sadak Yojna, new business opportunities have opened up in this segment. We have identified this segment as a focus area and launched the Kisan Bandhu™ scheme in 2008, targeting customers who are rural entrepreneurs in need of finance for acquisition of small sized transport vehicles. These vehicles provide the last mile connectivity to the villages and are a backbone for rural transportation infrastructure.

We have made a foray into financing the dealers of Farm Equipment as well as the small sized transport vehicles in accordance with our strategy of increasing rural penetration. The financing is being done under a scheme named "TracFin"®.

This market has a high potential with a large customer base, since their access to other means of finance is limited and if available, is at onerous cost and terms. We plan to explore this market using our strengths of transparency in credit appraisal, pricing and documentation. This initiative will also contribute towards achieving the Government's objective of financial inclusion.

Distribution

We commenced our insurance distribution business for both life and non-life insurance products recently. In addition to the insurance distribution business, we are also in the business of distributing mutual fund products and plans to pursue this business further as a focus area for growth and profitability.

Distribution of third party products presents a significant business opportunity, and is a logical extension to our current product range as it facilitates leveraging the existing retail customer base and widens the range of service offerings to customers.

Micro Finance

This segment is integral to our aim of achieving financial inclusion in a commercially viable manner. We commenced operations in this business in late 2008. This business is spread over four states, namely, Andhra Pradesh, Tamil Nadu, Maharashtra and Karnataka. We follow the model of direct lending through joint liability groups. We currently have a client base of over 5 lakhs customers which we are looking to expand in this segment.

Micro Finance Products offered by our Company are categorized into –

- Gram Bandhu™ – Micro Loans to joint liability groups of 4-6 individuals ranging from Rs.5,000/- to Rs.50,000/-; and
- Udyog Bandhu™ – Small Loans to rural businesses ranging from Rs.50,000/- to Rs.2,00,000/-.

SUPPORT SERVICES

Though these support services are not directly profit generating, these services are integral to the business of the Company:-

Credit Analysis

We have evolved an adequate credit analysis framework for all of our financing products. A rating model for each product is prepared and every proposal is evaluated against this model. A minimum score has to be obtained by the proposal in order to qualify for credit. Further, based on the proposal amount, an authorization matrix has been designed and implemented for each of the business verticals. Approval limits have been prescribed for each level in the authorization matrix and single party exposure limits have also been prescribed. A Credit Committee comprising of some of the Directors of the Company and personnel from our senior management is operational.

Risk Management

We recognize the importance of risk management and have put in place the requisite systems to address this need.

We have an ALCO formed for the purpose of monitoring the Asset-Liability Management and for devising of risk management strategies. The risk management policy so devised is continually reviewed and kept in line with the market dynamics. The Asset-Liability Management is in line with the requirements prescribed under the relevant RBI guidelines. We use customized software to monitor our assets and liabilities on a real time basis.

Legal Cell

We have our own in-house legal cell, with a dedicated team of qualified and experienced advocates, lawyers and consultants specialised in various matters relating to NBFCs. The legal department extends its services to all the operational and business heads of the corporate finance group and retail finance group, provides advice on all legal and commercial issues and in the drafting of various agreements which the Company may enter into from time to time. Changes in legislation, statutory rules and regulations, judicial precedence set by courts, continuous updating of current legal practices, news, journals and reviews regarding the industry etc., are monitored and the management is advised on their implications. Advice is also given on the effective means and mode of recovery of outstanding dues and initiating timely legal proceedings or issuance of notices.

Process Cell

Our process cell was created in FY 2009 with the objective of ensuring standardized operating procedures for various activities of the Company. We believe this will contribute substantially in the training of our employees and enhance compliance and risk management as well as customer experience.

Analytics

With effect from FY 2009, a new support group – Analytics has been created. Their role is to analyse business data within the company and provide business intelligence by observing trends, deviations, shortcomings, and high performing areas with reference to various performance parameters like productivity, profitability, potential risk areas, delinquencies, etc.

They will also facilitate important processes such as benchmarking with competitors and peers, design and implementation of risk management tools, etc.

Treasury

Our treasury has successfully adapted itself to the dynamic market environment and demonstrated an ability in ensuring funds are made available to business at the right place at the right time and at competitive costs.

A diversified lender profile ensures that the Company is not overly dependent on any one source or a few institutions. Keeping this in mind and the growing funding requirements of the Company, the Treasury has made conscious efforts to diversify the lender base to include more number of banks, insurance companies (both public & private), mutual funds and pension funds.

As part of our ongoing measures to control the average cost of borrowing, we issue a variety of instruments linked to various benchmarks such as Overnight MIBOR, 3-months MIBOR, 3-months CP, 1-year G-Sec, 5-years G-Sec. Further, we also structure loans with put / call options and roll over facility with repricing options. We maintain a mix of debt in fixed, floating and semi-floating categories to provide flexibility to take advantage of dynamic market conditions.

To cater to the growing complexities in terms of product structures and also for adequate control and reporting requirements, we have put in place an automated treasury software solution. This enables monitoring of the debt position on a daily basis and also provides critical reports for decision-making. This software solution also caters to the daily cash management activity, thereby ensuring efficient management of funds. A separate software solution has also been implemented which meets the ALM requirements and provides value added reports such as Statement of Structural Liquidity, Interest Rate Sensitivity, etc.

This system support has automated most of the routine treasury procedures and has provided reliable support in the successful running of the borrowing program of the Company with necessary internal controls.

Corporate Accounts & Operations

Corporate Accounts Department is responsible for Accounts, Direct and Indirect Taxation, and RBI Regulatory Compliance in respect of all the companies in L&T's financial services business.

Our Company's back office administration is managed by the Operations Department. Operations personnel are present at all major business centres, and by a combination of ERP and presence close to the markets are able to ensure timely and reliable service to the marketing function and to customers.

Information Technology

Our Company's operations are geographically dispersed and the nature of business leads to a large volume of transactions on a daily basis. We have implemented an ERP solution to take care of timeliness, accuracy and reliability of data capture. Our information technology department takes care of the functioning of the ERP and also IT hardware requirements for field operations.

Corporate Secretarial

The centralised corporate secretarial department is responsible for handling the corporate and secretarial activities of all the companies in L&T financial services business, including formulating and ensuring good secretarial practices, establishing high standards of corporate governance, convening and conducting meetings, processing papers and documents, creation and registration of charges, maintenance of statutory registers, filing of forms/returns with statutory authorities, compliance with various laws, rules, regulations, and provisions of debt listing agreement with Stock Exchange(s), liaising with appropriate Government departments at the Central and State levels, regulatory and statutory authorities, such as RBI, ROC, SEBI, Stock Exchanges, NSDL/CDSL, etc.

ASSET QUALITY

We have scaled up our business in the past few years. In order to maintain our Asset Quality and manage the risk of concentration to any single product segment, we have consciously diversified into new products and services. We have an adequate credit monitoring mechanism and a separate asset management group to deal with stressed accounts and initiate recovery / repossession.

Our track record in maintaining Asset Quality has been consistent with our net NPA's being continuously less than 1% between FY 2005 to FY 2008. The Net NPA as at March 31, 2005, March 31, 2006, March

31, 2007 and March 31, 2008 were 0.13%, 0.14%, 0.20% and 0.76%, respectively. Our net NPAs stood at 2.04% of net advances as on March 31, 2009 and stood at 2.79% of net advances as on September 30, 2009. The rise was primarily on account of the overall economic downturn.

Marketing and Distribution

In the process of consistently scaling up our operations we have expanded our presence across the country through establishing new branches and points of presence at various locations.

As of September 30, 2009, we have operations across the country with 77 branches and 355 points of presence. A snapshot of geographical distribution of our network is given below:

Region	Number of Branches / Points of Presence
SOUTH	215
WEST	131
EAST	35
NORTH	51
Total	432

HISTORY AND MAIN OBJECTS

Brief background of the Company

Our Company was set up in November 1994 as a public limited company incorporated under the Act to provide a comprehensive range of financial products and services. We were set up as a wholly owned subsidiary of L&T with a view to create synergies through the opportunities provided by our relationship with L&T.

Our Company was registered with RBI under Section 45-IA of the Reserve Bank of India Act, 1934, as a non-banking financial institution without accepting public deposits vide Certificate of Registration No.B-13.00602 dated April 2, 1998. Based on the revised regulatory framework prescribed by RBI for NBFCs, we were re-classified under the category “Asset Finance Company-Non Deposit Taking” by RBI vide fresh Certificate of Registration bearing No.B-13.00602 dated March 21, 2007.

In 2004, L&T Equipment Leasing Company Limited, LTM Limited, L&T Netcom Limited and L&T Trade.Com Limited, were amalgamated with our Company, pursuant to a Scheme of Amalgamation under Sections 391 to 394 of the Act.

As part of its corporate strategy to give a distinct identity to the financial services business, L&T promoted a holding company for financial services business, namely L&T Capital Holdings Limited.

L&T’s investment, *inter alia*, in our Company was transferred to L&T CHL on March 31, 2009. Our Company continues to be a subsidiary of L&T - albeit through the latter’s subsidiary financial services sector holding company, L&T CHL, which itself is also duly registered as a non-banking financial institution without accepting public deposits with RBI.

Main objects of the Company

1. To carry on business as a Finance Company and to provide finance and to provide on lease, leave and licence, or hire purchase basis or on deferred payment basis or on any other basis, all types of plant, equipment, machinery, vehicles, vessels, ships and real estate and any other moveable and immoveable properties whether in India or abroad, for industrial, commercial or other uses.
2. To carry on business as an Investment Company and to acquire and hold and otherwise deal in shares, stocks, debentures, debenture-stock, bonds, obligations and securities issued or guaranteed by any company and debentures, debenture-stock, bonds, obligations and securities issued or guaranteed by any government, sovereign ruler, commissioners, public body, or authority, supreme, municipal, local or otherwise, landed property, whether in India or elsewhere and to carry on the business of an issue house, underwriting, factoring, bills discounting, soliciting and procuring insurance business as a corporate agent, cross border leasing, merchant banking, issuance of credit cards, to act as financial consultants, investment advisers, bonds and securities and to render any kind of investment and management consultancy services concerning foregoing matters and things, and to undertake and carry on and execute all such operations.
- 2A. To set up companies for the purpose of carrying on the business related to asset management, mutual fund and to act as sponsor or co-sponsor by undertaking financial and commercial obligations required to constitute and/or settle any trust or any undertaking to establish any mutual fund or trust in and/or outside India with the prior approval of the concerned Authorities, with a view to issue units, stocks, securities, certificates or other documents, based on or representing any or all assets appropriated for the purposes of any such trust and to settle and regulate any such trust and to issue, hold or dispose of any such units, stocks, securities, certificates or other documents.

OUR MANAGEMENT

Board of Directors/Manager

The general superintendence, direction and management of the affairs and business of our Company is vested in the Board of Directors which exercises all powers and does all acts and things which may be done by us under the Memorandum and Articles of Association of the Company.

The details of Board of Directors / Manager as on the date of filing of this Prospectus are as under:

Name	Date of Birth & Age	Business Address	Directorships in other Indian public companies
Mr. Y. M. Deosthalee Director Occupation: Company Executive	06/09/1946 63 years	Larsen & Toubro Limited L&T House, Ballard Estate, Mumbai - 400 001	• Larsen & Toubro Limited • L&T Capital Company Limited • Larsen & Toubro Infotech Limited • L&T Infrastructure Development Projects Limited • The Dhamra Port Company Limited • L&T Infrastructure Finance Company Limited • L&T Power Development Limited • L&T General Insurance Company Limited • L&T Capital Holdings Limited
Mr. R. Shankar Raman Director Occupation: Company Executive	20/12/1958 51 years	Larsen & Toubro Limited L&T House, Ballard Estate, Mumbai – 400 001	• L&T Capital Company Limited • L&T Infrastructure Development Projects Limited • L&T General Insurance Company Limited • L&T Capital Holdings Limited • L&T Power Development Limited • L&T Trustee Company Private Limited • DBS Cholamandalam Asset Management Limited
Mr. N. Sivaraman Director Occupation: Company Executive	12/04/1958 51 years	Larsen & Toubro Limited L&T House, Ballard Estate, Mumbai - 400 001	• India Infrastructure Developers Limited • L&T Capital Company Limited • L&T Infrastructure Development Projects Limited • L&T Uttaranchal Hydropower Limited • L&T Infrastructure Finance Company Limited • L&T – Valdel Engineering Limited • L&T Power Development Limited • L&T General Insurance Company Limited • L&T Trustee Company Private Limited • BSCPL Infrastructure Limited • L&T Capital Holdings Limited • DBS Cholamandalam Asset Management Limited
Mr. S. Raghavan Director Occupation: Company Executive	25/03/1946 63 years	Larsen & Toubro Limited L&T House, Ballard Estate, Mumbai - 400 001	• L&T Komatsu Limited • Tractor Engineers Limited • L&T Plastics Machinery Limited • Ewac Alloys Limited • Audco India Limited

Mr. N. Suryanarayanan Manager & Secretary Occupation: Service	24/11/1958 51 years	L&T Finance Limited Spanco House, B. S. Deoshi Marg, Deonar, Mumbai - 400 088	Nil
--	----------------------------	---	-----

In accordance with the Act, all the Directors are liable to retire by rotation.

Profile of Directors / Manager

Mr. Y. M. Deosthalee - Director

Mr. Y.M. Deosthalee is a qualified Chartered Accountant and holds a degree in law. He joined L&T in 1974 and has been with L&T since then. In March 1995, he was appointed as Whole-Time Director of the Board of Directors of L&T. He is currently designated as Chief Financial Officer and Member of the Board of Directors of L&T.

In addition to this, he plays an instrumental role in promoting the Financial Services business of the group, which currently has four distinct entities: L&T Finance (including micro finance), L&T Infrastructure Finance, L&T General Insurance and the recently acquired Asset Management company. In addition, he is responsible for the Concessions business of the L&T group, which is today housed in a few holding companies, viz. L&T Infrastructure Development Co. and several SPVs in roads, ports and urban infrastructure areas. He promotes strategic inputs and helps in business-building for L&T Infotech, the IT arm of the Company. He is the Founding Trustee of the L&T Public Charitable Trust, a major CSR initiative of L&T. Finally, he is responsible for Personnel & HR function, Risk Management, Mergers & Acquisitions, Shared Services.

Affiliations

- 2009 – Was appointed Member of the Takeover Regulations Advisory Committee which has been constituted by SEBI to examine the existing regulations and suggest amendments
- Co-Chairman of FICCI's Corporate Finance Committee
- Member of the National Council on Corporate Governance of the Confederation of Indian Industry (CII)

Mr. R. Shankar Raman - Director

Mr. R. Shankar Raman is the Senior Vice President (Finance & Legal) at L&T. Mr. Shankar Raman is both a Chartered and Cost Accountant by qualification. A commerce graduate from Madras University, Mr. Shankar Raman has about 24 years of experience in the field of finance. His experience covers varied areas such as audit, accounts, treasury, capital markets, corporate finance, project finance and general management.

Mr. Shankar Raman joined L&T Group in 1994 for setting up LTF. After six successful years with LTF, Mr. Shankar Raman was inducted into mainstream L&T to oversee the Finance & Accounting functions. Over the years, Mr. Shankar Raman's responsibilities have expanded manifold. Apart from Treasury, Corporate Accounts, Taxation and Insurance functions, Mr. Shankar Raman is also presently responsible for Investor Relations, Legal and Risk Management functions at L&T.

Mr. N. Sivaraman - Director

Mr. N. Sivaraman is currently Senior Vice President (Financial Services), L&T, responsible for L&T's Financial Services Business and M&A initiatives. He has consummate work-experience of 27 years, covering the entire gamut of finance functions, accounts, mergers and acquisitions and investor relations.

During his career at L&T, Mr. Sivaraman played a key role in structuring the Cement Demerger deal for the benefit of all stakeholders like the shareholders, L&T and all the transacting parties.

Mr. Sivaraman is a Fellow Member of the Institute of Chartered Accountants of India.

Mr. S. Raghavan - Director

Mr. S. Raghavan holds a Diploma in Mechanical Engineering from Central Polytechnic, Chennai, Masters Degree in Economics from Punjab University besides being a Graduate of Institution of Engineers (India) - Mechanical Engineering.

Mr. Raghavan is enriched with over four decades of experience in the Engineering / Construction industry and has been associated with L&T for over 35 years and served in various capacities in various units / departments

Mr. N. Suryanarayanan – Manager & Secretary

Mr. Suryanarayanan, is a Chartered Accountant, Cost Accountant, Company Secretary and a law graduate.

Mr. Suryanarayanan is enriched with over 25 years of experience in Finance, Accounts, Secretarial and Human Resources. He has been associated with L&T for over 19 years and held various positions in various units / departments, currently as Head - Accounts, IT & Operations - Financial Services, L&T.

Mr. Suryanarayanan is also designated as Manager & Secretary of LTF.

Remuneration of the Directors

All the Directors were nominated by L&T and are in the services of L&T. They do not draw any compensation / remuneration from the Company, except payment by way of sitting fees for attending Meetings of the Board / Audit Committee Meetings up to March 2008. As per the decision taken by the Board, sitting fees has to be paid only to Non-Executive Directors of the Company, who do not hold any office or place of profit in L&T and / or its subsidiary / Associate Companies, in respect of each Meeting of the Board / any Committees thereof, attended by them on and from April 29, 2008.

Terms of Appointment of Manager and Compensation payable to him

Presently the Company does not have a Managing Director / Whole Time Director. As per the provisions of Section 269(1) of the Act, Mr. N. Suryanarayanan was appointed as “Manager” of the Company for a period of five years with effect from March 18, 2009.

Borrowing Powers of the Board of Directors

Subject to the Memorandum and Articles of Association of the Company, the Shareholders at the Extra-Ordinary General Meeting held on January 8, 2008, have passed a resolution under Section 293(1)(d) of the Act, which prescribes the maximum monetary limit for the purpose of borrowing by the Board of Directors / Committee of Directors, as the case may be. The aggregate value of the NCDs offered under this Prospectus, together with the existing borrowings of the Company, is within the approved borrowing limits of Rs.10,000 Crores.

The Issue of NCDs offered under this Prospectus is being made pursuant to the resolution passed by the Board of Directors at its Meeting held on December 16, 2009.

Nature of interest of the Directors

No Director of the Company has any interest in the appointment of the Debenture Trustee to the Issue. No Director of the Company has any interest in any property acquired by the Company within two years of the date of the Prospectus or proposed to be acquired by it.

All Directors may be deemed to be interested in the contracts, agreements / arrangements entered into or to be entered into by us with any company in which they hold Directorships or any partnership in which they are a partner. Directors with an interest in other companies are mentioned in this Prospectus.

Except as stated otherwise in this Prospectus, the Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of the Prospectus in which the Directors are interested, directly or indirectly, and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Changes in the Board of Directors in the last three years

No change in the Board of Directors has occurred in the last three years.

Shareholding of Directors in LTF

Sr. No.	Name of Director	No. of shares
1	Mr. Y. M. Deosthalee (held as nominee of L&T and jointly with L&T CHL)	1

As per the Articles of Association of the Company, the Directors are not required to hold any qualification shares in the Company.

Details of various committees of the Company

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.

Role of the Committee

- To investigate into any matter in relation to the items specified u/s 292A and as referred to by the Board. It shall have full access to information contained in the records of the Company and external professional advice;
- To investigate any activity within its terms of reference, seek information from any employee, obtain outside legal / professional advice;
- To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommend the appointment and removal of external auditor, fixation of audit fee and also approve payment for any other services;
- Discuss with the Auditors periodically on internal control systems, scope of audit including observations of the auditors and review the half-yearly and annual financial statements before submission to the Board and ensure compliance of internal control system; and
- Recommendation on financial management including the audit report shall be binding on the Board.

Committee of Directors

The Debenture Allotment Committee was reconstituted as Committee of Directors (COD) by the Board on October 22, 2007. The committee currently comprises of 3 Directors.

Role of the Committee

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

Asset-Liability Management Committee

The committee currently comprises of 5 members.

Role of the Committee

The ALCO carries out necessary spade work for formalizing the ALM system in the Company including the following:-

- 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;
- Review 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 both deposits and 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 decide the future business strategy on this view; and
- Deciding on the source and mix of liabilities or sale of assets.

Credit Committee

The Credit Committee of our Company is broad-based and includes nominees of L&T. The committee currently comprises of 5 members.

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 LTF.

Nomination & Compensation Committee

The committee currently comprises of 4 members.

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.
- The process of due diligence should be undertaken at the time of initial appointment and also prior to re-appointment.
- Based on the information provided in the declaration, the Committee should decide on the acceptance (and / or otherwise) and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.
- 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 4 members.

Role of the Committee

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

Key Managerial Personnel:

Sr.No.	Name	Designation & Functional Area	Age	Qualification(s)	Date of Joining	Details of Previous Employment
1.	Mr.Dinanath Dubhashi	Vice President – Retail Finance Group	43	B.E, PGDM	19/04/2007	BNP Paribas
2.	Mr.V.Ramesh	Vice President – Internal Audit & New Business Initiatives	46	B.Com, CS, CA, CPA	07/08/1995	SREI International Finance Limited
3.	Mrs.Dipti Advani	Vice President – Corporate Finance Group	43	B.Com, ACA	01/03/1995	Infrastructure Leasing & Financial Services Limited
4.	Mr.Anil Kalra*	Head – HR (L&T Financial Services)	58	B.Sc, MBA, M.Sc., CAIIB, LLB	01/03/2005	Goldshield PLC
5.	Mr.R.Jayakumar	Vice President – Credit, Process Cell & Functional Training	55	B.Tech, PGDM	01/06/2009	MAPE Advisory Group Pvt. Ltd.
6.	Mr.N.Suryanarayanan*	Head – Accounts & Operations (L&T Financial Services) Manager & Secretary (L&T Finance Limited)	51	ACA, ACS, ICWA, BGL	12/03/1990	Associated Cement Company Limited
7.	Ms.Raji Vishwanathan*	Chief Legal Advisor (L&T Financial Services)	50	B.Sc, DBM, LLM	02/11/2001	Jain Irrigation Systems Ltd.
8.	Mr.G.K.Shettigar	Assistant Vice President – Treasury	50	B.Com, ICWA	22/04/1996	Fujitsu ICIM limited
9.	Mr.Anand Gore*	Vice President – Corporate Finance Group	46	B. Tech	25/09/2006	SREI Infrastructure Finance Limited
10.	Mr.Krishnan Venkateswaran	Vice President – Information Technology	43	B.Tech., PGDM	01/12/2009	Tata AIG South Africa

* Permanent employees of L&T.

Except as stated above, the above personnel are permanent employees of the Company, and do not hold any shares in the Company.

Bonus or profit sharing plan for the Key Managerial Personnel

Based on the performance of the Company and as per the Company's policy, bonus will be paid to the key managerial personnel. There are no profit sharing plan(s) for key managerial personnel.

Changes in Key Managerial Personnel in the last one year

The Board of Directors at its Meeting held on March 18, 2009, appointed Mr. N. Suryanarayanan as Manager of the Company for a period of five years w.e.f. March 18, 2009.

Mr. R Jayakumar, Vice President – Credit, Process Cell and Functional Training, joined the Company on June 1, 2009.

Mr. Krishnan Venkateswaran, Vice President – Information Technology, joined the Company on December 1, 2009.

Other than stated above, there has been no change in the Key Managerial Personnel of the Company in last one year.

Payment or Benefit to the Key Managerial Personnel

Save as otherwise stated in this Prospectus, no amount or benefit has been paid or given within the two preceding years or is intended to be paid or given to any key managerial personnel except the normal remuneration for services rendered as such officers or employees of the Company.

None of the key managerial personnel have any interest in the Company other than to the extent of remuneration and benefits to which they are entitled as per the terms of their appointment and the reimbursement of expenses incurred by them during the ordinary course of business.

OUR PROMOTERS

Our Promoters are Larsen & Toubro Limited and L&T Capital Holdings Limited (subsidiary of L&T).

Larsen & Toubro Limited

L&T was incorporated on February 7, 1946 and its registered office is at L&T House, Ballard Estate, Mumbai - 400 001.

Corporate Identification Number : L99999MH1946PLC004768

PAN : AAACL0140P

ROC Registration No. : 11-4768

Brief history

L&T was formed as a partnership in 1938 by Henning Holck-Larsen and Soren Kristian Toubro, Danish engineers, who came to India as representatives of a global cement company. In 1946, the partnership was incorporated as a private limited company, and in 1950 converted to a public limited company. L&T's business originally consisted of trading and indigenous manufacture of equipment. L&T rapidly entered new fields – including construction, project execution and manufacture of switchgear. L&T's heavy fabrication facilities at Powai, Mumbai were continuously and substantially expanded to meet emerging needs in the 1960's and 1970's. L&T entered the business of cement manufacture in the early 1980s. In 1987, L&T established a fabrication facility on the waterfront at Hazira, which has enhanced its ability to fabricate large equipment. Additionally, L&T has strengthened its manufacturing capabilities by setting up several new facilities, including those at Ahmednagar in Maharashtra, Mysore in Karnataka, Coimbatore in Tamil Nadu and Talegaon in Maharashtra. The company currently has a manufacturing footprint in India, China, Oman, Saudi Arabia, UAE, Malaysia, Indonesia and Australia. Design engineering facilities are part of L&T's campuses at several locations including Mumbai, Vadodara, Faridabad, Chennai, Bengaluru and Mysore. With a view to focus on its core strengths of engineering and construction, and as part of a continuing review of its business portfolio, L&T has either discontinued or divested its stake in several business lines including dairy equipment, packaging equipment and tractor manufacturing among others. The cement business was de-merged in 2004.

L&T's operations are structured into the following divisions:

A. Engineering, Construction & Contracts (ECC) Division:

Engineering, Construction and Contracts Division (ECCD) undertakes engineering design and construction across several sectors including buildings and factories, infrastructure, metallurgical, material handling and water and electrical projects. Capabilities cover civil, mechanical, electrical and instrumentation engineering. ECCD is one of India's largest construction organizations. The division is equipped with the requisite expertise and wide-ranging experience to undertake lump-sum turnkey contracts with single-source responsibility. The projects are executed using state-of-the-art design tools and project management techniques. L&T believes that this has enabled ECC to establish itself as one of the leaders in Indian Construction industry.

ECCD's track record of over six decades covers multiple industrial sectors and major infrastructure projects.

B. Railways

L&T's range of railway offerings includes construction of railway sidings & yards, bridges (steel and concrete), tunnels, metro systems, stations (including underground stations), railway electrification, signal & telecommunication systems, integrated / composite railway projects, industrial infrastructure for manufacturing railway assets, design & engineering and operation & maintenance of railway assets; and design and manufacture of rolling stock, viz. locomotives, intercity coaches, metro coaches, wagons, etc.

C. Engineering & Construction – E&C

L&T's engineering & construction track record consists of successful implementation of turnkey projects in major core and infrastructure sectors of the Indian industry. L&T has integrated its strengths in process

technology, basic and detailed engineering, equipment fabrication, procurement, project management, erection and construction and commissioning, to offer single-point responsibility under stringent delivery schedules. Strategic alliances with world leaders enable L&T to access technical know-how and execute process-intensive large-scale turnkey projects to maintain its position as one of the industry leaders.

L&T's Engineering & Construction Projects Division (E&C(P)) possesses integrated strengths in process design, basic and detailed engineering, modular fabrication, procurement, project management, construction and commissioning. It undertakes single point responsibility for execution of projects in Hydrocarbon Up-stream, Hydrocarbon mid and down-stream and Power sectors in India and abroad.

The Division has Engineering Centres at Mumbai, Vadodara and Faridabad. It has well equipped Modular Fabrication facilities at Hazira and at Sohar, Oman and offices in multiple geographies including the U.A.E, Qatar, Oman, Saudi Arabia and Kuwait.

D. Heavy Engineering

Operating at the higher end of the technological spectrum, the Division, designs, manufactures and supplies critical equipment and systems to core sector industries like Fertilizer, Refinery, Petrochemical, Chemical, Oil & Gas, Thermal & Nuclear Power, Aerospace, and equipment & systems for Defence applications. The division has also entered into shipbuilding business for construction of special commercial vessels and warships for the navy as well as the coast guard.

The Division's manufacturing facilities are located at Mumbai and Talegaon in Maharashtra, Hazira (Surat) and Vadodara in Gujarat. L&T also has the logistics capabilities of fabricating and supplying over-dimensional equipment to tight delivery schedules.

The manufacturing locations are supported by dedicated engineering centers. A Strategic Electronics Center for Defence electronic systems operates from Bengaluru. The Division has set up Technology Development Centers for development of new products and manufacturing technologies. The Division has implemented a structured continuous improvement program for improvements in quality, delivery performance and manufacturing technology.

Shipbuilding: L&T has a shipyard capable of constructing specialized, high tech ocean-going vessels at its heavy engineering complex at Hazira on India's west coast. The focus is on construction of commercial vessels, warships for the navy and the coast guard. An additional shipbuilding yard is being set up at Kattupalli near Ennore in Tamil Nadu.

E. Electrical & Electronics

L&T is one of the major international manufacturers of a wide range of electrical and electronic products and systems. In the electrical segment, the Company believes that it holds leadership position in the market in India, and is rapidly establishing itself in international markets. In addition to switchgear products, L&T also manufactures custom-engineered switchboards for industrial sectors like power, refineries, petrochemical, cement etc. In the electronic segment, L&T offers a wide range of metering and protection systems and provides complete control and automation systems for industries. Other products manufactured by L&T extend across medical equipment and systems including advanced ultrasound scanners and patient monitoring systems. Its products are widely sold in markets in Europe and Australia.

The Division has manufacturing facilities at Powai (Mumbai), Navi Mumbai, Ahmednagar, Faridabad, Mysore and Coimbatore, with sales & marketing spread over India & other identified regions. Activities of Datar Switchgear Limited, Nashik, have been fully integrated at Ahmednagar campus after the completion of acquisition process. L&T has acquired the switchgear business of TAMCO Corporate Holdings of Malaysia in 2008. This includes the switchgear manufacturing facilities in Malaysia, China, Australia and Indonesia. TAMCO products are sold in multiple geographies. The acquisition of this company extends L&T's offerings to encompass medium voltage switchgear.

F. Machinery & Industrial Products Division (MIPD)

The Machinery and Industrial Products Division (MIPD) is organized into distinct business sectors, viz., Construction Machinery Business, Industrial Machinery & Products.

The Construction Machinery Business Sector markets and renders support for Construction & Mining Equipment manufactured by L&T and its joint venture L&T-Komatsu. The Sector comprises marketing business units and manufacturing joint venture companies.

The Industrial Products Sector markets and renders support service for Industrial Products business which comprises marketing business units and manufacturing Joint Venture Companies.

The Industrial Machinery Sector comprises manufacturing and marketing business units at Kansbahal and Chennai for crushing & surface mining equipments, paper processing machineries (Kansbahal Works) and rubber processing machinery. The sector also manufactures related machinery through joint venture companies.

G. IT & Engineering Services

Larsen & Toubro Infotech Limited, a 100 per cent subsidiary of L&T, offers comprehensive, end-to-end software solutions and services with a focus on Manufacturing, BFSI and Communications & Embedded Systems. It provides a cost cutting partnership in the realm of offshore outsourcing, application integration and package implementation. Leveraging the heritage and domain expertise of the parent company, its services encompass a broad technology spectrum, catering to leading international companies across the globe. It leverages the L&T parentage to also provide services in the embedded intelligence and e-Engineering space.

Integrated Engineering Services comprise Mechanical & Mechatronics Services and Embedded Systems & Software. L&T has integrated engineering facilities in Mumbai, Vadodara, Chennai, Bengaluru, Faridabad & Mysore.

e-ES (e – Engineering Services) provides a wide range of core engineering solutions to help customers achieve their objectives of innovation, cost reduction and faster time-to-market. Using cutting edge technology of CAD/CAM/CAE/PDM, e-ES provides end-to-end engineering services including Product Engineering and Design, Engineering Analysis, Design Automation, Production Engineering, Engineering Process Support, Asset Information Management and Plant Engineering etc., to various industry verticals e.g. Automotive, Aerospace, Off-Highway Equipment, Industrial Products, Marine and Ship Design, Plant Engineering etc.

EmSyS (Embedded Systems) caters to Electronics Product Design & Development encompassing Hardware, Firmware & Application Software and enclosure design. EmSyS addresses Automotive, Medical, Industrial Products and Semi-conductor verticals.

H. Developmental Projects and Financial Services

L&T is a major player in India's financial services sector. It operates through a number of companies including L&T Finance Limited (details stated herein), L&T Infrastructure Finance Company Limited, L&T Capital Company Limited and L&T General Insurance Company Limited.

As part of its corporate strategy to give a distinct identity to the Financial Services business, L&T promoted a Holding Company for Financial Services Business, namely L&T CHL.

L&T Infrastructure Finance Company Limited, a 100 per cent subsidiary of L&T CHL is a non-banking finance company focused on financing and developing of infrastructure projects across various sectors. The Company leverages L&T's domain knowledge in the engineering and construction fields to provide infrastructure financing solutions through a mix of debt, sub-debt, quasi-equity and equity participation. It also provides active support to clients at project development stage.

L&T Capital Company Limited, a subsidiary of L&T, is a SEBI registered portfolio manager. It also provides service as a mutual fund distributor/advisor. It holds and monitors a significant portion of the L&T group's strategic investments.

L&T General Insurance Company Limited is a subsidiary of L&T. It will develop, underwrite and distribute all lines of retail and commercial general insurance in India.

Board of Directors of L&T as on December 31, 2009:

Sr.No.	Name	Designation
1.	Mr. A. M. Naik	Chairman & Managing Director
2.	Mr. J. P. Nayak	Whole-Time Director & President (Machinery & Industrial Products)
3.	Mr. Y. M. Deosthalee	Whole-Time Director & Chief Financial Officer
4.	Mr. K. Venkataramanan	Whole-Time Director & President (Engineering & Construction Projects)
5.	Mr. R. N. Mukhija	Whole-Time Director & President (Electrical & Electronics)
6.	Mr. K. V. Rangaswami	Whole-Time Director & President (Construction)
7.	Mr. V. K. Magapu	Whole-Time Director & Senior Executive Vice President (IT & Technology Services)
8.	Mr. M. V. Kotwal	Whole-Time Director & Senior Executive Vice President (Heavy Engineering)
9.	Mr. S. Rajgopal	Independent Director
10.	Mr. S. N. Talwar	Independent Director
11.	Mr. M. M. Chitale	Independent Director
12.	Mr. Thomas Mathew T	Nominee Director - Life Insurance Corporation of India
13.	Mr. N. Mohan Raj	Nominee Director - Life Insurance Corporation of India
14.	Mr. Subodh Bhargava	Independent Director
15.	Mrs. Bhagyam Ramani	Nominee Director - General Insurance Corporation of India
16.	Mr. A. K. Jain	Nominee Director of The Administrator of the Specified Undertaking of Unit Trust of India
17.	Mr. J. S. Bindra	Independent Director

As on December 31, 2009, L&T had the following Subsidiary Companies:

1. L&T Infocity Limited
2. Tractor Engineers Limited
3. L&T Finance Limited
4. Larsen & Toubro Infotech Limited
5. India Infrastructure Developers Limited
6. L&T Western India Tollbridge Limited
7. L&T Infrastructure Development Projects Limited
8. Larsen & Toubro International FZE
9. Bhilai Power Supply Company Limited
10. L&T-Sargent & Lundy Limited
11. Larsen & Toubro (Wuxi) Electric Company Limited
12. Spectrum Infotech Pvt. Ltd.
13. L&T Infrastructure Finance Company Limited
14. L&T Power Ltd.
15. Larsen & Toubro Qatar LLC
16. L&T Transportation Infrastructure Limited
17. Narmada Infrastructure Construction Enterprise Limited
18. Larsen & Toubro LLC
19. L&T Capital Company Limited
20. Larsen & Toubro Infotech GmbH
21. Larsen & Toubro Information Technology Canada Ltd.
22. Hyderabad International Trade Expositions Limited
23. Andhra Pradesh Expositions Pvt. Ltd.
24. L&T Infocity Lanka Private Ltd.
25. Raykal Aluminium Company Pvt. Ltd.
26. Cyberpark Development & Construction Ltd.
27. L&T Tech Park Limited
28. L&T Panipat Elevated Corridor Limited
29. L&T Krishnagiri Thopur Toll Road Ltd.
30. L&T Western Andhra Tollways Limited
31. L&T Vadodara Bharuch Tollway Limited
32. L&T Interstate Road Corridor Limited
33. L&T Overseas Projects Nigeria Limited

34. Larsen & Toubro (Oman) LLC
35. Larsen & Toubro (East Asia) SDN.BHD
36. Larsen & Toubro Electromech LLC
37. International Seaports (India) Private Ltd.
38. L&T Urban Infrastructure Limited
39. L&T Modular Fabrication Yard LLC
40. Larsen & Toubro Saudi Arabia LLC
41. Larsen & Toubro Readymix Concrete Industries LLC
42. L&T Infrastructure Development Projects Lanka (Private) Limited
43. L&T Electricals Saudi Arabia Company Limited, LLC
44. Larsen & Toubro Kuwait Construction General Contracting Company, WLL
45. Larsen & Toubro (Qingdao) Rubber Machinery Company Limited
46. Larsen & Toubro (Jiangsu) Valve Company Limited
47. L&T - MHI Boilers Private Limited
48. L&T Uttaranchal Hydropower Limited
49. L&T Bangalore Airport Hotel Limited
50. L&T MHI Turbine Generators Private Limited
51. Offshore International FZC
52. L&T Vision Ventures Limited
53. L&T Phoenix Info Parks Private Limited
54. L&T South City Projects Limited
55. GDA Technologies Inc.
56. GDA Technologies Limited
57. CSJ Infrastructure Private Limited
58. L&T-Valdel Engineering Ltd.
59. L&T Hitech City Limited
60. L&T Arun Excello Commercial Projects Private Limited
61. Larsen & Toubro ATCO Saudi Company LLC
62. L&T Power Development Limited
63. L&T Shipbuilding Limited
64. L&T Infra & Property Development Private Limited
65. L&T Realty Private Limited
66. L&T Concrete Private Limited
67. L&T Strategic Management Limited
68. L&T General Insurance Company Limited
69. Qingdao Larsen & Toubro Trading Company Limited
70. TAMCO Switchgear (Malaysia) SDN. BHD
71. TAMCO Shanghai Switchgear Co. Limited
72. TAMCO Electrical Industries Australia Pty Limited
73. PT TAMCO Indonesia
74. L&T-Gulf Private Limited
75. L&T Realty FZE
76. L&T Transco Private Limited
77. L&T Arun Excello IT SEZ Private Limited
78. L&T Siruseri Property Developers Limited
79. L&T Chennai – Tada Tollway Limited
80. L&T Seawoods Private Limited
81. HI Tech Rock Products & Aggregates Limited
82. L&T Capital Holdings Limited
83. L&T Natural Resources Limited
84. L&T Port Sutrapada Limited
85. Larsen & Toubro Heavy Engineering LLC
86. L&T Ahmedabad - Maliya Tollway Private Limited
87. L&T Halol - Shamlaji Tollway Private Limited
88. L&T Rajkot - Vadinar Tollway Private Limited
89. Sutrapada SEZ Developers Limited
90. Sutrapada Shipyard Limited
91. L&T Electrical & Automation FZE
92. L&T Engserve Private Limited
93. L&T PNG Tollway Private Limited

94. Peacock Investments Limited
95. Mango Investments Limited
96. Lotus Infrastructure Investments Limited
97. Chennai Vision Developers Private Limited
98. L&T Real Estate India Fund
99. L&T Asset Management Company Limited
100. L&T Technologies Limited
101. L&T Emsys Private Limited
102. L&T Plastics Machinery Limited
103. L&T Special Steels And Heavy Forgings Private Limited
104. L&T Trustee Company Private Limited
105. Pathways FZE
106. Larsen & Toubro Infotech LLC
107. Kensun Iron and Steel Company Private Limited
108. L&T Aviation Services Private Limited

As on December 31, 2009, L&T had the following Associate Companies:

1. Audco India Limited
2. Ewac Alloys Limited
3. L&T-Chiyoda Limited
4. L&T-Komatsu Limited
5. L&T-Ramboll Consulting Engineers Limited
6. L&T-Case Equipment Pvt. Ltd.
7. L&T-Crossroads Private Limited
8. Gujarat Leather Industries Limited
9. The Dhamra Port Company Limited
10. Vizag IT Park Limited
11. NAC Infrastructure Equipment Limited
12. International Seaports (Haldia) Private Ltd
13. Second Vivekananda Bridge Tollway Company Private Ltd.
14. TNJ Moduletech Private Limited
15. Salzer Electronics Limited
16. Feedback Ventures Private Limited
17. L&T Camp Facilities LLC
18. Larsen & Toubro Qatar & HBK Contracting LLC
19. L&T Arun Excello Realty Private Limited
20. L&T Bombay Developers Private Limited
21. JSK Electricals Private Limited
22. Asia Alloys Precicasters Private Limited
23. Rishi Consfab Private Limited
24. International Seaport Dredging Limited

Nature of interest of Promoters/Payment or Benefit to the Promoters

Except as stated in the section entitled “Related Party Transactions” in this Prospectus, the Promoters, the Promoter group companies and other related parties do not have any interest in our business except to the extent of investments made by them in the Company and earning returns thereon.

The Company confirms that there are no interests of the promoters or their relatives in respect of any property acquired by the Company within two years prior to this Prospectus or proposed to be acquired by it.

Save as otherwise stated in the Prospectus, no amount or benefit and consideration for payment of giving of the benefit has been paid or given within the two preceding years or is intended to be paid or given to the promoter except as stated in “Related Party Transactions” in the Prospectus, and except to the extent of the investments made by them in our Company and earning returns thereon.

Related party transactions

Please refer page 128 of this Prospectus for the related party transactions of LTF for the half year ended September 30, 2009.

Financial Performance of L&T for the last 3 years

	3/31/2009	3/31/2008	3/31/2007
Equity Capital (Rs. Crores)	117.14	58.47	56.65
Reserves & Surplus (excluding revaluation reserves) (Rs. Crores)	12082.30	9356.32	5632.35
Total Income (including excise duty) (Rs. Crores)	35064.62	25862.58	18362.88
Profit After Tax (PAT) (after EO items) (Rs. Crores)	3481.66	2173.42	1403.02
Earnings per share - Basic (EPS) in Rs.	59.50	75.59	50.22
Earnings per share - Diluted (EPS) in Rs.	58.70	72.76	48.36
Net Asset Value (NAV) in Rs.	208.29	322.06	200.83

	3/31/2009	3/31/2008	3/31/2007
Secured Loans (Rs. Crores)	1102.38	308.53	245.40
Unsecured Loans (Rs. Crores)	5453.65	3275.46	1832.35

L&T is a listed company with equity shares traded on the NSE and the BSE and has not made any public or rights issue in the preceding 3 years. In October 2009, L&T issued equity shares to qualified institutional buyers at a price of Rs.1,659.30 per share, aggregating USD 400 million, and it completed an offering of 3.50% foreign currency convertible bonds due 2014, aggregating USD 200 million.

Credit Rating – As on the date of this Prospectus, L&T is rated ‘AAA’ by CRISIL

Consolidation Plan in Financial Services

L&T, primarily an engineering & construction conglomerate, has a number of subsidiaries and associate companies that sub-serve the specific objectives of its different business segments. Among them, L&T Infrastructure Finance Company Limited (L&T IFCL), India Infrastructure Developers Limited (IIDL), and LTF are the three NBFCs operating in the Financial Services segment, duly registered with the Reserve Bank of India.

As part of its corporate strategy to give a distinct identity to the Financial Services business, L&T promoted a Holding Company for Financial Services Business, namely L&T Capital Holdings Limited.

L&T’s investment, *inter alia*, in LTF was transferred to L&T CHL on March 31, 2009. LTF continues to be a subsidiary of L&T - albeit through the latter’s subsidiary Financial Services Sector Holding Company, L&T CHL, which itself is also duly registered as a non-banking financial institution without accepting public deposits.

LTF transferred its shareholding in L&T General Insurance Company Limited to L&T during the Financial Year 2009-10.

L&T Capital Holdings Limited

L&T CHL was incorporated on May 1, 2008 as a subsidiary of L&T with its registered office at L&T House, Ballard Estate, Mumbai - 400 001.

Corporate Identification Number : U67120MH2008PLC181833
PAN : AABCL5046R

The main objects of L&T CHL are:-

“To carry on the business of Investment / finance Company in all its branches and to invest, sell, purchase, exchange, surrender, extinguish, relinquish, subscribe, acquire, undertake, underwrite, hold, auction, convert or otherwise deal in any shares, stocks, debentures, debenture stock, bonds, negotiable instruments, hedge instruments, warrants, certificates, premium notes, treasury Bills, obligations, inter corporate deposits, call money deposits, public deposits, commercial papers, options futures, money market securities, marketable or non marketable securities, derivatives and other instruments and securities issued, guaranteed or given by any government, semi-government, local authorities, public sector undertakings, companies, corporations, co-operative societies, trusts, funds, State, Dominion sovereign, Ruler, Commissioner, Public body or authority, Supreme, Municipal, Local or otherwise and other organisations / entities persons and to acquire and hold controlling and other interests in the securities or loan capital of any issuer, company or companies.”

The Net Assets and Net Worth of L&T CHL for the six-month period ended September 30, 2009 are furnished below:-

(Rs. in lakhs)

Particulars	For the six month period ended September 30, 2009
Net Assets	1,23,131.12
Net worth	1,23,131.12

As on the date of the Prospectus, L&T CHL is not subject to winding-up order or petition and is an unlisted company and has not made any public or rights issue of shares since incorporation.

Board of Directors of L&T CHL as on the date of filing of this Prospectus:

1. Mr. Y. M. Deosthalee
2. Mr. R. Shankar Raman
3. Mr. N. Sivaraman

As on the date of filing of this Prospectus, L&T CHL had the following Subsidiary Companies:

1. L&T Infrastructure Finance Company Limited
2. India Infrastructure Developers Limited
3. L&T Finance Limited
4. L&T Aviation Services Private Limited

OUR SUBSIDIARY

L&T General Insurance Company Limited ceased to be a subsidiary of our Company during the Financial Year 2009-10 as the Company transferred its shareholding in L&T General Insurance Company Limited to L&T.

L&T Capital Company Limited ceased to be a subsidiary of our Company during the Financial Year 2008-09 as the Company transferred its shareholding in L&T Capital Company Limited to L&T.

The Company has recently acquired 100% of the equity share capital of DBS Cholamandalam Asset Management Limited and DBS Cholamandalam Trustees Limited. Our Company is in the process of completion of exit formalities of the existing unitholders and is yet to begin management and new operations.

SECTION V: FINANCIAL INFORMATION

AUDITOR'S REPORT

The Board of Directors
L&T Finance Limited
L&T House,
Ballard Estate,
Mumbai-400 001

Dear Sirs,

We have examined the attached financial information of L&T Finance Limited ('the Company') and its subsidiaries annexed to this report, which is proposed to be included in the Prospectus of the Company in connection with the proposed issue of the Secured Redeemable Non-Convertible Debentures ('NCDs') aggregating to Rs. 250 crore with an option to retain over subscription of Rs. 250 crore for issuance of additional NCDs in terms of requirement of Paragraph B Part-II of Schedule II to the Companies Act, 1956, the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued by the Securities and Exchange Board of India, amended from time to time and in terms of our Engagement Letter dated 24th December, 2009. The financial information has been prepared by the Company.

We have examined these financial statements taking into consideration the Guidance Note on Reports in Company Prospectus (Revised) issued by the Institute of Chartered Accountants of India.

1. Financial Information as per Audited Financial Statements of the Company

We have examined the following attached statements of the Company:

- a) the "Statement of Assets and Liabilities (Unconsolidated)" as at 30th September 2009, 31st March 2009, 31st March 2008, 31st March 2007, 31st March 2006 and 31st March 2005 (Annexure 1) and the Schedules forming part thereof - (Annexure 4);
- b) the "Statement of Profits and Losses (Unconsolidated)" for the half year ended 30th September 2009 and for each of the years ended 31st March 2009, 31st March, 2008, 31st March 2007, 31st March 2006 and 31st March 2005 (Annexure 2) and the Schedules forming part thereof (Annexure 5), and
- c) the "Statement of Cash Flows (Unconsolidated)" for the half year ended 30th September 2009 and for each of the years ended 31st March 2009, 31st March 2008, 31st March 2007, 31st March 2006 and 31st March 2005 (Annexure 3),

together referred to as "Summary Statements".

These Summary Statements have been extracted from the unconsolidated financial statements of the Company and based on our examination of these Summary Statements, we state that:

- a) These Summary Statements have been presented in "Rupees Lakhs" solely for the convenience of readers;
- b) These Summary Statements have to be read in conjunction with the relevant Accounting Policies of the Company along with the notes forming part of accounts given as per Annexure 10;
- c) the figures of earlier years/period have been regrouped wherever necessary, to conform to the classification adopted for the Summary Statements;
- d) There are no extra-ordinary items that need to be disclosed separately in the Summary Statements; and

- e) There are no qualifications in the auditor's reports that require adjustments to the figures in the Summary Statements.

2. Other Financial Information of the Company

We have examined the following Other Financial Information of the Company in respect of the half year ended 30th September 2009 and each of the years ended 31st March 2009, 31st March 2008, 31st March 2007, 31st March 2006 and 31st March 2005 proposed to be included in the Prospectus and annexed to this report:

- a) Statement of Dividends (Unconsolidated) - (Annexure 6)
- b) Capitalisation Statement (Unconsolidated) - (Annexure 7)
- c) Statement of Accounting Ratios - (Annexure 8)
- d) Statement of Tax Shelter - (Annexure 9)
- e) Disclosures pertaining to transactions with Related Parties - (Annexure 11)

3. Financial Information as per Audited Financial Statements of the Subsidiaries

We have also examined the "Statement of Assets and Liabilities" (Annexure 12) of L&T General Insurance Company Limited, a wholly owned subsidiary of the Company as at 30th September 2009, 31st March 2009 and 31st March, 2008, the "Statement of Income and Expenditure" (Annexure 13) for the half year ended 30th September 2009, for the year ended 31st March 2009 and for the period from 27th December 2007 (being the date of incorporation) to 31st March 2008 and the "Statement of Cash Flows" (Annexure 14) for the half year ended 30th September 2009, for the year ended 31st March 2009 and for the period from 27th December, 2007 (being the date of incorporation) to 31st March 2008. The above statements have to be read in conjunction with the relevant Accounting Policies of the Company along with the notes forming part of accounts given in the Annexure 15;

- 4. In our opinion, the 'Financial Information as per Audited Financial Statements of the Company' and 'Other Financial Information of the Company' mentioned above for the half year ended 30th September 2009 and for the years ended 31st March 2009, 31st March 2008, 31st March 2007, 31st March 2006 and 31st March 2005 and 'Financial Information as per audited Financial Statements of the Subsidiaries' for the respective periods have been prepared in accordance with Paragraph B of Part II of Schedule II to the Companies Act, 1956 and the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued by the Securities and Exchange Board of India, amended from time to time.
- 5. This report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.
- 6. This report is intended solely for your information and for inclusion in the Prospectus in connection with the proposed issue of NCDs aggregating to Rs. 250 crore with an option to retain over subscription of Rs. 250 crore for issuance of additional NCDs and is not to be used, referred to or distributed for any other purposes without our prior written consent.

SHARP & TANNAN
Chartered Accountants
by the hand of

MILIND P. PHADKE
Partner
Membership No. 033013

Mumbai, 18th January, 2010

L&T FINANCE LIMITED
STATEMENT OF ASSETS AND LIABILITIES (UNCONSOLIDATED)
Annexure 1
Rs. Lakhs

	Particulars	Schedule	As at 30 th September, 2009	As at 31st March,				
				2009	2008	2007	2006	2005
A	Fixed Assets	5	24,490.97	24,192.88	40,135.71	37,106.68	22,319.49	15,101.45
B	Investments	6	430.15	702.36	3,666.78	4,571.91	1,161.12	6,234.93
C	Current Assets, Loans and Advances	7						
	Stock-on-Hire		-	-	16.04	108.43	756.98	2,618.08
	Cash and Bank Balances		2,147.49	6,975.85	2,934.78	2,985.54	3,177.90	1,683.65
	Loans and Advances		565,703.34	499,827.05	453,968.98	258,193.94	114,366.13	65,689.67
	Sundry Debtors		28,583.60	17,906.07	11,206.81	5,946.76	2,229.96	973.83
	Other Current Assets		4,801.76	3,312.25	2,136.83	760.27	32.71	25.68
			626,157.31	528,021.22	470,263.44	267,994.94	120,563.68	70,990.91
D	Liabilities and Provisions							
	Secured Loans	3	349,653.08	248,358.09	232,424.08	120,927.89	57,870.31	27,721.53
	Unsecured Loans	4	163,863.77	196,750.27	171,877.09	133,503.99	55,184.97	44,207.01
	Current Liabilities and Provisions	8	19,212.08	20,173.19	35,077.86	17,470.15	9,478.96	7,002.15
			532,728.93	465,281.55	439,379.03	271,902.03	122,534.24	78,930.69
E	Deferred Tax Asset/(Liability)		(3,145.10)	(3,089.10)	(2,524.10)	-	-	-
F	Net Worth		90,283.28	84,545.81	72,162.80	37,771.50	21,510.05	13,396.60
G	Represented by							
	1. Share Capital	1	19,294.15	18,669.15	18,669.15	12,419.15	9,919.15	8,669.15
	2. Share Application Money			2,500.00	-	-	-	-
	3. Reserves and Surplus	2	70,989.13	63,376.66	53,493.65	25,352.35	11,590.90	4,727.45
	Net Worth		90,283.28	84,545.81	72,162.80	37,771.50	21,510.05	13,396.60

L&T FINANCE LIMITED
Annexure 2
STATEMENT OF PROFITS AND LOSSES (UNCONSOLIDATED)
Rs. Lakhs

Particulars	Schedule	For the half-year ended 30 th September, 2009	For the year ended 31st March,				
			2009	2008	2007	2006	2005
Income							
Income from Operations	9	42,180.95	83,027.67	60,606.19	27,537.59	14,905.60	11,004.79
Total		42180.95	83,027.67	60,606.19	27,537.59	14,905.60	11,004.79
Expenditure							
Employee cost	10	2,209.72	3,189.02	1,865.27	847.27	520.19	355.86
Administration and other expenses	11	8,101.75	8,241.55	3,612.54	2,087.22	1,077.89	1,982.34
Interest & Other Finance Charges	12	20,925.99	51,370.36	33,634.08	13,559.46	7,081.33	4,710.50
Depreciation and Amortisation		2,262.03	5,690.63	5,359.10	3,321.58	1,941.41	1,344.90
Total		33,499.48	68,491.56	44,470.99	19,815.53	10,620.82	8,393.60
Net Profit before taxes and extra-ordinary items		8,681.47	14,536.11	16,135.20	7,722.06	4,284.78	2,611.19
Current Tax (including wealth tax)		2,888.00	4,031.00	4,183.00	1,434.00	754.00	208.00
Deferred Tax		56.00	565.00	414.00	-	-	-
Fringe Benefit Tax		-	57.10	36.80	26.61	17.32	-
Net Profit before extra-ordinary items		5,737.47	9,883.01	11,501.40	6,261.45	3,513.46	2,403.19
Extra-ordinary items		-	-	-	-	-	-
Net Profit after extra-ordinary items		5,737.47	9,883.01	11,501.40	6,261.45	3,513.46	2,403.19

L&T FINANCE LIMITED
Annexure 3
CASH FLOW STATEMENT (UNCONSOLIDATED)
Rs. Lakhs

Particulars	For the half-year ended 30 th September, 2009	For the year ended 31st March,				
		2009	2008	2007	2006	2005
A. Cash flow from operating activities						
Net profit before tax as per profit and loss account	8,681.47	14,536.11	16,135.20	7,722.05	4,284.78	2,611.19
Adjustment for :						
Depreciation	2,262.03	5,690.63	5,359.10	3,321.58	1,941.41	1,344.90
(Profit)/Loss on sale of investments(net)	(307.57)	189.06	(147.58)	(709.50)	(499.62)	(162.98)
(Profit)/Loss on sale of fixed assets	(49.59)	107.39	(22.54)	(28.96)	(20.31)	(36.44)
Interest and dividend received on investments	(51.56)	(531.26)	(881.95)	(153.81)	(298.44)	(202.09)
Provision for leave encashment	30.00	19.12	40.32	12.34	18.55	2.28
Provision for diminution in value of investments	(115.87)	117.09	(214.58)	213.93	(239.68)	240.33
Provision for non performing assets/write offs	3,372.00	538.57	605.27	181.23	47.37	163.24
Operating profit before working capital changes	13,820.91	20,666.70	20,873.24	10,558.86	5,234.06	3,960.43
Adjustment for :						
(Increase)/Decrease in net stock on hire	-	16.04	92.39	306.81	1,408.49	4,677.67
(Increase)/Decrease in trade and other receivables and advances	(81,415.34)	(54,271.31)	(203,016.93)	(148,110.36)	(49,934.38)	(23,745.14)
Increase/(Decrease) in trade and other payables	(991.11)	(14,923.80)	17,567.39	7,977.56	2,476.81	616.93
Cash generated from operations	(68,585.54)	(48,512.37)	(164,483.91)	(129,267.13)	(40,815.02)	(14,490.11)
Direct taxes paid	(2,888.00)	(4,088.10)	(4,219.80)	(1,460.61)	(771.32)	(208.00)

Net cash flow from operating activities (A)	(71,473.54)	(52,600.47)	(168,703.71)	(130,727.74)	(41,586.34)	(14,698.11)
B. Cash flow from investing activities						
Purchase of fixed assets (including capital work in progress)	(3,615.54)	(8,658.41)	(8,856.87)	(18,821.35)	(9,301.68)	(7,045.90)
Proceeds/Adjustments from sale of fixed assets	1,105.02	18,803.23	491.28	741.54	143.98	1,507.40
Purchase of shares of subsidiaries & associate company	(200.00)	-	(1,305.00)	-	-	-
Purchase of Investments	(333,385.34)	(1,405,367.22)	(1,608,266.80)	(328,334.97)	(13,707.15)	(36,336.03)
Sale of Investments	334,280.99	1,405,875.50	1,610,839.09	325,419.76	19,520.26	34,088.42
Sale of shares of subsidiaries & associate company	-	2,150.00	-	-	-	-
Interest or dividend received on investments	51.55	531.26	881.95	153.81	298.44	202.09
Net cash from investing activities (B)	(1,763.32)	13,334.36	(6,216.35)	(20,841.21)	(3,046.15)	(7,584.02)
C. Cash flow from financing activities						
Increase/(Decrease) in secured loans	101,295.00	15,934.00	111,496.19	63,057.58	30,148.78	(3,961.36)
Increase/(Decrease) in unsecured loans (net)	(32,886.50)	24,873.19	38,373.11	78,319.01	10,977.96	26,567.71
Dividends paid during the year	-	-	-	-	-	(490.11)
Proceeds from issue of share capital including securities premium	-	2,500.00	25,000.00	10,000.00	5,000.00	-
Net cash generated (used in)/ from financing activities (C)	68,408.50	43,307.19	174,869.30	151,376.59	46,126.74	22,116.24
Net cash increase/(decrease) in cash and cash equivalents (A+B+C)	(4,828.36)	4,041.07	(50.76)	(192.36)	1,494.25	(165.89)
Cash and cash equivalents as at beginning of the year	6,975.85	2,934.78	2,985.54	3,177.90	1,683.65	1,849.54
Cash and cash equivalents as at end of the year	2,147.49	6,975.85	2,934.78	2,985.54	3,177.90	1,683.65

Notes:

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

L&T FINANCE LIMITED
Annexure 4
SCHEDULES TO THE STATEMENT OF ASSETS AND LIABILITIES (UNCONSOLIDATED)
Schedule 1
SHARE CAPITAL
Rs. Lakhs

	As at 30 th September, 2009	As at 31st March,				
		2009	2008	2007	2006	2005
Authorised						
200,000,000 Equity shares of Rs.10 each fully paid up (as at 30 th September, 2009)	20,000.00	20,000.00	19,000.00	17,500.00	10,000.00	10,000.00
	20,000.00	20,000.00	19,000.00	17,500.00	10,000.00	10,000.00
Issued and subscribed						
192,941,500 Equity shares of Rs.10 each fully paid up (as at 30 th September, 2009)	19,294.15	19,294.15	18,669.15	12,419.15	9,919.15	8,669.15
	19,294.15	19,294.15	18,669.15	12,419.15	9,919.15	8,669.15
Paid-up						
192,941,500 Equity shares of Rs.10 each fully paid up (as at 30 th September, 2009)	19,294.15	18,669.15	18,669.15	12,419.15	9,919.15	8,669.15
	19,294.15	18,669.15	18,669.15	12,419.15	9,919.15	8,669.15
26,691,500 Equity shares are allotted as fully paid up for a consideration other than cash consequent on amalgamation						
192,941,500 Equity shares as at 30 th September, 2009 are held by L&T Capital Holdings Limited, the holding company & its nominees. Larsen & Toubro Limited being the ultimate holding company						

Schedule 2
RESERVES AND SURPLUS
Rs. Lakhs

	As at 30 th September, 2009	As at 31st March,				
		2009	2008	2007	2006	2005
Reserve u/s 45-IC of RBI Act, 1934						
As per last balance sheet	7,911.89	5,934.89	3,624.89	2,364.89	1,654.89	1,173.89
Add : Transferred from profit and loss account	-	1,977.00	2,310.00	1,260.00	710.00	481.00
(A)	7,911.89	7,911.89	5,934.89	3,624.89	2,364.89	1,654.89
General Reserve						
As per last balance sheet	6,484.31	6,484.31	8,594.41	4,994.41	2,694.41	1,694.42
Add : Deferred tax assets as at 01.04.2007	-	-	115.90	-	-	-
Less : Deferred tax liabilities as at 01.04.2007	-	-	2,226.00	-	-	-
Add : Transferred from profit and loss account	-	-	-	3,600.00	2,700.00	1,000.00
Less : Utilised during the year	-	-	-	-	400.00	-
(B)	6,484.31	6,484.31	6,484.31	8,594.41	4,994.41	2,694.42
Capital Redemption Reserve						
As per last balance sheet	82.25	82.25	82.25	82.25	82.25	82.25
Add : Addition during the year	-	-	-	-	-	-
(C)	82.25	82.25	82.25	82.25	82.25	82.25
Securities Premium Account						
As per last balance sheet	30,000.00	30,000.00	11,250.00	3,750.00	-	-
Add : Received during the year	1,875.00	-	18,750.00	7,500.00	3,750.00	-
(D)	31,875.00	30,000.00	30,000.00	11,250.00	3,750.00	-
Debenture Redemption Reserve						
As per last balance sheet	-	-	-	-	-	150.00
Less : Transferred to profit and loss account	-	-	-	-	-	150.00
(E)	-	-	-	-	-	-
Balance in Profit and Loss Account	24,635.68	18,898.20	10,992.20	1,800.80	399.35	295.89
(F)	24,635.68	18,898.20	10,992.20	1,800.80	399.35	295.89
(A+B+C+D+E+F)	70,989.13	63,376.66	53,493.65	25,352.35	11,590.90	4,727.45

L&T FINANCE LIMITED

Schedule 3

SECURED LOANS

Rs. Lakhs

	As at 30 th September, 2009	As at 31st March,				
		2009	2008	2007	2006	2005
Secured Redeemable Non Convertible Debentures	203,950.00	90,000.00	94,700.00	54,700.00	20,000.00	3,500.00
From Banks :						
Term loan*	123,600.00	146,975.00	125,675.00	46,900.00	27,541.86	16,651.45
Foreign Currency Loan**	18,103.08	6,383.09	5,049.08	10,327.89	10,328.45	6,070.08
Others***	4,000.00	5,000.00	7,000.00	9,000.00	-	1,500.00
	349,653.08	248,358.09	232,424.08	120,927.89	57,870.31	27,721.53

Note:

Cash Credit/ Working Capital Demand Loan is secured by hypothecation of specified hire purchases/lease assets and book debt relating to lease, hire purchase and other activities.

* Term Loan is secured by hypothecation of specified hire purchase/ lease/term loan receivables

** Foreign currency loan is secured by hypothecation of specified hire purchases/ lease assets and term loan receivables and book debts relating to lease, hire purchase and other activities.

*** Other Term loan is secured by hypothecation of specified fixed assets of the Company and exclusive first charge on specified receivables.

Schedule 4

UNSECURED LOANS

Rs. Lakhs

	As at 30 th September, 2009	As at 31st March,				
		2009	2008	2007	2006	2005
Fixed Deposits	-	-	-	-	-	48.16
Loans and advances from subsidiary	85.50	-	775.00	965.00	605.00	299.00
Short-term loans and advances:						
From banks						
Short term loans	43,599.99	121,599.99	67,099.99	24,499.99	30,499.99	32,000.00
Commercial paper	80,000.00	54,000.00	90,000.00	76,000.00	9,500.00	-
From Others						
Non Convertible Debenture	30,000.00	18,500.00	10,000.00	19,500.00	7,000.00	7,800.00
From Others	10,178.00	2,650.00	4,000.00	12,531.77	7,557.15	4,000.00
Other loans and advances						
Lease finance	0.28	0.28	2.10	7.23	22.83	59.85
	163,863.77	196,750.27	171,877.09	133,503.99	55,184.97	44,207.01

L&T FINANCE LIMITED
Schedule 5
FIXED ASSETS

Rs. Lakhs

	As at 30 th September, 2009	Net Block				
		As at 31st March,				
		2009	2008	2007	2006	2005
Tangible Fixed Assets						
Owned Assets						
Building	3,222.29	3,252.43	3,312.70	3,372.97	3,433.24	3,211.83
Plant & Machinery	6,426.21	6,484.31	23,458.38	19,151.89	10,823.49	5,500.05
Furniture & Fixtures	1,783.39	1,615.96	139.12	98.05	94.89	24.17
Motor Car	8,088.52	7,578.08	6,630.03	7,199.27	4,852.96	3,019.05
Vehicles	22.68	35.63	584.83	746.77	346.27	383.52
Computers	3,401.47	3,483.88	4,389.34	3,445.05	347.49	170.60
(A)	22,944.56	22,450.29	38,514.40	34,014.00	19,898.34	12,309.22
Assets taken on lease						
Vehicles	0.49	0.68	2.72	11.80	27.98	39.11
Plant & Machinery	-	-	-	-	-	2.14
(B)	0.49	0.68	2.72	11.80	27.98	41.25
(C) = (A) + (B)	22,945.05	22,450.96	38,517.12	34,025.80	19,926.32	12,350.47
Intangible Fixed Assets						
Owned Assets						
Specialised Software	480.10	540.99	215.13	53.88	32.41	53.87
(D)	480.10	540.99	215.13	53.88	32.41	53.87
(C) + (D)	23,425.15	22,991.96	38,732.25	34,079.68	19,958.73	12,404.34
Add: Capital work in progress	1,065.82	1,200.92	1,403.46	3,027.00	2,360.76	2,697.11
	24,490.97	24,192.88	40,135.71	37,106.68	22,319.49	15,101.45

Schedule 6

INVESTMENTS

Rs. Lakhs

	As at 30 th September, 2009	As at 31st March,				
		2009	2008	2007	2006	2005
Long Term Investments						
Government Securities	0.04	0.04	0.04	0.04	0.03	0.03
Fully paid equity shares	205.00	5.00	2,155.00	850.00	1,150.00	4,043.07
	205.04	5.04	2,155.04	850.04	1,150.03	4,043.10
Current Investments						
Fully paid equity shares	276.18	864.25	61.59	1,986.30	61.59	2,482.01
Mutual Funds	-	-	1,500.00	2,000.00	-	-
Others	0.01	0.01	0.01	0.01	0.01	0.01
	276.19	864.26	1,561.60	3,986.31	61.60	2,482.02
	481.23	869.30	3,716.64	4,836.35	1,211.63	6,525.12
Less: Provision for diminution in value of investments	51.08	166.94	49.86	264.44	50.51	290.19
Total	430.15	702.36	3,666.78	4,571.91	1,161.12	6,234.93
Note:						
Quoted Investments						
Book Value	226.32	814.39	1,511.73	3,936.44	11.08	2,191.82
Market Value	244.08	721.68	1,520.45	3,724.93	11.08	2,191.82
Unquoted Investments						
Book Value	205.05	5.05	2,155.05	635.47	1,150.04	4,043.11
Details of investments for the respective years may be referred from the Annual Reports of the respective years.						

L&T FINANCE LIMITED
Schedule 7
CURRENT ASSETS, LOANS AND ADVANCES
Rs. Lakhs

	As at 30 th September, 2009	As at 31 st March,				
		2009	2008	2007	2006	2005
Loans & Advances towards financing activities						
Secured, considered good						
Loans against pledge of shares and securities	44,759.38	36,417.03	31,895.03	16,709.64	8,336.62	450.00
Unsecured, considered good						
Bills discounted	16,901.95	21,997.08	23,094.13	29,940.94	16,619.54	6,450.49
Other loans	478,673.65	418,578.93	372,916.72	193,381.27	76,071.99	33,495.96
	495,575.60	440,576.01	396,010.85	223,322.21	92,691.53	39,946.45
Unsecured, considered doubtful						
Other loans	12,787.92	8,080.68	3,549.24	521.29	158.68	44.59
Less: Provision for non-performing assets	1,278.79	808.07	354.92	60.00	18.77	16.84
	11,509.13	7,272.61	3,194.32	461.29	139.91	27.75
Advances towards lease capital assets	-	0.00	1,626.78	514.28	53.56	66.56
	551,844.11	484,265.65	432,726.98	241,007.42	101,221.62	40,490.76

Rs. Lakhs

	As at 30 th September, 2009	As at 31 st March,				
		2009	2008	2007	2006	2005
Current Assets, Loan and Advances						
Stock on hire (secured by Hire Purchase Agreements)	-	-	16.04	108.43	415.24	2,131.63
Stock on hire of assets repossessed						
On Hire Purchase agreements	-	-	-	-	-	33.84
On Term Loan Agreements	-	-	-	-	341.74	-
(At cost or market value, whichever is less)						
	-	-	16.04	108.43	756.98	2,165.47
Sundry Debtors						
Unsecured, considered good						
Debts outstanding for a period exceeding six months	4,585.59	3,385.10	964.81	193.92	137.58	286.05
Others	26,203.86	15,986.54	10,242.00	5,752.84	2,092.38	1,140.39
Less: Provision for doubtful debts	2,205.84	1,465.57	536.77	-	-	-
	28,583.60	17,906.07	10,670.04	5,946.76	2,229.96	1,426.44
Cash and Bank Balances						
Cash in hand	8.49	7.96	4.13	1.83	1.95	0.55
Cheques on hand	-	-	-	-	-	2.48
Balances with Scheduled Banks						
- on current account	2,126.70	6,955.60	2,918.46	2,967.25	3,159.49	1,649.93
- on deposit account (including interest accrued thereon)	12.29	12.29	12.19	16.46	16.46	30.69
(pledged with sales tax authorities as security and with banks as margin money against guarantees issued)						

Other Current Assets	2,147.49	6,975.85	2,934.78	2,985.54	3,177.90	1,683.65
Interest accrued	4,801.76	3,312.25	2,136.84	760.27	32.71	25.68
Other Loans & Advances						
Advances recoverable in cash or kind or for value to be received	13,859.23	15,561.40	21,778.76	17,186.52	13,144.51	25,198.91
	49,392.08	43,755.57	37,536.46	26,987.52	19,342.06	30,500.15
	601,236.19	528,021.22	470,263.44	267,994.94	120,563.68	70,990.91

L&T FINANCE LIMITED
Schedule 8
CURRENT LIABILITIES AND PROVISIONS
Rs. Lakhs

	As at 30 th September, 2009	As at 31st March,				
		2009	2008	2007	2006	2005
Liabilities						
Sundry creditors						
Micro and small enterprises	-	-	-	-	-	-
Others	13,289.00	12,943.86	26,380.49	13,703.52	6,979.27	4,990.52
Security deposits	220.04	447.43	614.63	258.82	547.68	822.49
Interest accrued but not due	2,650.57	2,547.60	3,727.12	1,981.98	1,124.56	420.73
Advances Received - Hire Purchase / Lease		-	-	-	-	41.72
	16,159.61	15,938.89	30,722.24	15,944.32	8,651.51	6,275.46
Provisions						
Taxes	2,888.00	4,031.00	4,183.00	1,434.00	754.00	208.00
Fringe Benefit Tax	-	57.10	36.80	26.61	17.32	-
Proposed Equity Dividend	-	-	-	-	-	433.45
Additional Tax on Dividend	-	-	-	-	-	56.65
Gratuity	17.00	28.73	37.48	7.19	10.44	1.45
Compensated expenses/leave encashment	147.47	117.47	98.34	58.03	45.69	27.14
	3,052.47	4,234.30	4,355.62	1,525.83	827.45	726.69
	19,212.08	20,173.19	35,077.86	17,470.15	9,478.96	7,002.15

L&T FINANCE LIMITED
SCHEDULES TO THE STATEMENT OF PROFITS AND LOSSES (UNCONSOLIDATED)

Annexure 5

Schedule 9

INCOME FROM OPERATIONS

Rs. Lakhs

	For the half-year ended 30 th September, 2009	For the year ended 31 st March,				
		2009	2008	2007	2006	2005
Lease and hire purchase	2,174.51	13,625.51	10,373.94	7,020.51	3,939.14	3,473.36
Bills Discounting	1,141.04	2,805.42	3,478.49	1,949.76	845.48	737.00
Term loan and other financing activities	38,331.50	65,319.07	44,801.91	16,639.46	8,493.64	5,989.04
Networking activities	11.19	70.10	301.35	399.07	398.64	394.86
Income from investments						
- Dividend from Subsidiary Company	-	-	-	-	82.50	-
- Others	359.13	342.20	1,029.53	863.31	715.56	365.08
Other Operational income	163.58	865.37	620.97	665.48	430.64	45.45
	42,180.95	83,027.67	60,606.19	27,537.59	14,905.60	11,004.79

Schedule 10

EMPLOYEE COSTS

Rs. Lakhs

	For the half-year ended 30 th September, 2009	For the year ended 31 st March,				
		2009	2008	2007	2006	2005
Salaries	1,963.31	2,753.49	1,557.88	699.71	414.69	306.50
Contribution to and provision for:						
Provident fund and pension fund	71.16	123.49	75.03	37.37	19.87	12.81
Gratuity fund	17.00	32.73	37.48	7.19	10.44	1.45
Superannuation fund	5.07	8.43	8.63	7.28	5.38	3.92
Compensated expenses/leave encashment	40.70	42.25	44.61	17.90	19.67	5.37
	133.93	206.90	165.75	69.74	55.36	23.55
Welfare and other expenses	112.48	228.63	141.64	77.82	50.14	25.81
	2,209.72	3,189.02	1,865.27	847.27	520.19	355.86

L&T FINANCE LIMITED
Schedule 11
ADMINISTRATIVE AND OTHER EXPENSES
Rs. Lakhs

	For the half-year ended 30 th September, 2009	For the year ended 31 st March,				
		2009	2008	2007	2006	2005
Travelling and conveyance	342.12	725.46	589.94	323.92	202.56	163.34
Printing and stationery	99.85	136.07	83.69	60.70	26.47	14.10
Telephone, postage and telegrams	268.11	374.90	352.44	255.03	227.25	298.57
Director's sitting fees	-	-	0.44	0.34	0.42	0.48
Brokerage and service charges	64.78	360.34	215.68	81.72	104.42	222.20
Advertising and publicity	2.39	3.61	16.75	9.46	6.21	8.25
Repairs and maintenance						
Building	-	-	-	-	3.42	0.50
Plant and machinery	7.61	12.86	39.25	0.96	6.46	3.98
Others	279.10	251.79	214.56	123.20	63.07	95.49
Rent	777.29	991.72	171.26	44.10	19.86	32.07
Rates and taxes	163.66	156.89	72.57	44.64	70.33	70.46
Electricity charges	103.58	118.79	61.53	23.69	13.61	13.00
Insurance	59.91	341.85	104.42	120.24	69.15	41.80
Auditors remuneration						
Audit fees	1.35	2.70	2.70	2.70	2.70	3.32
Tax Audit fees	-	0.78	0.78	0.78	0.78	0.78
Certification	-	1.10	0.81	2.10	1.18	1.10
Expenses reimbursed	-	0.04	0.10	0.43	0.26	0.59
	1.35	4.62	4.39	6.01	4.92	5.79
Provision for non-performing assets/write offs	3,372.00	538.57	605.28	181.23	447.37	163.24
Less : Transfer from General Reserve	-	-	-	-	400.00	-
	3,372.00	538.57	605.28	181.23	47.37	163.24
Provision for diminution in value of investments	(115.87)	117.09	(214.58)	213.93	(239.68)	240.33
Miscellaneous expenses	2,675.87	4,107.00	1,294.92	598.05	452.05	608.74
	8,101.75	8,241.56	3,612.54	2,087.22	1,077.89	1,982.34

L&T FINANCE LIMITED
Schedule 12
INTEREST AND OTHER FINANCE CHARGES
Rs. Lakhs

	For the half-year ended 30 th September, 2009	For the year ended 31 st March,				
		2009	2008	2007	2006	2005
Fixed loans	17,139.12	39,930.23	24,987.48	9,436.23	6,163.20	4,503.39
Others	3,786.87	11,440.13	8,646.60	4,123.23	918.13	207.11
	20,925.99	51,370.36	33,634.08	13,559.46	7,081.33	4,710.50

L&T FINANCE LIMITED
Annexure 6
STATEMENT OF DIVIDENDS (UNCONSOLIDATED)
Rs. Lakhs

Particulars	For the half-year ended 30 th September, 2009	For the year ended 31 st March,				
		2009	2008	2007	2006	2005
Equity Share Capital	19,294.15	18,669.15	18,669.15	12,419.15	9,919.15	8,669.15
Dividend Rate	-	-	-	-	-	10.00%
Amount of Dividend	-	-	-	-	-	866.91
Dividend Distribution Tax	-	-	-	-	-	113.29

Annexure 7
CAPITALISATION STATEMENT (UNCONSOLIDATED)
Rs. Lakhs

Particulars	As at 30 th September, 2009	As at 30 th September, 2009
	Pre Issue	Post Issue*
Secured Loans	349,653.08	399,653.08
Unsecured Loans	163,863.77	163,863.77
Total Debt	513,516.85	563,516.85
Shareholders' funds		
Share Capital	19,294.15	19,294.15
Reserves	70,989.13	70,989.13
Total Shareholders' funds	90,283.28	90,283.28
Debt to Equity Ratio (Number of times)	5.69	6.24

*After including the proposed Issue of NCDs amounting to Rs.50,000 lakhs.

STATEMENT OF ACCOUNTING RATIOS

Particulars	As at 30 th September 2009	As at 31 st March				
		2009	2008	2007	2006	2005
Earning Per Share (EPS)						
Profit after tax and available for equity shareholders (Rs.Lakhs)	5,737.47	9,883.01	11,501.40	6,261.45	3,513.46	2,403.19
Weighted Average Equivalent Number of Equity Shares						
- Basic	192,941,500	186,691,500	186,691,500	124,191,500	99,191,500	86,691,500
- Weighted	192,121,828	186,691,500	179,690,134	116,109,308	87,342,185	86,691,500
EPS (Rs.)						
- Basic & weighted	2.97*	5.29	6.40	5.39	4.02	2.77
Return on Net Worth						
Profit after tax (Rs. Lakhs)	5,737.47	9,883.01	11,501.40	6,261.45	3,513.46	2,403.19
Net Worth (Rs. Lakhs)	90,283.28	84,545.81	72,162.80	37,771.50	21,510.05	13,396.60
Return on Net Worth (%)	6.35	11.69	15.94	16.58	16.33	17.94

*Not annualized

Net Asset Value per Equity Share

Particulars	As at 30 th September 2009	As at 31 st March				
		2009	2008	2007	2006	2005
Net Worth (Rs. Lakhs)	90,283.28	84,545.81	72,162.80	37,771.50	21,510.05	13,396.60
Equivalent number of Equity Shares	192,941,500	186,691,500	186,691,500	124,191,500	99,191,500	86,691,500
Net Asset Value per Equity Share (Rs.)	46.79	45.29	38.65	30.41	21.69	15.45

L&T FINANCE LIMITED
Annexure 9
STATEMENT OF TAX SHELTER
Rs. Lakhs

Particulars	For the half-year ended 30 th September, 2009	For the year ended 31 st March,				
		2009	2008	2007	2006	2005
Profit before Taxes	8,681.47	14,536.11	16,135.19	7,722.05	4,284.78	2,611.19
Statutory Tax Rate	33.99%	33.99%	33.99%	33.66%	33.66%	36.59%
Tax at Statutory Rate	2,950.83	4,940.82	5,484.35	2,599.24	1,442.26	955.43
Adjustment for Permanent Differences:						
Dividend income exempt	51.00	530.19	879.14	138.38	281.06	152.20
Disallowance u/s 14A	(100.00)	(89.18)	(262.36)	-	-	-
Income taxable under the head capital gains	-	(254.00)	194.00	724.75	520.19	137.35
Other adjustments	263.26	2,803.10	2,434.39	2,177.76	982.08	2,144.83
Total due to permanent differences	214.26	2,990.11	3,245.17	3,040.89	1,783.33	2,434.38
Tax savings thereon	72.83	1,016.34	1,103.03	1,023.56	600.27	890.74
Capital Gains Tax	-	-	19.40	71.65	-	14.85
Additional Tax on account of MAT	-	-	-	-	-	-
Total Taxation	2,878.00	3,924.49	4,361.92	1,504.03	841.99	49.84
Fringe benefit tax provided in the books	-	57.10	36.80	26.61	17.32	-
Wealth tax in the books of accounts	10.00	20.00	15.88	18.00	14.00	8.00
Tax on profits before extra-ordinary items	2,888.00	4,001.59	4,414.60	1,548.64	873.31	57.84
Adjustments: Excess / Short Provision of Tax	-	86.51	(194.80)	(85.92)	(101.99)	146.96
Actual Provision for tax as per Profit and Loss Account	2,888.00	4,088.10	4,219.80	1,460.61	771.32	208.00

The adequacy of provision for taxation will be determined on the completion of assessment by the Income Tax Authorities for the relevant assessment years.

L&T FINANCE LIMITED**Annexure 10****A. SIGNIFICANT ACCOUNTING POLICIES****1. 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, prescribed 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.

2. 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 lease 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 lease 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.

3. Intangible Assets

An Intangible is recognised if, and only if:

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

4. Impairment of assets:

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

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

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

Recoverable amount is determined:

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

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

5. 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.

6. Foreign currency transactions, Forward contracts and Derivatives

The reporting currency of the company is the Indian Rupee

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

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

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

Derivative 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 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.

7. Revenue Recognition

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

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

8. 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.

9. Employee Benefits

Short Term Employee Benefits:

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

Post Employment Benefits:

Defined Contribution Plans: The Company's superannuation scheme and employee provident fund are defined contribution plans. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related service.

Defined Benefit Plans:

- (a) The employees' gratuity fund scheme is the company's defined benefit plan. 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 as at the balance sheet date, having maturity periods approximating to the terms of related obligations.

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.

Gain 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.

(b) Long Term Employee Benefits: The obligation for long term employee benefits such as long term compensated absences is recognized as defined benefits plans.

10. Borrowing Costs:

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

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

11. Depreciation

Owned assets

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

Assets given on lease

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

12. 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

13. Provisions, Contingent liabilities and contingent assets:

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

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

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

Contingent liability is disclosed in the case of

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

Contingent assets are neither recognized nor disclosed.

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

B. NOTES FORMING PART OF ACCOUNTS

1. Contingent Liabilities :

Rs. Lakhs

Particulars	For the half year ended	As at March				
	30.09.2009	2009	2008	2007	2006	2005
Income tax liability in respect of matters in Appeal	1326.14	1,326.14	1,077.31	1,716.51	1,534.43	1,574.67
Interest tax liability in respect of matters in Appeal	—	—	53.67	53.67	53.67	53.67
Sales tax liability in respect of matters in Appeal	384.67	375.53	414.06	229.95	183.27	347.00
Bond executed in respect of legal matters	10.00	10.00	10.00	10.00	10.00	10.00
Estimated amount of contract remaining to be executed on Capital Account (net of advances) and not provided for including owned assets	—	—	—	—	—	681.55

2. Secured Redeemable Non-convertible Debentures:

Public Issue:

Sr. No.	Face Value	Date of Allotment	Amount (Rs. Lakhs)	Interest	Redemption
1	Rs. 1000/- each	17 th September,2009	10,663.81	9.51%	Redeemable at par at the end of 60 months from the date of allotment
2	Rs. 1000/- each	17 th September,2009	29,634.83	9.62%	Redeemable at par at the end of 60 months from the date of allotment
3	Rs. 1000/- each	17 th September,2009	12,631.97	9.95%	Redeemable at par at the end of 88 months from the date of allotment
4	Rs. 1000/- each	17 th September,2009	47,069.39	10.24%	Redeemable at par at the end of 120 months from the date of allotment
	Total		1,00,000.00		

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

Others:

Sr. No.	Face Value	Date of Allotment	Amount (Rs. Lakhs)	Interest	Redemption
1	Rs. 10 lakhs each	12 th June, 2007	7,000	10.92%	Redeemable at par at the end of 36 months from the date of allotment
2	Rs. 10 lakhs each	1 st August, 2007	9,500	9.24%	Redeemable at par at the end of 36 months from the date of allotment
3	Rs. 10 lakhs each	5 th November, 2007	5,000	NSE Mibor + 198 bps	Redeemable at par at the end of 24 months from the date of allotment
4	Rs. 10 lakhs each	26 th May, 2008	10,000	NSE Mibor + 265 bps	Redeemable at par at the end of 24 months from the date of allotment
5	Rs. 10 lakhs each	7 th July, 2008	30,000	10.25%	Redeemable at par at the end of 36 months from the date of allotment
6	Rs. 10 lakhs each	21 st July, 2009	25,000	8.10%	Redeemable at par at the end of 24 months from the date of allotment
	Total		86,500		

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

3. Unsecured Redeemable Non-convertible Subordinated Debt:

Sr. No.	Series	Interest	30/09/2009 Rs. Lakhs	Date of Allotment	Earliest Redemption Date
1	Unsecured Redeemable Non-Convertible Subordinated Debt in the form of Debentures (Series "H" of FY 2007-08)	10.50%	7,500.00	20 th February, 2008	Redeemable at par at the end of 120 months from the date of allotment.

Unsecured Redeemable Non-convertible Debentures Others:

Sr. No.	Face Value	Deemed Date of Allotment	Amount Rs. Lakhs	Interest	Redemption
1	Rs. 1 crore each	25 th September, 2009	2,000	NSE Mibor	Redeemable at par at the end of 89 days from the date of allotment
2	Rs. 1 crore each	25 th September, 2009	500	NSE Mibor	Redeemable at par at the end of 89 days from the date of allotment
3	Rs. 1 crore each	29 th September, 2009	5,000	NSE Mibor + 100 bps	Redeemable at par at the end of 89 days from the date of allotment
4	Rs. 1 crore each	29 th September, 2009	2,500	NSE Mibor + 100 bps	Redeemable at par at the end of 89 days from the date of allotment
5	Rs. 1 crore each	29 th September, 2009	2,500	NSE Mibor + 100 bps	Redeemable at par at the end of 89 days from the date of allotment
6	Rs. 1 crore each	29 th September, 2009	2,500	NSE Mibor + 100 bps	Redeemable at par at the end of 86 days from the date of allotment
7	Rs. 1 crore each	29 th September, 2009	4,500	NSE Mibor + 100 bps	Redeemable at par at the end of 86 days from the date of allotment
8	Rs. 1 crore each	29 th September, 2009	3,000	NSE Mibor + 100 bps	Redeemable at par at the end of 86 days from the date of allotment
		Total	22,500		

4. Costs and Lease obligations of leased assets:

Rs. Lakhs

Particulars	For the half year ended	For the year ended 31 st March				
	30.09.2009	2009	2008	2007	2006	2005
Cost of Leased assets	2.11	2.11	7.41	40.00	77.91	75.79
Future lease obligations in respect of above assets	0.29	0.29	2.23	7.85	25.50	65.46

5. i) Finance lease obligations taken on lease :

The Company normally acquires assets/equipments under finance lease with the respective underlying assets/ equipments as security.

Minimum lease payments outstanding as of 30th September, 2009 in respect of these assets are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as at 30 th September, 2009	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	0.29	0.01	0.28
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
TOTAL	0.29	0.01	0.28

Minimum lease payments outstanding as of 31st March, 2009 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as at 31 st March, 2009	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	0.29	0.01	0.28
Later than one year and not later than five years	-	-	-
Later than five years	-	-	-
TOTAL	0.29	0.01	0.28

Minimum lease payments outstanding as of 31st March, 2008 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on 31 st March, 2008	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	1.94	0.12	1.82
Later than one year and not later than five years	0.29	0.01	0.28
Later than five years	-	-	-
TOTAL	2.23	0.13	2.10

Minimum lease payments outstanding as of 31st March, 2007 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on 31 st March, 2007	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	5.62	0.49	5.13
Later than one year and not later than five years	2.23	0.13	2.10
Later than five years	-	-	-
TOTAL	7.85	0.62	7.23

Minimum lease payments outstanding as of 31st March, 2006 are as under:

Rs.

Lakhs			
Due	Total Minimum Lease Payments Outstanding as on 31 st March, 2006	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	14.63	1.76	12.87
Later than one year and not later than five years	10.87	0.91	9.96
Later than five years	-	-	-
TOTAL	25.50	2.67	22.83

Minimum lease payments outstanding as of 31st March, 2005 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on 31 st March, 2005	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	34.35	3.63	30.72
Later than one year and not later than five years	31.11	1.98	29.13
Later than five years	-	-	-
TOTAL	65.46	5.61	59.85

ii) **Finance lease obligations given on lease:**

The Company has given assets on finance lease to its customers with respective underlying assets/equipments as security. Minimum lease payments outstanding as of 30th September 2009 in respect of these assets are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on September 30, 2009	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	1143.82	299.84	843.98
Later than one year and not later than five years	2545.69	433.27	2112.42
Later than five years	-	-	-
TOTAL	3689.51	733.11	2956.40

Minimum lease payments outstanding as of 31st March, 2009 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on March 31, 2009	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	371.90	48.21	323.69
Later than one year and not later than five years	333.94	30.65	303.29
Later than five years	-	-	-
TOTAL	705.84	78.86	626.98

Minimum lease payments outstanding as of 31st March, 2008 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on 31st March, 2008	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	2,197.91	163.66	2,034.25
Later than one year and not later than five years	3,942.15	808.85	3,133.30
Later than five years	-	-	-
TOTAL	6,140.06	972.51	5,167.55

Minimum lease payments outstanding as of 31st March, 2007 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on 31st March, 2007	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	1,238.89	233.44	1,005.45
Later than one year and not later than five years	2,014.84	217.35	1,797.49
Later than five year	-	-	-
TOTAL	3,253.73	450.79	2,802.94

Minimum lease payments outstanding as of 31st March, 2006 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on 31st March, 2006	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	625.06	142.17	482.89
Later than one year and not later than five years	1213.62	134.49	1079.13
Later than five year	-	-	-
TOTAL	1,838.68	276.66	1,562.02

Minimum lease payments outstanding as of 31st March, 2005 are as under:

Rs. Lakhs

Due	Total Minimum Lease Payments Outstanding as on 31st March, 2005	Interest Not Due	Present Value of Minimum Lease Payments
Within one year	247.65	23.53	224.12
Later than one year and not later than five years	659.93	59.99	599.94
Later than five year	-	-	-
TOTAL	907.58	83.52	824.06

6. Income from other financing activities include:

Rs. Lakhs

Particulars	For the half year ended	As at 31 st March				
	30.09.2009	2009	2008	2007	2006	2005
Interest on loans and advances	37,417.34	62,921.95	42,747.64	15,315.02	7,414.88	5,075.30
(Tax Deducted at Source)	(2,461.79)	(4,747.72)	(3,552.03)	(874.32)	(273.27)	(183.17)

7. Advances recoverable in cash or in kind include:

(i)

Rs. Lakhs

Particulars	For the half year ended	As at 31 st March				
	30.09.2009	2009	2008	2007	2006	2005
Loan to Officers	-	-	5.92	6.96	2.78	5.59
(Maximum amount outstanding during the year)	-	(5.92)	(6.96)	(6.96)	(5.59)	(5.80)

(ii) Rs. 28.18 lakhs being sales tax paid upto 31st December, 1997 in various states on inter-state lease / hire purchase transactions. Due to ambiguity in certain provisions of Sales Tax Act in respective states with respect to such transactions, recovery of the same from the customers is kept in abeyance. The Company has since then been paying sales tax on such transactions under protest in various states to the extent it is collected from the customers.

8. Assignment of Receivables:
Rs. Lakhs

Particulars	For the half year ended	For the year ended 31 st March,				
	30.09.2009	2009	2008	2007	2006	2005
Lease, hire purchase assets / receivables and term loan receivables assigned	--	39,969.00	--	16,206.82	19,432.58	34,836.69

The assignments / sale is without recourse to the Company. The Company does not expect any contingent or other liability in future in respect of these assigned/ sold assets/ receivables.

9. Value of imports (on CIF basis):
Rs. Lakhs

Particulars	For the half year ended	For the year ended 31 st March				
	30.09.2009	2009	2008	2007	2006	2005
Capital Goods	1,466.44	5,688.96	4,744.08	4,308.66	1,863.03	2,694.60

10. Employee Benefits:
a) Defined Contribution Plans:

Amount of Rs. 75.14 lakhs (*as at 31/03/2009 Rs 131.92 lakhs and as at 31/03/2008 Rs. 83.66 lakhs*) is recognised as an expense and included in Personnel Expenses in the profit and loss account.

b) Defined Benefit Plans :

The amounts recognized in Balance Sheet are as follows:

		Rs. Lakhs	
Particulars		Gratuity Plan	
		As at 31.03.2009	As at 31.03.2008
A.	Amount to be recognized in Balance Sheet		
	Present Value of Defined Benefit Obligation		
	- Wholly Funded	102.30	76.68
	- Wholly Unfunded	--	--
	Less: Fair value of Plan Assets	(69.57)	(39.20)
	Unrecognised Past Service Costs	--	--
	Amount to be recognised as liability or (asset)	32.73	37.48
B.	Amounts reflected in the Balance Sheet		
	Liability	32.73	37.48
	Assets	--	--
	Net Liability/ (asset)	32.73	37.48

Note: As this being done on annual basis, provision for the six months ended 30/09/2009 has been made on proportionate basis.

The amounts recognised in Profit and Loss Account are as follows:

		Rs. Lakhs	
Particulars		Gratuity Plan	
		2008-09	2007-08
1	Current Service Cost	27.35	12.63
2	Interest on Defined Benefit Obligation	7.81	4.61
3	Expected Return on Plan Assets	(3.21)	(2.69)
4	Actuarial Losses/(Gains)	0.78	18.45
5	Past Service Cost	--	--
6	Effect of any curtailment or settlement	--	--
7	Actuarial Gain not recognized in books	--	--
8	Adjustment for earlier years	--	4.48
	Total included in Employee Benefit Expenses	32.73	37.48
	Actual Return on Plan Assets	6.66	1.44

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

Rs. Lakhs

Particulars	Gratuity Plan	
	As at 31 st March, 2009	As at 31 st March, 2008
Balance of the present value of Defined Benefit Obligation as at April 1 st , 2008	76.68	--
as at April 1 st 2007	--	44.22
Add: Current Service Cost	27.35	12.63
Add: Interest Cost	7.81	4.61
Add/(less): Actuarial Losses/(Gain)	4.23	17.20
Add: Past service cost	--	--
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	(13.77)	(1.98)
Defined Benefit Obligation as at 31.03.2009	102.30	76.68

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

Rs. Lakhs

Particulars	Gratuity Plan	
	As at 31 st March, 2009	As at 31 st March, 2008
Opening balance of the fair value of the plan assets as at 1 st April, 2008	39.20	--
1 st April, 2007	--	32.55
Add: Expected Return on plan assets	3.21	2.69
Add/(less): Actuarial gains/(losses)	3.45	(1.25)
Add: Assets Distributed on Settlements	--	--
Add: Contributions by Employer	37.48	7.19
Add: Assets Acquired on Acquisition/(Distributed on Divestiture)	--	--
Add: Exchange Difference on Foreign Plans	--	--
Less: Benefits Paid	(13.77)	(1.98)
Closing balance of the plan assets	69.57	39.20

e) The broad categories of plan assets as a percentage of total plan assets as at 31.03.2009, are as follows:

	Particulars	Gratuity Plan			
		As at 31 st March, 2009		As at 31 st March, 2008	
		%	Rs. Lakhs	%	Rs. Lakhs
1	Government of India Securities	46%	32.28	43%	16.81
2	Corporate Bonds	43%	30.10	36%	14.19
3	Special Deposit Scheme	9%	6.30	16%	6.30
4	Equity Shares of Listed Companies	0%	--	0%	--
5	Property	0%	--	0%	--
6	Insurer Managed Funds	0%	--	0%	--
7	Others	1%	0.89	5%	1.89

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 st March, 2009	As at 31 st March, 2008
1. Discount rate	8.00%	7.80%
2. Expected return on plan assets	7.50%	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. Lakhs		
Particulars	As at 31.03.2009	As at 31.03.2008
Gratuity Plan		
Defined Benefit Obligation	102.30	76.68
Plan Assets	69.57	39.20
Surplus/(Deficit)	(32.73)	(37.48)

- i) 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 favourable compared to the obligation under the Payment of Gratuity Act, 1972.

2. 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.

11. Pursuant to the Employees Stock Options Scheme established by the ultimate holding company (i.e. Larsen & Toubro Limited), stock options were granted to the employees of the Company during the year 2007-08. Total cost incurred by the holding company, in respect of the same was Rs.191.88 lakhs. The same is being recovered over the period of vesting by the holding company. Accordingly, cost of Rs.20.98 lakhs (as at 31.03.2009 Rs.67.70 lakhs and as at 31.03.2008 Rs. 67.23 lakhs) has been recovered by the holding company in current year. Balance Rs.35.97 lakhs (as at 31.03.2009 Rs 56.95 lakhs and at 31.03.2008 Rs. 124.65 lakhs) will be recovered in future periods.

12. (i) **Segment Reporting : AS-17**

Primary Segment (Business Segment)

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

Secondary Segment (Geographical Segment)

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

(ii) Earnings per share (“EPS”) computed in accordance with Accounting Standard (AS) 20:

Rs. Lakhs

Particulars	For the half year ended	For the year ended March 31				
	30.09.2009	2009	2008	2007	2006	2005
Profit after tax for the year (Rs. Lakhs)	5,737.47	9,883.01	11,501.40	6,261.45	3,513.46	2,403.19
Number of equity shares	19,29,41,500	18,66,91,500	18,66,91,500	12,41,91,500	9,91,91,500	8,66,91,500
Weighted average number of equity shares	19,21,21,828	18,66,91,500	17,96,90,134	11,61,09,308	8,73,42,185	8,66,91,500
i) Nominal value of shares (Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
ii) Earnings per share Basic and diluted (Rs.)	2.97*	5.29	6.40	5.39	4.02	2.77

*Not annualized

13. Disclosure in respect of Operating Leases as required under Accounting Standards (AS) 19:
a) Gross Value of assets and accumulated depreciation as on balance sheet date:

Rs. Lakhs

	For the half year ended	For the year ended March 31				
	30.09.2009	2009	2008	2007	2006	2005
Gross Value of assets						
Plant and Machinery	7,772.11	7,458.05	29,349.55	22,656.63	12,198.93	6,493.40
Vehicles	13,029.45	11,922.03	11,364.49	10,670.98	6,736.84	4,613.22
Computers and Others	6,032.66	5,747.49	5,278.53	3,651.89	865.80	138.61
Accumulated Depreciation						
Plant and Machinery	1,722.01	1,317.72	6,071.51	3,603.63	1,969.95	1,091.27

	For the half year ended	For the year ended March 31				
	30.09.2009	2009	2008	2007	2006	2005
Vehicles	4,918.25	4,308.32	4,149.62	2,724.93	1,537.62	952.29
Computers and Others	2,435.14	2,083.56	1,273.55	313.42	62.79	9.62

(b)

Rs. Lakhs						
Particulars	For the half year ended	For the year ended March 31				
	30.09.2009	2009	2008	2007	2006	2005
Lease depreciation recognized in the profit and loss account	1,942.13	5,251.11	5,121.58	3,170.12	1,758.85	1,198.01

No contingent rent has been recognized in the Profit and Loss Account for the half year ended 30th September, 2009 and years ended 31st March, 2009, 2008,, 2007, 2006 and 2005.

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

14. Expenditure in Foreign currency:

Rs. Lakhs						
Particulars	For the half year ended	For the year ended 31 st March				
	30.09.2009	2009	2008	2007	2006	2005
On Interest	131.26	339.53	409.39	617.00	503.92	418.38
On other matters	5.86	8.79	1.00	1.12	1.12	1.12

15. Provision for taxes:

A.

Rs. Lakhs

Particulars	For the half year ended	For the year ended 31 st March				
		2009	2008	2007	2006	2005
	30.09.2009					
Income Tax	2878.00	4011.00	4167.11	1416.00	740.00	200.00
Wealth Tax	10.00	20.00	15.89	18.00	14.00	8.00
Fringe Benefit Tax	-	57.10	36.80	26.61	17.32	-

B.

Major components of Deferred Tax Assets and Liabilities:

Rs. Lakhs

Particulars	As at 30 th September 2009		As at 31 st March 2009	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities *
Difference between book depreciation and tax depreciation	--	2,158.02	--	1,849.40
Provision for doubtful debts and advances debited to profit and loss account	940.84	--	772.60	--
Unpaid statutory liability / provision for leave encashment debited to profit and loss account	49.28	--	39.76	--
Other items giving rise to timing difference	--	1,977.17	126.10	2,178.16
Total	990.12	4,135.19	938.46	4,027.56

Net deferred tax liability	3,145.07	3,089.10
Less: Deferred tax liabilities (net) Reserve –		--
- as at 1 st April 2009	3,089.10	2524.10
- as at 1 st April 2008	--	
Net incremental liability charged to profit and loss account	55.97	565.00

* Deferred Tax Liability: In terms of the interim injunction dated 6th December 2001 restraining the Institute of Chartered Accountants of India from implementing the Accounting Standard (AS) 22 Accounting for Taxes on Income, with reference to Non-Banking Finance Companies, issued by the High Court of Judicature at Madras in response to the Miscellaneous Petition No. 27682 of 2001 in Writ Petition No. 18827 of 2001 filed by the Association of Leasing & Financial Services Companies of which the Company is a member. Pending final disposal of this Petition, no provision was made in the accounts towards deferred tax liability till 31st March 2007. Subsequently, in view of decision given by the Hon'ble Supreme Court, the accounting standard is now made applicable.

Accordingly, the net deferred tax liability amounting to Rs.2,110.10 lakhs pertaining to the period prior to 1st April 2007 has been adjusted against General Reserve in accordance with the transitional provision of the standard.

16. Miscellaneous Expenditure includes:

Particulars	For the half year ended	For the year ended 31 st March					Rs. Lakhs
	30.09.2009	2009	2008	2007	2006	2005	
On account of loss on foreclosure of certain term loan agreements	1,609.02	2,226.65	189.49	--	--	--	
On account of loss on foreclosure of certain hire purchase agreements	--	--	--	--	10.58	48.10	
Provision on account of losses on future expected foreclosures and servicing costs	--	--	--	--	--	370.00	

17. The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at 30th September 2009. This information is given in respect of such vendors as could be identified as 'Micro' and 'Small Enterprises' on the basis of information available with the company.

18. L&T FINANCE LIMITED

Annexure 11

RELATED PARTY DISCLOSURES: AS 18

List of related parties where control exists

- | | |
|--|--------------------------|
| 1. Larsen & Toubro Limited | Ultimate Holding Company |
| 2. L&T Capital Holdings Limited | Holding Company |
| 3 .L&T General Insurance Company Limited | Subsidiary Company |

The following related party transactions were carried out during the half year 2009-10 and years 2008-09, 2007-08, 2006-07, 2005-06 and 2004-05:

Rs. Lakhs

No	Name of Company	Relationship	Nature of transaction	30.09.2009			2008-09			2007-08			2006-07		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
1	Larsen & Toubro Limited	Ultimate Holding Company	Transaction ICD Borrowed	--	--	--	83,000.00	--	--	1,51,500.00	--	--	71,765.00	8,531.77	--
			Equity shares issued (including share premium)	--	--	--	--	--	--	25,000.00	--	--	10,000.00	--	--
			Subscription to NCD Public Issue	8,431.74	--	--	--	--	--	--	--	--	--	--	--
			Sale of Investments	--	--	--	2,150.00	--	--	--	--	--	300.00	--	--
			Sale of Fixed Assets	--	--	--	3,664.66	--	--	--	--	--	--	--	--
			VAT on Sale	--	--	--	442.02	--	--	--	--	--	--	--	--
			Lease finance given	--	--	--	0.12	--	--	3,967.55	--	--	15,239.34	--	--

No	Name of Company	Relationship	Nature of transaction	30.09.2009			2008-09			2007-08			2006-07		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
			Expenditure												
			Interest on ICD borrowed	--	--	--	1,228.31	--	--	575.23	--	--	200.97	73.22	--
			Service Charges	235.11	216.47	--	680.92	248.44	--	181.72	71.73	--	89.27	89.27	--
			Salary, cost of employees on deputation	11.86	--	--	124.06	20.22	--	80.77	--	--	--	--	--
			Income												
			Lease Finance Charges	--	--	2.32	6.34	--	6.86	10.18	--	7.02	36.44	--	32.22
			Operating Lease Rental	423.17	--	202.95	6,840.66	--	1,317.48	7,564.20	--	622.30	6,173.72	--	2,256.65
			Service Charges	18.63	--	--	145.83	--	--	280.85	--	--	372.30	--	183.10
			Interest	--	--	--	187.33	--	187.33	--	--	--	--	--	--
			Salary, cost of employees on deputation	22.20	--	10.33	--	--	--	--	--	--	--	--	--
2.	L&T Capital Holdings Limited	Holding Company	Transaction												
			ICD Borrowed	806.00	806.00	--	204.00	--	--	--	--	--	--	--	--
			Share Application money received	--	--	--	2,500.00	--	--	--	--	--	--	--	--
			Equity Shares issued (including	2500.00	--	--	--	--	--	--	--	--	--	--	--

No	Name of Company	Relationship	Nature of transaction	30.09.2009			2008-09			2007-08			2006-07		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
			share premium)												
			Expenditure												
			Interest on ICD	7.04	7.04	--	0.04	0.04	--	--	--	--	--	--	--
3.	India Infrastructure Developers Limited	Fellow Subsidiary Company	Transaction												
			ICD Borrowed	4,557.00	4,557.00	--	--	--	--	--	--	--	--	--	--
			Expenditure												
			Interest on ICD	1.46	1.46	--	--	--	--	--	--	--	--	--	--
			Income												
			Service Charges	--	--	--	--	--	--	14.40	--	7.20	14.40	--	--
			Interest	--	--	--	--	--	--	--	--	--	52.80	--	--
4.	HPL Cogeneration Limited	Fellow Subsidiary Company	Transaction												
			ICD Borrowed	--	--	--	--	--	--	4,000.00	4,000.00	--	--	4,000.00	--
			Expenditure												
			Interest	--	--	--	39.56	--	--	381.04	--	--	288.41	--	--
5	L&T Capital Company Limited	Fellow Subsidiary Company	Transaction												
			Subscription to equity share capital	--	--	--	--	--	--	1,150.00	--	--	--	--	--
			ICD Borrowed	765.00	1,415	--	520.00	650.00	--	1,380.00	775.00	--	610.00	965.00	--
			Income												
			Operating Lease Rental	0.06	--	--	3.21	--	1.08	--	--	--	--	--	--
			Expenditure												

No	Name of Company	Relationship	Nature of transaction	30.09.2009			2008-09			2007-08			2006-07		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
			Interest on ICD	40.97	40.97	--	61.04	--	--	77.36	--	--	61.54	0.01	--
			Professional fees	--	--	--	--	--	--	--	--	--	1.00	1.00	--
6	Larsen & Toubro Infotech Limited	Fellow Subsidiary Company	Transaction												
			Lease Finance Given	--	--	--	--	--	--	85.95	--	--	405.13	--	--
			Expenditure												
			Service Charges	--	--	--	7.53	138.09	--	47.58	102.39	--	54.81	54.81	--
			Professional fees	--	--	--	--	--	--	--	--	--	5.86	--	--
			Income												
7	L&T – Sargent & Lundy Limited	Fellow Subsidiary Company	Lease Finance	--	--	0.02	1.51	--	7.16	3.02	--	3.71	4.28	--	--
			Charges Operating Lease Rentals	1.76	--	7.05	205.26	--	82.06	222.72	--	13.91	173.36	--	2.62
7	L&T – Sargent & Lundy Limited	Fellow Subsidiary Company	Transaction												
			Lease Finance Given	--	--	--	--	--	--	0.35	--	--	44.53	--	--
7	L&T – Sargent & Lundy Limited	Fellow Subsidiary Company	Income												
			Lease Finance Charges	--	--	0.73	5.09	--	8.90	7.08	--	7.84	4.94	--	5.11
8	Tractors Engineers Limited	Fellow Subsidiary Company	Transaction												
			Lease Finance given	--	--	--	--	--	--	4.51	--	--	33.67	--	--
8	Tractors Engineers Limited	Fellow Subsidiary Company	Income												
			Operating	0.19	--	--	8.52	--	0.01	10.70	--	2.84	4.36	--	1.40

No	Name of Company	Relationship	Nature of transaction	30.09.2009			2008-09			2007-08			2006-07		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
			Lease Rentals												
			Service Charges	--	--	4.61	--	--	4.61	2.50		4.61	2.50	--	1.80
9	L&T Infrastructure Finance Company Limited	Fellow Subsidiary Company	Transaction Purchase of Assets	--	--	--	1,200.00	--	--	--	--	--	--	--	--
			Expenditure Overheads charged	25.95	--	--	19.91	--	--	14.74	7.97	--	--	--	--
			Income Overheads Charged	5.72	--	--	10.58	--	--	6.77	--	--	--	--	--
10	L&T General Insurance Company Limited	Subsidiary Company	Transaction Unsecured Loan	--		20.00	20.00	--	20.00	--	--	--	--	--	--
			Subscription to equity shares	200.00	--	--	--	--	--	5.00	--	--	--	--	--
			ICD Borrowed	170.00	85.50	--	--	--	--	--	--	--	--	--	--
			Expenses Interest on ICD	3.01	1.89	--	--	--	--	--	--	--	--	--	--
11	NAC Infrastructure Equipment Limited	Fellow Associate Company	Transaction Subscription to equity shares	--	--	--	--	--	--	150.00	--	--	--	--	--
12	L&T Valdel	Fellow Subsidiary	Expenses Service Charge	--	--	--	--	--	--	--	--	--	--	--	--

No	Name of Company	Relationship	Nature of transaction	30.09.2009			2008-09			2007-08			2006-07		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
	Engineering Limited	Company	Income Operating Lease Rental	0.05	--	--	--	--	--	--	--	--	--	--	--

Rs. Lakhs

No	Name of Company	Relationship	Nature of transaction	2005-06			2004-05		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
1	Larsen & Toubro Limited	Ultimate Holding Company	Transaction						
			ICD Borrowed	22,241.57	3,557.14	--	38,325.00	--	--
			Equity shares issued (including share premium)	5,000.00	--	--	--	--	--
			Lease finance given	7,241.22	--	--	87.00	--	--
			Assignment / Sale of Lease / HP Receivables / Assets and Term Loan Receivables	--	--	--	22,419.00	--	22,419.00
			Expenditure						
			Interest on ICD borrowed	25.32	6.50	--	103.50	--	--
			Service Charges	66.13	--	--	128.19	6.75	--
			Income						
			Lease Finance Charges	11.14	--	--	11.44	--	--
2	India Infrastructure Developers Limited	Fellow Subsidiary Company	Operating Lease Rental	3,437.95	--	476.29	2,089.50	--	280.50
			Service Charges	354.02	--	30.88	458.60	--	101.28
			Transaction						
			Assignment of Hire Purchase / Term loan receivables	11,244.13	--	--	1,539.60	--	--
			ICD lent	3,000.00	--	1,573.10	--	--	--
			Sundry creditors	--	--	--	--	0.04	--

No	Name of Company	Relationship	Nature of transaction	2005-06			2004-05		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
			Income						
			Service Charges	14.40	--	--	14.40	--	--
			Interest	47.55	--	--	0.24	--	--
3	HPL Cogeneration Limited	Fellow Subsidiary Company	Transaction						
			ICD Borrowed	4,000.00	4,000.00	--	4,000.00	4,000.00	--
			Expenditure						
			Interest	274.45	1.15	--	263.28	--	--
4	L&T Capital Company Limited	Fellow Subsidiary Company	Transaction						
			ICD Borrowed	605.00	605.00	--	271.00	299.00	--
			Income						
			Service Charges	9.07	--	9.07	--	--	--
			Dividend	82.50	--	82.50	--	--	--
			Expenditure						
			Interest	47.65	--	--	18.01	18.01	--
			Professional fees	24.37	24.37	--	5.00	--	--
5	Larsen & Toubro Infotech Limited	Fellow Subsidiary Company	Transaction						
			Lease Finance Given	538.83	--	--	13.73	--	--
			Expenditure						
			Service Charges	52.55	28.15	--	39.96	81.50	--
			Professional fees	--	--	--	--	--	--
			Income						

No	Name of Company	Relationship	Nature of transaction	2005-06			2004-05		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
			Lease Finance Charges	3.11	--	--	11.72	--	--
			Operating Lease Rentals	67.24	--	--	265.13	--	--
			Service Charges	22.15	--	--	22.15	--	--
6	L&T – Sargent & Lundy Limited	Fellow Subsidiary Company	Transaction						
			Lease Finance Given	13.02	--	--	9.48	--	--
			Income						
			Lease Finance Charges	2.70	--	--	1.29	--	--
7	Tractors Engineers Limited	Fellow Subsidiary Company	Income						
			Operating Lease Rentals	2.17	--	--	2.65	--	--
			Service Charges	2.00	--	1.10	2.00	--	--
8	NAC Infrastructure Equipment Limited	Fellow Associate Company	Transaction						
			Investment Purchase	--	--	--	300.00	--	--
9	L&T Infrastructure Development Projects Limited	Fellow Subsidiary Company	Transaction						
			Investment Sale	2,893.07	--	--	--	--	--

L&T GENERAL INSURANCE COMPANY LIMITED
Annexure 12
STATEMENT OF ASSETS AND LIABILITIES
Rs. Lakhs

		As at 30 th September	As at 31 st March	
		2009	2009	2008
A	Fixed Assets	0.13	-	-
B	Investments	-	-	-
C	Current Assets, Loans and Advances			
	Cash and Bank Balances	1.96	4.85	5.00
	Loans and Advances (including sundry debtors)	99.14	-	-
		101.23	4.85	5.00
D	Liabilities and Provisions			
	Secured Loans	-	-	-
	Unsecured Loans	20.00	20.00	-
	Current Liabilities and Provisions	141.46	57.08	1.91
		161.46	77.08	1.91
E	Deferred Tax Asset/(Liability)	-	-	-
F	Net Worth	(60.23)	(72.23)	3.09
G	Represented by			
	1. Share Capital	5.00	5.00	5.00
	2. Share Application Money Received	200.00	-	-
	3. Reserves	-	-	-
	4. Miscellaneous Expenditure (to the extent not written off or adjusted)	-	-	(1.91)
	5. Excess of expenditure over income During pre-operational period	(265.23)	(77.23)	-
	Net Worth	(60.23)	(72.23)	3.09

L&T GENERAL INSURANCE COMPANY LIMITED
Annexure 13
STATEMENT OF INCOME & EXPENDITURE
Rs. Lakhs

Particulars	For the half year ended 30th September, 2009	For the year ended 31st March 2009	For the period from 27th December, 2007 to 31st March, 2008
Income			
Income from Operations	-	-	-
Other income	3.01	-	-
Total	3.01	-	-
Expenditure			
Personnel Expenses	75.96	30.51	-
Miscellaneous Expenses	115.05	44.80	-
Depreciation	0.01	-	-
Total	191.02	75.31	-
Profit / (loss) before taxes	(188.01)	(75.31)	-
Provision for taxes			
Current tax	-	-	-
Deferred Tax	-	-	-
Fringe Benefit Tax	-	-	-
Profit / (loss) after taxes	(188.01)	(75.31)	-

L&T GENERAL INSURANCE COMPANY LIMITED
Annexure 14
STATEMENT OF CASH FLOWS

		Rs. Lakhs		
	Particulars	For the half year ended 30th September, 2009	For the year ended 31st March, 2009	For the period from 27th December, 2007 to 31st March, 2008
A.	Cash Flow from Operating Activities			
	Net Profit / (Loss) before tax & extraordinary items	(188.00)	(75.31)	-
	Adjustment for:			
	Depreciation	-	-	-
	Prior period items	(77.23)	(1.92)	-
	Unrealised foreign exchange difference - net (gain) / loss	-	-	-
	Interest paid	-	-	-
	Interest received	-	-	-
	Operating Profit before working capital changes	(265.23)	(77.23)	-
	Adjustments for :			
	(Increase)/Decrease in loans and advances	(99.14)	-	-
	(Increase)/Decrease in miscellaneous expenditure	1.85	1.91	(1.91)
	Increase/(Decrease) in trade payables	139.61	75.17	1.91
	Net Cash from Operating Activities (A)	(222.91)	(0.15)	-
B.	Cash Flow from Investing Activities :			
	Purchase of fixed assets	(0.13)	-	-
	Net Cash / (used in) from Investing Activities (B)	(0.13)	-	-

C.	Cash Flow from Financing Activities :			
	Increase/(decrease) in unsecured loans	20.00	-	-
	Issue of equity shares and advance against share capital	-	-	5.00
	Share application money received	200.00	-	-
	Net Cash / (used in) from Financing Activities (C)	220.00	-	5.00
	Net increase/(decrease) in cash and cash equivalents (A+B+C)	(3.04)	(0.15)	5.00
	Cash and cash equivalents as at the beginning of the year / period	5.00	5.00	-
	Cash and cash equivalents as at the end of the year / period	1.96	4.85	5.00

Notes:

- 1) Cash flow statement has been prepared under the Indirect Method as set out in the Accounting Standard (AS) 3 issued by the Institute of Chartered Accountants of India.
- 2) Cash and cash equivalents represent cash and bank balances.

L&T GENERAL INSURANCE COMPANY LIMITED
A. SIGNIFICANT ACCOUNTING POLICIES
1. 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 provision of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standard) Rules, 2006, prescribed by the Central Government.

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 as of the date of the financial statements.

2. Employee Benefits:
Short Term Employee Benefits:

All employee benefits payable wholly within six months of rendering the services are classified as short-term employee benefits. Benefits such as salaries, 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:

State Governed Recognised Provident Fund linked with Employee Pension Scheme are defined contribution plans. The contribution paid/payable under the scheme is recognized during the period in which the employee renders the related services.

B. NOTES FORMING PART OF ACCOUNTS
1. Related Party Disclosure: AS 18
i. List of related parties who exercise control:

- | | |
|----------------------------|--------------------------|
| 1. Larsen & Toubro Limited | Ultimate Holding Company |
| 2. L&T Finance Limited | Holding Company |

ii. Names of the related parties with whom transactions were carried out during the year and descriptions of relationship:

- | | |
|----------------------------|--------------------------|
| 1. Larsen & Toubro Limited | Ultimate Holding Company |
| 2. L&T Finance Limited | Holding Company |

iii. Disclosure of related party transactions:
Rs. Lakhs

Sr. No.	Name of Company	Relationship	Nature of Transaction	For the half year ended 30 th September, 2009			For the year ended 31 st March, 2009		
				Amount	Amount due to	Amount due from	Amount	Amount due to	Amount due from
1	Larsen & Toubro Ltd	Ultimate Holding Company	Expenditure						
			Preliminary Expenses	-	-	-	-	-	-
			Other Expenses	-	0.01	-	-	-	-
2	L&T Finance Limited	Holding Company	Transaction						
			Unsecured Loan	-	20.00	-	20.00	20.00	-
			Share Application Money	200.00	-	-	-	-	-
			Inter Corporate Deposit	170.00	-	85.50	-	-	-
			Expenses						
			Preliminary expenses	-	-	-	-	1.782	-
			Professional fees	-	-	-	44.65	44.65	-
			Other expenses	-	-	7.38	7.38	-	-
			Income						
			Interest on Inter Corporate Deposit	3.01	-	1.89	-	-	-

Rs. Lakhs

Sr. No.	Name of Company	Relationship	Nature of Transaction	For the year ended 31 st March, 2008		
				Amount	Amount due to	Amount due from
1	Larsen & Toubro Ltd	Ultimate Holding Company	Expenditure			
			Preliminary Expenses	0.06	0.06	-
			Other Expenses	0.013	0.013	-
2	L&T Finance Limited	Holding Company	Transaction			
			Unsecured Loan	-	-	-
			Share Application Money	-	-	-
			Inter Corporate Deposit	-	-	-
			Expenses			
			Preliminary expenses	1.782	1.782	-
			Professional fees	-	-	-
			Other expenses	-	-	-
			Income			
			Interest on Inter Corporate Deposit	-	-	-

2. Expenditure in Foreign Currency:

Rs. Lakhs

	For the half year ended 30th September	For the year ended 31st March	
	2009	2009	2008
Professional fees	-	44.59	-

3. Earning per share ('EPS') computed in accordance with Accounting Standard (AS) 20:

	For the half year ended 30th September	For the year ended 31st March
	2009	2009
Profit after tax (Rs. Lakhs)	(188.00)	-
Weighted average number of equity shares outstanding	50,000	50,000
Earning per equity share basic (Rs. Lakhs)	(376.00)*	(150.63)
Nominal value of shares (Rs.)	10.00	10.00

*Not annualized

4. The Company has no amounts due to suppliers under the Micro, Small and Medium Enterprises Development Act, 2006 as at 30th September, 2009 and as at 31st March, 2009.

5. The previous year figures have been regrouped/ reclassified, wherever necessary.

DISCLOSURES ON EXISTING FINANCIAL INDEBTEDNESS

A. Details of Secured Borrowings:

The Company's secured borrowings as on February 2, 2010 amount to Rs. 377,233 lakhs. The details of the individual borrowings are set out below:

Term Loans			
		Rs in lakhs	
Lender	Date of financing	Amount outstanding	Date of Repayment
* The Federal Bank Limited	27/09/2007	6,383	27/06/2010
Infrastructure Development Finance Company Limited	27/09/2006	4,000	29/09/2011
BNP Paribas	25/03/2009	5,000	25/04/2010
BNP Paribas	25/03/2009	5,000	25/04/2011
State Bank of Bikaner & Jaipur	16/01/2008	5,000	16/01/2011
ING Vysya Bank Limited	27/12/2007	2,500	31/12/2010
Punjab & Sind Bank	29/08/2007	3,600	29/08/2012
ING Vysya Bank Limited	26/06/2009	6,250	26/06/2012
Corporation Bank	31/12/2007	6,000	31/12/2012
Calyon Bank-India	20/01/2008	4,000	20/02/2011
Punjab & Sind Bank	27/09/2007	2,400	27/09/2012
The Bank of Nova Scotia	25/08/2008	10,000	25/08/2010
HDFC Bank	24/10/2008	17,500	24/10/2011
BNP Paribas	29/12/2009	5,000	29/04/2012
BNP Paribas	29/12/2009	5,000	29/04/2012
ING Vysya Bank Limited	08/01/2010	15,000	08/01/2013
Total		102,633	

*FCNR Loan – inclusive of exchange rate differences as of March 31, 2009.

Our Company is contemplating availing of an additional facility of Rs. 500 crores which will be primarily and for most part be utilised for repayment of existing debt.

Working Capital Demand Loans		(Rs. Lakhs)	
Lender	Date of financing	Amount outstanding	Date of Repayment
Standard Chartered Bank	24/11/2009	14,600	20/05/2010
Standard Chartered Bank	28/08/2009	15,000	24/02/2010
Standard Chartered Bank	11/12/2009	5,000	09/06/2010
Standard Chartered Bank	29/01/2010	10,000	29/07/2011
Standard Chartered Bank	29/01/2010	10,000	27/01/2012
Standard Chartered Bank	29/01/2010	10,000	27/07/2012
Total		64,600	

Security:

The above Term Loans and Working Capital Demand Loans are secured by exclusive first charge on specific lease, hire purchase and term loan receivables / book debts of the Company, as identified from time to time to the satisfaction of the lenders.

External Commercial Borrowing

(Rs. lakhs)			
Lender	Date of financing	Amount outstanding	Date of Repayment
DBS Bank Ltd	27/04/2009	12,000	27/04/2012
Total		12,000	

Secured Redeemable Non-Convertible Debentures

The Company had issued secured redeemable non convertible debentures of face value of Rs. 1,000 each by way of public issue aggregating to Rs. 500 Crores with an option to retain oversubscription up to Rs. 500 Crores for issuance of additional NCDs, aggregating up to a total of Rs. 1,000 Crores outstanding as on February 2, 2010, the details of which are set out below:

(Rs. lakhs)

Deemed Date of Allotment	Number of NCD's	Outstanding Amount	Redemption Date
17/09/2009	1,066,400	10,664	17/09/2014
17/09/2009	2,963,500	29,635	17/09/2014
17/09/2009	1,263,200	12,632	17/01/2017
17/09/2009	4,706,900	47,069	17/09/2019
Total		100,000	

The Company has issued secured redeemable non convertible debentures of face value of Rs. 10 lakh each on a private placement basis of which Rs. 98,000 lakhs is outstanding as on February 2, 2010, the details of which are set out below:

(Rs. lakhs)

Deemed Date of Allotment	Description of NCD	Number of NCDs	Outstanding Amount	Redemption Date
12/06/2007	Series 'C' - 2007-08	700	7,000	11/06/2010
01/08/2007	*Series 'E' - 2007-08	950	9,500	30/07/2010
26/05/2008	Series 'A' - 2008-09	1,000	10,000	26/05/2010
07/07/2008	Series 'B' - 2008-09	3,000	30,000	07/11/2011
21/07/2009	Series 'A' - 2009-10	2,500	25,000	21/07/2011
29/09/2009	Series 'B' - 2009-10	1,650	16,500	29/09/2014
Total			98,000	

* Series 'E' originally had 1100 NCDs of which 150 NCDs were bought back by LTF on November 11, 2008 from investors. The bought back NCDs have been extinguished.

Security:

The secured redeemable non-convertible debentures issued by the Company in various tranches on a private placement basis are secured through Debenture Trust-cum-Mortgage Deeds, dated September 18, 2007, April 17, 2008 and November 21, 2008, entered into between the Company and the Debenture Trustee, Bank of Maharashtra by way of first *pari passu* mortgage on office premises bearing Nos.3 & 4 of Laxmi Finance and Leasing Companies Commercial Premises Co-Operative Society Limited, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051 and the share certificates pertaining to the same and by way of exclusive first charge by hypothecation of specific receivables of the Company with an asset cover of 1.10 times of the outstanding amount of NCDs.

B. Details of Unsecured Borrowings:

The Company's unsecured borrowings as on February 2, 2010 amount to Rs. 246,261 lakhs. The details of the individual borrowings are set out below:

Term Loans-Long Term

(Rs. lakhs)

Lender	Date of Financing	Outstanding Amount	Date of Repayment
Kotak Mahindra Bank Limited	12/06/2007	2,100	10/06/2010
Bank of Baroda	25/01/2009	17,500	05/02/2010
Total		19,600	

Unsecured, Redeemable, Non-Convertible Subordinated Debt in form of Debentures – Tier II

(Rs. lakhs)

Pay in Date	Description of NCD	Number of NCD's	Outstanding Amount	Date of Repayment
20/02/2008	Series 'H' of FY 2007-08	750	7,500	20/02/2018
Total			7,500	

Unsecured, Redeemable, Non-Convertible Debentures – Short Term*

(Rs. lakhs)

Pay in Date	Description of NCD	Number of NCD's	Outstanding Amount	Date of Repayment
05/01/2010	Series 'HR' -2009-10	100	10,000	31/03/2010
05/01/2010	Series 'HS' -2009-10	100	10,000	31/03/2010
05/01/2010	Series 'HT' -2009-10	50	5,000	31/03/2010
06/01/2010	Series 'HU' -2009-10	30	3,000	05/04/2010
13/01/2010	Series 'IC' -2009-10	50	5,000	12/04/2010
20/01/2010	Series 'II' -2009-10	50	5,000	19/04/2010
02/02/2010	Series 'IR' -2009-10	75	7,500	30/04/2010
02/02/2010	Series 'IS' -2009-10	25	2,500	30/04/2010
02/02/2010	Series 'IT' -2009-10	35	3,500	30/04/2010
Total			51,500	

* The NCDs are with daily put/call option, and as on February 2, 2010 the allotment is pending

Unsecured Inter Corporate Deposits:

We have Inter Corporate Deposits received from L&T group companies amounting to Rs. 10,161 lakhs outstanding as on February 2, 2010 repayable till October 31, 2011.

C. Other money market instruments

We have Commercial Papers aggregating to Rs. 157,500 lakhs outstanding as on February 2, 2010 repayable till December 10, 2010.

D. Asset-Liability Mismatch

The Company has been complying with the guidelines on Asset-Liability Mismatch and related disclosures as specified in the RBI Circular ref. DNBS(PD).CC.No.125/03.05.002/2008-09 dated August 1, 2008. The Company has in place an ALCO that meets at regular intervals to review the Asset-Liability mismatch positions.

The Company sources funds for its requirements through a diverse range of products such as term loans from banks, market borrowings in the form of commercial paper issuances, issue of secured / unsecured redeemable non-convertible debentures, working capital demand loans and cash credit facilities. Some of these borrowings are of short-term nature and fall due for repayment / re-pricing in the short-term. On its assets side, the Company has short-term products such as Vendor Finance and Dealer Finance and even from the longer tenor assets, a fairly large proportion is collected within a time frame of one year. As such, the funding mismatches are well within regulatory norms. The mismatches are regularly monitored by the ALCO and wherever necessitated corrective action is resorted to.

Based on the structural liquidity position as on September 30, 2009, as per the RBI norms, the Company has an asset-liability mismatch of Rs.11,238 lakhs over the next one year till September 30, 2010. The Company has adequate lines of credit from banks to suitably fund the mismatch.

The Company's borrowings primarily comprised of fixed rate borrowings and some of the borrowings are linked to benchmarks such as MIBOR, Bank PLR's, Reuters CP & Government Securities reference rates. On the assets side, interest rates are generally on fixed rate basis and interest rates on short-term assets are floating interest rates.

E. Corporate Actions

Some of the corporate actions for which the Company requires the prior written consent of lenders include the following:

- 1) to declare and/ or pay dividend to any of its shareholders whether equity or preference, during any financial year unless the Company has paid to the lender(s) the dues payable by the Company in that year;
- 2) to undertake or permit any merger, amalgamation or compromise with its creditors or effect any scheme of amalgamation or reconstruction;
- 3) to create or permit any charges or lien on any specific receivables / immovable asset, hypothecated / mortgaged to the respective lender(s) / trustee, as the case may be; and
- 4) to change the ownership and control of the Company.

F. Servicing behaviour on existing debt securities, payment of due interest on due dates on term loans and debt securities

In respect of all the existing debt securities / term loans / commercial papers, the payment of interest / principal have been made on the respective due dates as per the original terms of the issue / borrowings. The Company is regular in servicing the debt obligations and has never defaulted / delayed payment of interest / redemption proceeds on due dates on term loans and other debt securities issued since inception.

Prior Consent / No Objection of Debenture Trustee

As per the Debenture Trust-cum-Mortgage Deeds, dated September 18, 2007, April 17, 2008 and November 21, 2008, entered into between the Company and the Debenture Trustee, Bank of Maharashtra, who was also the debenture trustee for prior issues of secured debentures of the Company on private placement basis, prior consent / no objection, as the case may be, of Bank of Maharashtra is required for the creation of additional *pari passu* mortgage / charge on the office premises of the Company bearing Nos.3 and 4, Laxmi Finance and Leasing Companies Commercial Premises Co-Operative Society Limited, Bandra-Kurla Complex, Mumbai - 400 051. Bank of Maharashtra, the Debenture Trustee for the Company's prior issuances of non-convertible debentures in various tranches on a private placement basis, has conveyed "No Objection" for creation of an additional *pari passu* charge on the aforesaid office premises and the share certificates pertaining to the same vide Letter dated February 4, 2010

SECTION VI : ISSUE RELATED INFORMATION

TERMS OF THE ISSUE

The NCDs being offered as part of the Issue are subject to the provisions of the Act, SCRA, the Debt Regulations, Indian Stamp Act, 1899, the Memorandum and Articles of Association of the Company, the terms stated in this Prospectus, Debenture Trust-cum-Mortgage Deed, Application Form and applicable provisions of the Depositories Act, 1996. In addition, the NCDs shall also be subject to applicable laws, guidelines, notifications and regulations relating to the issue of capital and listing of debt securities issued from time to time by SEBI/the Government of India/NSE and/or other authorities and other documents that may be executed in respect of the NCDs.

Ranking of NCDs

The NCDs would constitute direct and secured obligations of our Company and shall rank *pari passu inter-se* and (subject to any obligations preferred by mandatory provisions of the law prevailing from time to time) shall also, as regards amount invested and any benefits payable thereon by us out of our own funds, rank *pari passu* with all our other existing direct and secured borrowings to the extent of claims over security common between the NCD Holders and such secured creditors. The claims of these NCD Holders shall be superior to the claims of other unsecured creditors and other investors (subject to any obligations preferred by applicable law prevailing from time to time).

Debenture Redemption Reserve

Section 117C of the Act states that any company that intends to issue debentures must create a DRR to which adequate amounts shall be credited out of the profits of the company till the redemption of the debentures. However, the MCA has, through its circular dated April 18, 2002, specified that NBFCs which are registered with the RBI under Section 45-IA of the RBI Act shall create DRR to the extent of 50% of the value of debentures issued through public issue. Accordingly, our Company shall be required to create DRR of 50% of the value of NCDs issued and allotted in terms of this Prospectus, for the redemption of the NCDs. The Company shall credit adequate amounts to DRR, from its profits every year until such NCDs are redeemed. The amounts credited to DRR shall not be utilized by the company except for the redemption of the NCDs.

Face Value

The face value of each of the NCDs shall be Rs. 1,000.

Issue Size

Public issue by the Company of 25,00,000 NCDs aggregating to Rs. 250 Crores with an option to retain oversubscription up to Rs. 250 Crores for issuance of additional 25,00,000 NCDs, aggregating to a total of up to Rs. 500 Crores.

Minimum Subscription

The minimum subscription for this issue is 75% of issue size of Rs. 250 Crores (i.e. Rs. 187.50 Crores).

NCD Holder Not a Shareholder

The NCD Holders will not be entitled to any of the rights and privileges available to the equity and preference shareholders of the Company.

Rights of NCD Holders

Some of the significant rights available to the NCD Holders are as follows:

1. The NCDs shall not, except as provided in the Act, confer upon the holders thereof any rights or privileges available to our members including the right to receive notices or annual reports of, or to attend and / or vote, at our general meeting(s). However, if any resolution affecting the rights attached to the NCDs is to be placed before the shareholders, the said resolution will first be placed before the concerned registered NCD

Holders for their consideration. In terms of Section 219(2) of the Act, holders of NCDs shall be entitled to a copy of the balance sheet on a specific request made to us.

2. The rights, privileges and conditions attached to the NCDs may be varied, modified and / or abrogated with the consent in writing of the holders of at least three-fourths of the outstanding amount of the NCDs or with the sanction of a special resolution passed at a meeting of the concerned NCD Holders, provided that nothing in such consent or resolution shall be operative against us, where such consent or resolution modifies or varies the terms and conditions governing the NCDs, if the same are not acceptable to us.
3. The registered NCD Holder or in case of joint-holders, the person whose name stands first in the register of debenture holders shall be entitled to vote in respect of such NCDs, either in person or by proxy, at any meeting of the concerned NCD Holders and every such holder shall be entitled to one vote on a show of hands and on a poll, his / her voting rights shall be in proportion to the outstanding nominal value of NCDs held by him / her on every resolution placed before such meeting of the NCD Holders.
4. The NCDs being offered as part of the Issue are subject to the provisions of the Act, SCRA, the Debt Regulations, Indian Stamp Act, 1899, the Memorandum and Articles of Association of the Company, the terms stated in this Prospectus, Debenture Trust-cum-Mortgage Deed, Application Form and applicable provisions of the Depositories Act, 1996. In addition, the NCDs shall also be subject to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI / the Government of India / NSE and / or other authorities and other documents that may be executed in respect of the NCDs.
5. A register of NCD Holders will be maintained in accordance with Sections 152 and 152A of the Act and all interest and principal sums becoming due and payable in respect of the NCDs will be paid to the registered holder thereof for the time being or in the case of joint-holders, to the person whose name stands first in the Register of NCD Holders in terms of Section 152A as on the record date.
6. NCDs can be rolled over only with the consent of 75% of the NCD Holders by way of special resolution through postal ballot after providing at least 21 days prior notice for such roll-over and in accordance with the Debt Regulations. The Company shall redeem the debt securities of all the debt securities holders, who have not given their positive consent to the roll-over.

The above rights of NCD Holders are merely indicative. The final rights of the Debenture Holders will be as per the Debenture Trust-cum-Mortgage Deed to be executed by the Company with the Debenture Trustee.

Market Lot & Trading Lot

Under Section 68B of the Act, the NCDs shall be allotted only in dematerialised form. As per the SEBI Guidelines, the trading of the NCDs shall be in dematerialised form only. Since trading of the NCDs is in dematerialised form, the tradable lot is 1 (One) NCD.

Allotment in the Issue will be in electronic form in multiples of 1 (One) NCD. For details of allotment refer to chapter entitled "Issue Procedure" under the section entitled "Issue Related Information" beginning on page 148 of the Prospectus.

Nomination Facility to NCD Holder

In accordance with Section 109A of the Act, the sole NCD Holder or first NCD Holder, along with other joint NCD Holders (being individual(s)) may nominate any one person (being an individual) who, in the event of death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the NCD. A person, being a nominee, becoming entitled to the NCD by reason of the death of the NCD Holder(s), shall be entitled to the same rights to which he would be entitled if he were the registered holder of the NCD. Where the nominee is a minor, the NCD Holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the NCD(s), in the event of his death, during the minority. A nomination shall stand rescinded upon sale of a NCD by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When the NCD is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at our Registered / Administrative Office or at such other addresses as may be notified by us.

NCD Holder(s) are advised to provide the specimen signature of the nominee to us to expedite the transmission of the NCD(s) to the nominee in the event of demise of the NCD Holder(s). The signature can be provided in the Application Form or subsequently at the time of making fresh nominations. This facility of providing the specimen signature of the nominee is purely optional.

In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, shall upon the production of such evidence as may be required by our Board / Committee of Directors, as the case may be, elect either:

- (a) to register himself or herself as the holder of the NCDs; or
- (b) to make such transfer of the NCDs, as the deceased holder could have made.

Further, our Board / Committee of Directors, as the case may be, may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the NCDs, and if the notice is not complied with, within a period of 90 days, our Board / Committee of Directors, as the case may be, may thereafter withhold payment of all interests or other monies payable in respect of the NCDs, until the requirements of the notice have been complied with.

Notwithstanding anything stated above, since the allotment of NCDs in this Issue will be made only in dematerialised mode, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective Depository Participant.

Jurisdiction

Exclusive jurisdiction for the purpose of the Issue is with the competent courts / authorities in Mumbai, India.

Application in the Issue

NCDs being issued through the Prospectus can be applied for only through a valid Application Form filled in by an applicant along with attachment, as applicable

Period of Subscription

The subscription list for the public issue shall remain open for subscription during banking hours for the period indicated below, except that it may close on such earlier date as may be decided at the discretion of the Board / Committee of Directors of the Company, as the case may be. In case of an earlier closure, the Company shall ensure that notice is given to investors through advertisements at least 3 days prior to such earlier closure date.

Issue Opens on	February 9, 2010
Issue Closes on	February 22, 2010

Restriction on Transfer of NCDs

There are no restrictions on transfers and transmission of NCDs and on their consolidation / splitting except as provided in our Articles. Please refer to the section entitled "Summary of the Key Provisions of the Articles of Association" on page 183 of this Prospectus.

ISSUE STRUCTURE

Public issue of NCDs aggregating Rs. 250 Crores with an option to retain oversubscription up to Rs. 250 Crores for issuance of additional NCDs, aggregating to a total of up to Rs. 500 Crores

Particulars	NII	Retail	QIB
Reservation for each category	Up to 40% of issue size* (Rs.200 Crores for allotment to NII assuming Issue size of Rs.500 Crores)	Up to 30% of issue size (Rs.150 Crores for allotment to retail assuming Issue size of Rs.500 Crores)	Up to 30% of issue size (Rs. 150 Crores for allotment to QIB assuming Issue size of Rs.500 Crores)
Minimum number of NCDs per application#	101 NCDs (Rs.1,01,000/-)	10 NCDs (Rs.10,000/-)	101 NCDs (Rs.1,01,000/-)
Terms of Payment	Full amount on application	Full amount on application	Full amount on application
Mode of allotment	Compulsorily in dematerialised form	Compulsorily in dematerialised form	Compulsorily in dematerialised form
Trading Lot	One NCD	One NCD	One NCD

The minimum number of NCDs per application form will be calculated on the basis of the total number of NCDs applied for under each such application form and not any specific Option.

* Out of which up to 15% of issue size including the oversubscription amount is reserved for resident individuals and HUFs.

It may be noted that participation by any of the above-mentioned investor class in the issue will be subject to necessary approvals and applicable laws.

In case of the Application Form being submitted in joint names, the applicants should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Application Form.

Applicants can invest only up to the extent permissible under the laws and corporate authorisations applicable to the applicant.

For further details, please read "Issue Procedure" on page 161.

Principal Terms and Conditions of the issue

Nature of the NCDs

We are offering secured NCDs which shall have a fixed rate of interest. The NCDs will be issued with a face value of Rs.1,000/- each. Interest on the NCDs shall be payable on annual or semi-annual basis depending on the option selected by the NCD Holder (the “Option”) as provided below:

Option	I	II
Interest Payment	Semi-annual	Annual
Minimum Application (Rs.)	10,000/- (Retail) 1,01,000/- (NIIs & QIBs)	
Multiples (Rs.)	1,000/-	
Face Value (Rs.)	1,000/-	1,000/-
Mode of Interest Payment	Through various modes available*	Through various modes available*
Coupon Rate	8.40% p.a.	8.50% p.a.
Yield on Redemption	8.58%	8.50%
Tenor	36 months	36 months
Redemption Date / Maturity Period	36 months from the date of allotment	36 months from the date of allotment
Redemption Amount	Face value plus any interest that may have accrued payable on redemption.	Face value plus any interest that may have accrued payable on redemption

* For various modes of interest payment please refer to page 154 of this Prospectus

APPLICATION SIZE

The minimum application size of 10 NCDs amounting to Rs.10,000/- (Rupees Ten Thousand only) would be applicable for the Retail Category while the minimum application size of 101 NCDs amounting to Rs.1,01,000/- (Rupees One Lakh One Thousand only) would be applicable for other categories i.e. NIIs & QIBs. **The minimum number of NCDs per application form will be calculated on the basis of the total number of NCDs applied for under each such application form and not any specific Option.**

Applicants can apply for any or all Options of NCDs offered through the Prospectus using the same Application Form.

TERMS OF PAYMENT

The entire issue price of Rs.1,000/- per NCD is payable on application. In case of allotment of lesser number of NCDs than the number applied, the Company shall refund the excess amount paid on application to the applicant in accordance with the terms appearing hereafter.

DATE OF ALLOTMENT

The date of allotment shall be the date on which the allotment of the NCDs has been approved by the Board / Committee of Directors, as the case may be.

PAYMENT OF INTEREST

Semi Annual Payment of Interest

For NCDs subscribed under Option I, interest of 8.40% p.a. will be paid on a semi annual basis until the redemption date. The first interest payment will be made at the end of six months from the Date of Allotment. The last interest payment will be made at the time of redemption of the NCDs.

Annual Payment of Interest

For NCDs subscribed under Option II, interest of 8.50% p.a. will be paid on an annual basis until the redemption date. The first interest payment will be made at the end of one year from the Date of Allotment. The last interest payment will be made at the time of redemption of the NCDs.

If the date of interest payment falls on a Saturday, Sunday or a public holiday in Mumbai or any other payment centre notified in terms of the Negotiable Instruments Act, 1881, then interest would be paid on the next working day. Payment of interest would be subject to the deduction of tax as per I.T. Act or any statutory modification or re-enactment thereof for the time being in force.

As per sub-section (ix) of Section 193 of the I.T. Act, no tax is required to be withheld on any interest payable on any security issued by a company, where such security is in dematerialised form and is listed on a recognized stock exchange in India in accordance with the SCRA and the rules made thereunder. Accordingly, no tax will be deducted at source from the interest on NCD held in dematerialised form.

However, in case of NCDs held in physical form (if rematerialised by the holder), as per the current provisions of the I.T. Act, tax will not be deducted at source from interest on NCD (in case of resident individual NCD Holders), if such interest does not exceed Rs.2,500/- in any financial year. If interest exceeds the prescribed limit of Rs.2,500/- on account of interest on NCD, then the tax will be deducted at applicable rate. However in case of NCD Holders claiming non-deduction or lower deduction of tax at source, as the case may be, the NCD Holder should furnish either (a) a declaration (in duplicate) in the prescribed form i.e. (i) Form 15H which can be given by individuals who are of the age of 65 years or more (ii) Form 15G which can be given by all applicants (other than companies, firms and NR), or (b) a certificate, from the Assessing Officer which can be obtained by all applicants (including companies and firms) by making an application in the prescribed form i.e. Form 13. The aforesaid documents, as may be applicable, should be submitted to Registrar by quoting the name of the sole / first NCD Holder, folio number and the distinctive number(s) of the NCDs held, prior to the record date to ensure non-deduction / lower deduction of tax at source from interest on NCD. The debenture holders need to submit Form 15H / 15G / certified true copy of certificate from Assessing Officer for each financial year to ensure non-deduction or lower deduction of tax at source from interest on NCD.

Tax exemption certificate / document, if any, must be lodged at the office of the Registrar prior to the record date or as specifically required. Tax applicable on coupon will be deducted at source on accrual thereof in the Company's books and / or on payment thereof, in accordance with the provisions of the I.T. Act and / or any other statutory modification, re-enactment or notification as the case may be. A tax deduction certificate will be issued for the amount of tax so deducted.

Payment of interest will be made to those NCD Holders whose name appear in the register of NCD Holders (or to first holder in case of joint-holders) that is maintained in terms of Section 152A of the Act as on record date.

For the purpose of calculation of interest on a per annum basis, the day count convention which will be used would be "Actual/ Actual" basis.

Record Date

The record date for payment of interest or repayment of principal shall be 15 days prior to the date on which interest is due and payable, or the date of redemption or early redemption.

Interest on Application Money

The Company shall pay interest on the application money on the amount allotted, subject to deduction of income tax under the provisions of the I.T. Act or other statutory modification or re-enactment thereof, as applicable, if the amount of such interest exceeds the prescribed limit of Rs.5,000/- in any financial year to any investor from the date of realization of the cheque(s) / demand draft(s) up to one day prior to the Date of Allotment, at the rate of 7.00% per annum (“**Application Interest**”). In the event the Company / Registrar is not able to determine the date of realisation of application money, pursuant to application, the interest on application money shall be calculated from the date of application up to one day prior to the Date of Allotment.

The Company shall pay interest on refund of application monies on the amount not allotted, subject to deduction of income tax under the provisions of the I.T. Act or other statutory modification or re-enactment thereof, as applicable, if the amount of such interest exceeds the prescribed limit of Rs.5,000/- in any financial year to any investor from the date of realization of the cheque(s) / demand draft(s) up to one day prior to the Date of Allotment, at the rate of 2.50% per annum on the amount refunded (“**Refund Interest**”).

The Refund Interest shall be paid along with the refund of application money. Payment of interest on refund of application money is not applicable in case of applications that are rejected on technical grounds or are withdrawn by the applicants.

For the purpose of calculation of interest on a per annum basis, the day count convention which will be used would be "Actual/ Actual" basis.

Modes of Payment of Interest / Refund / Redemption

The manner of payment of interest / refund / redemption is set out below:-

For NCDs applied / held in electronic form: The bank details will be obtained from the Depositories for payment of interest / refund / redemption as the case may be.

For NCDs held in physical form (upon rematerialisation by the holder): The bank details will be obtained from the Registrar or NCD Holder for payment of interest / refund / redemption as the case may be.

Investors who have applied or who are holding the NCD in electronic form, are advised to immediately update their bank account details as appearing on the record of depository participant. Please note that failure to do so could result in delays in credit of refunds to investors at their sole risk and neither the Lead Managers nor our Company shall have any responsibility and undertake any liability for the same.

Payment of interest / refund / redemption amounts shall be undertaken by the following modes, as applicable:

1. Direct Credit

Investors having their bank account with the Refund Banks shall be eligible to receive refunds, if any, through direct credit. The refund amount, if any, would be credited directly to their bank account with the Refund Banker.

We may enter into arrangement(s) with one or more banks in one or more cities for direct credit of interest to the account of the investors. In such cases, interest, on the interest payment date(s), would be directly credited to the account of those investors who have given their bank mandate for such banks.

2. ECS

Payment of interest / refund / redemption shall be undertaken through ECS for applicants having an account at any of the following 74 centres:

1. Ahmedabad 2. Nashik 3. Sholapur 4. Gorakhpur 5. Bengaluru 6. Panaji 7. Ranchi 8. Jammu 9. Bhubaneswar 10. Surat 11. Tirupati (non- MICR) 12. Indore 13. Kolkata 14. Trichy 15. Dhanbad (non-MICR) 16. Pune 17. Chandigarh 18. Trichur 19. Nellore (non-MICR) 20. Salem 21. Chennai 22. Jodhpur 23. Kakinada (non-MICR) 24. Jamshedpur 25. Guwahati 26. Gwalior 27. Agra 28. Visakhapatnam 29. Hyderabad 30. Jabalpur 31. Allahabad 32. Mangalore 33. Jaipur 34. Raipur 35. Jalandhar 36. Coimbatore 37. Kanpur 38. Calicut 39. Lucknow 40. Rajkot 41. Mumbai 42. Siliguri (non-MICR) 43. Ludhiana 44. Kochi/ Ernakulam 45. Nagpur 46. Pondicherry 47. Varanasi 48. Bhopal 49. New Delhi 50. Hubli 51. Kolhapur 52. Madurai 53. Patna 54. Shimla (non-MICR) 55. Aurangabad 56. Amritsar 57. Thiruvananthapuram 58. Tirupur 59. Mysore 60. Haldia (non- MICR) 61. Baroda 62. Burdwan (non-MICR) 63. Erode 64. Vijaywada 65. Dehradun 66. Durgapur (non-MICR) 67. Udaipur 68. Bhilwara 69. Asansol 70. Udipi 71. Belgam 72. Bijapur 73. Jamnagar 74. Shimoga

This mode of payment of refunds / interest/ redemption amounts would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. One of the methods for payment of interest payment / refund / redemption is through ECS for applicants having a bank account at any of the abovementioned centres.

3. NEFT

Payment of interest payment / refund / redemption shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

4. RTGS

An applicant having a bank account with a participating bank and whose refund / interest payment / redemption amount exceeds Rs.1 lakh, has the option to receive the refund through RTGS. Such eligible applicant who indicates its preference to receive interest payment / refund / redemption through RTGS is required to provide the IFSC code in the Application Form or intimate the Company before the record date. In the event the same is not provided, interest payment / refund / redemption shall be made through ECS. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

For all other applicants, including those who have not updated their bank particulars with the MICR code, the interest payment / refund / redemption orders shall be dispatched under certificate of posting for value up to Rs.1,500/- and through Speed Post / Registered Post for refund orders of Rs.1,500/- and above.

Please note that applicants are eligible to receive refunds through the modes detailed in (1) to (4) hereinabove, provided they provide necessary information for the above modes and where such payment facilities are allowed / available.

Please note that the Company shall not be responsible for any delay to the holder of NCD receiving credit of interest / refund / redemption so long as the Company has initiated the process of such request in time.

Printing of Bank Particulars on Interest Warrants

As a matter of precaution against possible fraudulent encashment of refund orders and interest / redemption warrants due to loss or misplacement, the particulars of the applicant's bank account are mandatorily required to be given for printing on the orders / warrants. In relation to NCDs applied and held in dematerialised form, these particulars would be taken directly from the depositories. In case of NCDs held in physical form either on account rematerialisation or transfer, the investors are advised to submit their bank account details with the Registrar before the record date failing which the orders / warrants will be dispatched to the postal address of the holder of debenture as held in the records of the Company.

Bank account particulars will be printed on the orders / warrants which can then be deposited only in the account specified.

Loan against NCDs

The Company, at its discretion, may consider granting of a loan facility to the investors subscribing to the NCDs, against the security of such NCDs. Such loans shall be subject to the terms and conditions as may be decided by the Company from time to time.

Lien

We shall have the right of set-off and lien, present as well as future on the moneys due and payable to the NCD Holder or deposits held in the account of the NCD Holder, whether in single name or joint name, to the extent of all outstanding dues by the NCD Holder to the Company.

Lien on Pledge of NCDs

We, at our discretion, may note a lien on pledge of NCDs if such pledge of NCD is accepted by any bank / institution for any loan provided to the NCD Holder against pledge of such NCDs as part of the funding.

Buy Back of NCDs

The Company may, from time to time, consider, subject to applicable statutory and / or regulatory requirements, buy-back of NCDs, upon such terms and conditions, as may be decided by the Company.

Procedure for Rematerialisation of NCDs

Allotment of NCDs will be in demat form only. However, Debenture Holder(s) who wish to hold the NCDs in physical form may do so by submitting his/her request to his DP in accordance with the applicable procedure stipulated by the DP.

Form and Denomination

In case of NCDs rematerialised by the holder to physical form, a single certificate will be issued to the NCD Holder for the aggregate amount ("**Consolidated Certificate**") for each Option of NCDs to be allotted to him. The applicant can also request for the issue of NCD certificates in denomination of one NCD ("**Market Lot**").

In respect of Consolidated Certificates, we will, only upon receipt of a request from the NCD Holder, split such Consolidated Certificates into smaller denominations subject to the minimum of Market Lot. No fees would be charged for splitting of NCD certificates in Market Lots, but stamp duty payable, if any, would be borne by the investor(s). The charge for splitting into lots other than Market Lot, will be borne by the NCD Holder subject to the maximum amount agreed upon by us with the Stock Exchanges where the NCDs are proposed to be listed. The request for splitting should be accompanied by the original NCD certificate which would then be treated as cancelled by us.

Procedure for Redemption by NCD Holders

The procedure for redemption is set out below:

NCDs held in physical form: No action would ordinarily be required on the part of the NCD Holder at the time of redemption and the redemption proceeds would be paid to those NCD Holders whose names stand first in the register of NCD Holders maintained by us on the Record Date fixed for the purpose of Redemption. However, the Company may require that the NCD certificate(s), duly discharged by the sole holder / all the joint-holders (signed on the reverse of the NCD certificate(s)) to be surrendered for redemption on maturity and should be sent by the NCD Holder(s) by Registered Post with acknowledgment due or by hand delivery to the Registrar / Company or to such persons at such addresses as may be notified by us from time to time. NCD Holder(s) may be requested to surrender the NCD certificate(s) in the manner as stated above, not more than three months and not less than one month prior to the redemption date so as to facilitate timely payment. Also see the paragraph entitled "Payment on Redemption" below.

NCDs held in electronic form: No action is required on the part of NCD Holder(s) at the time of redemption of NCDs.

Payment on Redemption

The manner of payment of redemption is set out below:-

NCDs held in physical form: Despatch in respect of payment on redemption of the NCDs will be made by way of cheque / pay order/ electronic modes. However, if the Company so requires, the aforementioned dispatch would be made on the surrender of NCD certificate(s), duly discharged by the sole holder / all the joint-holders (signed on the reverse of the NCD certificate(s)). Despatch of cheques / pay order, etc. in respect of such payment will be made on the Redemption Date or (if so requested by the Company in this regard) within a period of 30 days from the date of receipt of the duly discharged NCD certificate.

In case we decide to do so, the redemption proceeds in the manner stated above would be paid on the date of Redemption to those NCD Holders whose names stand first in the register of NCD Holders maintained by us on the Record date fixed for the purpose of Redemption. Hence the transferees, if any, should ensure lodgement of the transfer documents with us before the Record Date. In case the transfer documents are not lodged with us before the Record Date and we despatch the redemption proceeds to the transferor, claims in respect of the redemption proceeds should be settled amongst the parties inter se and no claim or action shall lie against us or the Registrar.

Our liability to NCD Holder(s) towards his / their rights including for payment or otherwise shall stand extinguished from the date of redemption in all events and when we despatch the redemption amounts to the NCD Holder(s).

Further, we will not be liable to pay any interest, income or compensation of any kind from the date of redemption of the NCD(s).

NCDs held in electronic form: On the redemption date, redemption proceeds would be paid by cheque / pay order / electronic mode to those NCD Holders whose names appear first on the list of beneficial owners given by the Depositories to us. These names would be as per the Depositories' records on the Record Date fixed for the purpose of redemption. These NCDs will be simultaneously extinguished through appropriate debit corporate action. It may be noted that in the entire process mentioned above, no action is required on the part of NCD Holders.

Our liability to NCD Holder(s) towards his / their rights including for payment or otherwise shall stand extinguished from the date of redemption in all events and when we despatch the redemption amounts to the NCD Holder(s).

Further, we will not be liable to pay any interest, income or compensation of any kind from the date of redemption of the NCD(s).

Right to Reissue NCD(s)

Subject to the provisions of the Act, where we have redeemed or repurchased any NCD(s), we shall have and shall be deemed always to have had the right to keep such NCDs alive without extinguishment for the purpose of resale or reissue and in exercising such right, we shall have and be deemed always to have had the power to resell or reissue such NCDs either by reselling or reissuing the same NCDs or by issuing other NCDs in their place. This includes the right to reissue original NCDs.

Transfer / Transmission of NCD(s)

The NCDs shall be transferred or transmitted freely in accordance with the applicable provisions of the Act. The provisions relating to transfer and transmission and other related matters in respect of our shares contained in the Articles and the Act shall apply, mutatis mutandis (to the extent applicable to Debentures) to the NCD(s) as well. A suitable instrument of transfer as may be prescribed by the Company may be used for the same. In respect of the Debentures held in physical form, a suitable instrument of transfer as may be prescribed by the Issuer may be used for the same. The Debentures held in dematerialised form shall be transferred subject to and in accordance with the rules / procedures as prescribed by NSDL/CDSL and the relevant DPs of the transferor or transferee and any other applicable laws and rules notified in respect thereof. The transferee(s) should ensure that the transfer formalities are completed prior to the record date. In the absence of the same, interest will be

paid / redemption will be made to the person, whose name appears first in the register of Debenture Holders maintained by the Depositories / Company, as the case may be. In such cases, claims, if any, by the transferees would need to be settled with the transferor(s) and not with the Issuer.

In case of transfer of NCDs in demat form, the seller should give delivery instructions containing details of the buyer's DP account to his depository participant.

In case the transferee does not have a DP account, the seller can re-materialise the NCDs and thereby convert his demat holding into physical holding. Thereafter the NCDs can be transferred in the manner as stated above.

In case the buyer of the NCDs in physical form wants to hold the NCDs in dematerialised form, he can choose to dematerialise the securities through his Depository Participant.

Joint-holders

Where two or more persons are holders of any NCD(s), they shall be deemed to hold the same as joint holders with benefits of survivorship subject to other provisions contained in the Articles.

Sharing of Information

We may, at our option, use on our own, as well as exchange, share or part with any financial or other information about the NCD Holders available with us, our subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither we or our subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

Notices

All notices to the NCD Holder(s) required to be given by us or the Trustees will be sent from time to time, by post / courier to the Registered Holder of the NCD(s) whose name appears first in the NCD Register.

Issue of Duplicate NCD Certificate(s)

If any NCD certificate(s) is / are mutilated or defaced or the cages for recording transfers of NCDs are fully utilised, the same may be replaced by us against the surrender of such certificate(s). Provided, where the NCD certificate(s) are mutilated or defaced, the same will be replaced as aforesaid only if the certificate numbers and the distinctive numbers are legible.

If any NCD certificate is destroyed, stolen or lost then upon production of proof thereof to our satisfaction and upon furnishing such indemnity / security and / or documents as we may deem adequate, duplicate NCD certificate(s) shall be issued.

Security

The principal amount of the NCDs to be issued in terms of the Prospectus together with all interest, costs, charges, fees, remuneration of Trustees and expenses payable in respect thereof shall be secured in favour of the Trustees by way of:

- (a) First *pari passu* mortgage in favour of the Trustees of all the right, title, interest on Office Premises bearing Nos.3 & 4 of Laxmi Finance and Leasing Companies Commercial Premises Co-Operative Society Limited, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051, and the Share Certificates pertaining to the same.

Provided that the Company has not given and / or agreed to give the possession of the said Office Premises to the Trustees.

Bank of Maharashtra, the Debenture Trustee for the Company's prior issuances of non-convertible debentures in various tranches on a private placement basis, has conveyed "No Objection" for creation of an additional *pari passu* charge on the aforesaid office premises and the share certificates pertaining to the same vide Letter dated February 4, 2010; and

- (b) Exclusive first charge in favour of Trustees by way of mortgage on movables being the receivables

arising from Construction Equipment, Lease / Hire Purchase / Term Loans, Loan Against Securities, etc., as specifically identified from time to time, to the satisfaction of the Trustees by way of submission of quarterly stock statements, aggregating up to 1.10 times of the outstanding NCDs.

The Company agrees to maintain an asset cover of at least 1.10 times of the outstanding amount of NCDs, at all times, till the NCDs are completely redeemed. In case of reduction of security cover below 1.10 times for any reason whatsoever, the Company agrees to make-up the deficiency with equivalent amount of specific receivables, free from any charge of whatsoever nature, so as to maintain the minimum asset cover of 1.10 times.

The Company intends to enter into a Debenture Trust-cum-Mortgage Deed with the Debenture Trustee, the terms of which will govern the appointment and functioning of the Debenture Trustee.

Under the terms of the Debenture Trust-cum-Mortgage Deed, the Company will covenant with the Debenture Trustee that it will pay the NCD Holders the principal amount on the NCDs on the relevant redemption date and also that it will pay the interest due on NCDs on the rate specified under the Debenture Trust-cum-Mortgage Deed.

The Debenture Trust-cum-Mortgage Deed will provide that the Company will have the right, to withdraw any portion of the Security and replace the same with property or receivables of a value equal to or greater than the value of the security that may be withdrawn. In case of any default under the Debenture Trust-cum-Mortgage Deed, the Debenture Trustee may, in its discretion, and will, upon the request in writing from the holders of the NCDs of an amount representing not less than three-fourth in value of the nominal amount of the NCDs, for the time being outstanding, or by a special resolution duly passed at a meeting of the NCD Holders, by a notice in writing to the Company declare the principal amount of the NCDs, all interest and all other monies to be due and payable and the Security would become enforceable. The Debenture Trustee would be entitled to certain rights such as the right to sell, assign or otherwise liquidate the Security to pay off all outstanding amounts.

The Company proposes to complete the execution of the security documents during the subscription period after the minimum subscription for the issue has been achieved and utilize the funds after the stipulated security has been created and the NCDs have been listed.

Defaults: Limitation of Remedies

A “default” occurs if we fail to pay the full amount of principal / redemption value on the date of maturity of the NCDs or if we fail to pay interest due on the NCDs on any date on which such interest is to be paid and such failure to pay continues for a period of 30 days. The occurrence of any of the events listed down below and continuance of the same for a period of 30 days also would constitute a Default:

1. Default is committed by us in the performance or observance of any covenant, condition or provision contained in the Terms of the NCDs (other than the obligation to pay principal and interest) and such default continues for 30 days after written notice has been given thereof by the Trustee to us requiring the same to be remedied (except where the Trustee certifies that such default is in their opinion incapable of remedy, in which case no notice shall be required).
2. Any information contained in this Prospectus or any information provided to the NCD Holders specifically for the purpose of this issue of the NCDs or any of the warranties given / deemed to have been given by us to the NCD Holders / Trustee is misleading or incorrect in any material respect.
3. We are unable to or have admitted in writing our inability to pay our debts as they mature.
4. A court receiver or a liquidator has been appointed in respect of all or a substantial part of our assets and such receiver or liquidator is not dismissed within 60 days of appointment.
5. We cease to carry on our business. If a Default occurs which is continuing, the Trustee or the holders of at least 50 percent in aggregate in principal amount of all the NCDs, by written notice to us (and to the Trustee if the NCD Holders are giving the notice), may and the Trustee at the request of such NCD Holders shall institute proceedings of the amounts due or compliance with the defaulted covenant or agreement or to obtain our bankruptcy (or any analogous proceeding which may be available from time to time under the laws of India).

In case of default in the redemption of NCDs, in addition to the payment of interest and all other monies payable hereunder on the respective due dates, the Company shall also pay interest on the defaulted amounts. Arrears of liquidated damages shall carry interest at 2 % on the NCDs and shall be payable on the footing of compound interest with quarterly rests.

The holders of a majority in aggregate in principal amount of all the NCDs may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the limitations specified in the Debenture Trust-cum-Mortgage Deed. However, the Trustee may refuse to follow any direction that conflicts with law or the Debenture Trust-cum-Mortgage Deed, that may involve Trustee in personal liability, or that the Trustee determines in good faith may be unduly prejudicial to the rights of NCD Holders not joining in the giving of such direction, and may take any other action it deems proper that is not inconsistent with any such direction received from NCD Holders.

Trustees for the NCD Holders

We have appointed Bank of Maharashtra to act as the Debenture Trustee for the NCD Holders. We will enter into a Debenture Trust-cum-Mortgage Deed with the Trustees, inter alia, specifying the powers, authorities and obligations of the Trustees and us. The NCD Holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorised officials to do all such acts, deeds, matters and things in respect of or relating to the NCDs as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the NCD Holder(s). Any payment made by us to the Trustees on behalf of the NCD Holder(s) shall discharge us *pro tanto* to the NCD Holder(s).

The Trustees will protect the interest of the NCD Holders in the event of default by us in regard to timely payment of interest and repayment of principal and they will take necessary action at our cost.

Future Borrowings

We shall be entitled to make further issue of Secured / Unsecured Debentures and/or raise term loans or raise further funds from time to time from any persons / Banks / Financial Institutions or bodies corporate or any other agency without the consent of, or intimation to the NCD Holders or the Trustees. However until the Debentures are fully redeemed, the Company shall not create mortgage / charge on the mortgaged / charged property, without obtaining the prior written consent of the Trustees.

ISSUE PROCEDURE

1. How to Apply?

i. Availability of Prospectus and Application Forms

The abridged Prospectus containing the salient features of the Prospectus together with Application Forms and copies of the Prospectus may be obtained from our Registered Office / Administrative Office, Lead Manager(s) to the Issue, Registrar and at branches / collection centres of the Bankers to the Issue, as mentioned on the Application Form.

In addition, Application Forms would also be made available to the stock exchanges where listing of the NCDs are sought and to brokers, on their request.

We may provide Application Forms for being downloaded on such websites as we may deem fit.

ii. Who can Apply

The following categories of persons are eligible to apply in the Issue:

- Retail Investors
- Non-Institutional Investors
- Qualified Institutional Buyers

Retail Investors

- Resident Indian individuals ;
- Hindu Undivided Families through the Karta;

applying for an aggregate amount of up to Rs. 1,00,000/-.

Non-Institutional Investors

- Resident Indian individuals applying for an aggregate amount above Rs.1,00,000/-;
- Hindu Undivided Families through the Karta applying for an aggregate amount above Rs.1,00,000/-;
- Companies, Bodies Corporate, Societies and Trusts registered under the applicable laws in India and authorized to invest in NCDs;
- Scientific and/or Industrial Research Organisations, which are authorised to invest in the NCDs;
- Partnership firms in the name of the partner.

Qualified Institutional Buyers

- Public Financial Institutions, Statutory Corporations, Commercial Banks, Co-operative Banks and Regional Rural Banks, which are authorised to invest in the NCDs;
- Provident Fund, Pension Fund, Superannuation Fund and Gratuity Fund, which are authorised to invest in the NCDs;
- Venture Capital fund registered with SEBI;
- Insurance Company registered with the IRDA;
- National Investment Fund; and
- Mutual Funds.

It may be noted that participation by any of the above mentioned investor class in the issue will be subject to necessary approvals and applicable laws.

The Lead Managers, associates and affiliates of the Lead Managers are permitted to subscribe in the Issue. However, it may be noted that the Lead Managers or any of their associates / affiliates are not underwriting the issue or any part of the issue thereof.

The information below is given for the benefit of the investors. Our Company and the Lead Managers

are not liable for any amendment or modification or changes in applicable laws or regulations, which may occur after the date of the Prospectus. Investors are advised to ensure that NCDs applied for under any single Application Form, from them does not exceed the investment limits or maximum number of NCDs that can be held by them under applicable law.

Applications by Mutual Funds

No mutual fund scheme shall invest more than 15% of its NAV in debt instruments issued by a single Company which are rated not below investment grade by a credit rating agency authorised to carry out such activity. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of Asset Management Company.

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. Applications made by the AMCs or custodians of a Mutual Fund shall clearly indicate the name of the concerned scheme for which application is being made. In case of Applications made by Mutual Fund registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Application Form. The applications must be also accompanied by certified true copies of (i) Trust Deed (ii) resolution authorising investment and containing operating instructions and (iii) specimen signatures of authorized signatories. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

Application by Scheduled Banks, Co-operative Banks and Regional Rural Banks

Scheduled Banks, Co-operative Banks and Regional Rural Banks can apply in this public issue based upon their own investment limits and approvals. The application must be accompanied by certified true copies of (i) a Board Resolution authorising the investment; (ii) a Letter of Authorisation. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

Application by Insurance Companies

In case of Applications made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified true copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with Application Form. Each application must be accompanied by certified copies of (i) the applicant's Memorandum and Articles of Association; (ii) a Power of Attorney; (iii) a Resolution authorising the investment and containing operating instructions; (iv) specimen signatures of authorized signatories. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

iii. Applications cannot be made by:

- a) Minors without a guardian name
- b) Non residents
- c) Non resident Indians (NRIs)
- d) Foreign Institutional Investors
- e) Overseas Corporate Bodies

iv. Multiple Applications

An investor shall be allowed to use a single application to apply for NCDs for multiple options. All additional applications, if any, made by the investor either for one option or multiple options shall be considered valid, aggregated based on PAN of the first applicant and shall be considered for allotment as per the procedure detailed under Basis of Allotment.

Any applicant applying for an aggregate amount of up to Rs.1,00,000/- shall be considered a retail investor under the Basis of Allotment.

v. Eligibility of Investors

Investors shall confirm that they are eligible to subscribe to and be allotted NCDs pursuant to the Issue, and that they have complied with all applicable statutory and / or regulatory requirements in connection therewith.

2. Escrow Mechanism

We shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the applicants shall make out the cheque or demand draft in respect of their application. Cheques or demand drafts received for the application Amount from investors would be deposited in the respective Escrow Account. The Escrow Collection Bank(s) will act in terms of this Prospectus and the Escrow Agreement. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein. In terms of the Debt Regulations, it is mandatory for the Company to keep the proceeds of the Issue in an escrow account until the documents for creation of security as stated in this Prospectus are executed. Upon creation of security as disclosed in this Prospectus, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to a separate bank account as per the terms of the Escrow Agreement. Payments of refund to the applicants shall also be made from the Escrow Accounts / refund account(s) as per the terms of the Escrow Agreement and this Prospectus.

3. Filing of the Prospectus with ROC

A copy of the Prospectus shall be filed with the ROC, in terms of section 56 and section 60 of the Act.

4. Pre-Issue Advertisement

Our Company will issue a statutory advertisement in a national daily with wide circulation on or before the issue opening date, after filing of the Prospectus with ROC. This advertisement will contain the information as prescribed under Debt Regulations. Material updates, if any, between the date of filing of the Prospectus with ROC and the date of release of this statutory advertisement will be included in the statutory advertisement.

5. General Instructions**Do's**

- Check if you are eligible to apply;
- Read all the instructions carefully and complete the Application Form;
- Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of NCDs will be in the dematerialised form only;
- Ensure that you mention your PAN allotted under the IT Act;
- Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects.

Don'ts:

- Do not apply for lower than the minimum application size;
- Do not pay the application amount in cash;
- Do not fill up the Application Form such that the NCDs applied for exceeds the issue size and / or investment limit or maximum number of NCDs that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
- Do not submit more than one cheque with each Application Form.

6. Instructions for completing the Application Form**A. Submission of Application Form**

- Applications to be made in prescribed form only.
- The forms to be completed in block letters in English.
- Applications should be in single or joint names and should be applied by Karta in case of HUF.
- Thumb impressions and signatures other than in English / Hindi / Gujarati / Marathi or any other languages specified in the 8th Schedule of the Constitution of India needs to be attested by a Magistrate or Notary Public or a Special Executive Magistrate under his / her official seal.

- All Application Forms duly completed together with cheque / bank draft for the amount payable on application must be delivered before the closing of the subscription list to any of the Bankers to the Public Issue or collection centre(s) / agent(s) as may be specified before the closure of the Issue. Applicants at centres not covered by the branches of collecting banks can send their forms together with a cheque / draft drawn on / payable at a local bank in Mumbai to the Registrar by registered post.
- No receipt will be issued for the application money. However, Bankers to the Issue and / or their branches receiving the applications will acknowledge the same.
- Every applicant should hold valid Permanent Account Number (PAN) and mention the same in the Application Form.
- All applicants are required to tick the relevant column of “Category of Investor” in the Application Form.
- **ALL APPLICATIONS BY QIBS SHALL BE RECEIVED ONLY BY THE LEAD MANAGERS.**

B. Applicant’s Bank Account Details

It is mandatory for all the applicants to have their NCDs allotted in dematerialised form. The Registrar will obtain the applicant’s bank account details from the Depository. The applicant should note that on the basis of the name of the applicant, Depository Participant’s (DP) name, Depository Participants identification number and beneficiary account number provided by them in the Application Form, the Registrar will obtain from the applicant’s DP A/c, the applicant’s bank account details. The investors are advised to ensure that bank account details are updated in their respective DP accounts as these bank account details would be printed on the refund order(s), if any. Please note that failure to do so could result in delays in credit of refunds to applicants at the applicant’s sole risk and neither the Lead Managers nor our Company nor the refund banker nor the Registrar shall have any responsibility and undertake any liability for the same including payment of interest.

C. Applicant’s Depository Account Details

IT IS MANDATORY FOR ALL THE APPLICANTS TO APPLY FOR NCDs IN DEMATERIALISED FORM. ALL APPLICANTS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT’S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. INVESTORS MUST ENSURE THAT THE APPLICANT’S NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE APPLICATION FORM.

Applicants should note that on the basis of name of the applicant, Depository Participant’s name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Application Form, the Registrar will obtain from the Depository, demographic details of the investor such as address, bank account details for printing on refund orders, occupation and PAN (“**Demographic Details**”). Hence, applicants should carefully fill in their Depository Account details in the Application Form.

These Demographic Details would be used for all correspondence with the applicants including mailing of the refund orders / allotment advice and printing of bank particulars on the refund order and the Demographic Details given by applicant in the Application Form would not be used for these purposes by the Registrar.

Hence, applicants are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

By signing the Application Form, applicant would have deemed to have authorised the Depositories to provide, upon request, to the Registrar, the required Demographic Details as available on its records. Refund Orders / Allotment Advice would be mailed at the address of the first applicant as per the Demographic Details received from the Depositories. Applicants may note that delivery of refund

orders / allotment advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the applicant in the Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the applicant's sole risk and neither we nor the Lead Managers shall be liable to compensate the applicant for any losses caused to the applicant due to any such delay or liable to pay any interest for such delay.

However in case of applications made under power of attorney, our Company in its absolute discretion, reserves the right to permit the holder of Power of Attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of Refund Orders / ECS refunds for credits / allotment advice, the Demographic Details given on the Application Form should be used (and not those obtained from the Depository of the applicant). In such cases, the Registrar shall use Demographic Details as given in the Application Form instead of those obtained from the Depositories.

In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the applicants (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such applications are liable to be rejected.

D. Applications under Power of Attorney by limited companies, corporate bodies, registered societies etc.

In case of Applications made pursuant to a power of attorney by limited companies, corporate bodies, registered societies etc, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified true copy of the Memorandum and Articles of Association and / or bye laws must be lodged along with the Application Form, Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

E. Permanent Account Number

Pursuant to the Circular (MRD/DoP/Cir 05-2007) dated April 27, 2007, SEBI has mandated PAN to be the sole identification number for all participants in the securities market with effect from July 2, 2007. The applicant or in the case of applications made in joint names, each of the applicant, should mention his or her PAN allotted under the I.T. Act. Any Application Form, without the PAN is liable to be rejected, irrespective of the amount of transaction. It is to be specifically noted that the applicants should not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground. In case the sole / first applicant and joint applicant(s) is / are not required to obtain PAN, each of the applicant(s) shall mention "Not Applicable" and in the event that the sole applicant and / or the joint applicant (s) have applied for PAN which has not yet been allotted each of the applicant (s) should Mention "Applied for" in the Application Form.

Further, where the applicant(s) has mentioned "Applied for" or "Not Applicable", the sole / first applicant and each of the joint applicant(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other valid and acceptable documentary evidence in support of address given in the declaration.

F. Terms of Payment

The entire face value of the NCDs is payable on application. In case of allotment of fewer NCDs than the number applied for, the Company shall refund the excess amount paid on application to the applicant.

G. Payment Instructions for Applicants

- In pursuance of Debt Regulations, we shall open Escrow Account with the Escrow Collection Banks(s) for the collection of the application amount payable upon submission of the Application Form.
- Payment may be made by way of cheque / bank draft drawn on any bank, including a co-operative bank which is situated at and is member or sub-member of the Bankers' clearing-house located at the place where the Application Form is submitted, i.e. at designated collection centres. Outstation cheques / bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Payment though stockinvest would also not be allowed as the same has been discontinued by the RBI vide notification No. DBOD.NO.FSC.BC. 42/24.47.001/2003-04 dated November 5, 2003. Cash / stockinvest / money orders / postal orders will not be accepted. In case payment is effected in contravention of conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon. A separate cheque / bank draft must accompany each Application Form.
- All Application Forms received with outstation cheques, post dated cheques, cheques / bank drafts drawn on banks not participating in the clearing process, Money orders / postal orders shall be rejected and the collecting bank shall not be responsible for such rejections.
- All cheques / bank drafts accompanying the application should be crossed "A/c Payee only" and must be made payable to "Escrow Account LTF NCD Public Issue 2010 A Series".
- The Escrow Collection Bank(s) shall transfer the funds from the Escrow Account, as per the terms of the Escrow Agreement, into a separate bank account after the creation of security as disclosed in the Prospectus.
- Each Application Form must be accompanied by a single cheque. Applicants are requested to use multiple application forms for multiple cheques. Single Application Forms with multiple cheques are liable to be rejected.

7. Submission of Completed Application Forms

- All applications duly completed and accompanied by account payee cheques / drafts shall be submitted at the branches of the Bankers to the Issue (listed in the Application Form) or our Collection Centre(s)/ agent(s) as may be specified by us before the closure of the Issue. Our collection centre / agents, however, will not accept payments made in cash. However, Application Forms duly completed together with cheque / bank draft drawn on / payable at a local bank in Mumbai for the amount payable on application may also be sent by Registered Post to the Registrar, so as to reach the Registrar prior to closure of the Issue. Applications at centres not covered by the branches of collecting banks can send their Application Forms together with cheque / draft drawn on / payable at a local bank in Mumbai to the Registrar by registered post.
- No separate receipts shall be issued for the application money. However, Bankers to the Issue at their designated branches / our Collection Centre(s) / agent(s) receiving the duly completed Application Forms will acknowledge the receipt of the applications by stamping and returning the acknowledgment slip to the applicant.
- Applications shall be deemed to have been received by us only when submitted to Bankers to the Issue at their designated branches or at our Collection Centre / agent or on receipt by the Registrar as detailed above and not otherwise.

8. On-line Applications

We may decide to offer online application facility for NCDs, as and when it is permitted by law subject to terms and conditions as may be prescribed.

9. Other Instructions

A. Joint Applications

Applications may be made in single or joint names (not exceeding three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the person whose name first appears in the Application Form and at the address mentioned therein.

B. Additional Applications

An investor shall be allowed to use a single application to apply for NCDs for multiple options. All additional applications, if any, made by the investor either for one option or multiple options shall be considered valid, aggregated based on PAN of the first applicant and shall be considered for allotment as per the procedure detailed under Basis of Allotment.

Any applicant applying for an aggregate of up to Rs.1,00,000/- would be treated as retail category.

C. Depository Arrangements

As per the provisions of Section 68B of the Act, the allotment of NCDs of our Company can be held in a dematerialised form, (i.e. not in the form of physical certificates but be fungible and be represented by the Statement issued through electronic mode).

We have made depository arrangements with NSDL and CDSL for issue and holding of the NCDs in dematerialised form. Tripartite Agreement(s) have already been executed between the Company, CDSL / NSDL and the Registrar.

As per the provisions of Depositories Act, 1996, the NCDs issued by us can be held in a dematerialised form i.e. they shall be fungible and be represented by a statement issued through electronic mode. In this context:

- i. Tripartite Agreements dated June 29, 2005 and December 1, 2001 between us and CDSL and NSDL respectively for offering depository option in respect of debt instruments to the investors.
- ii. An applicant who wishes to apply for NCDs in the electronic form must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or CDSL prior to making the application.
- iii. The applicant must necessarily fill in the details (including the beneficiary account number and DP ID) appearing in the Application Form.
- iv. NCDs allotted to an applicant in the Electronic Account Form will be credited directly to the applicant's respective beneficiary account(s) with the DP.
- v. For subscription in electronic form, names in the Application Form should be identical to those appearing in the records of DP. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the depository.
- vi. Non-transferable allotment advice / refund orders will be directly sent to the applicant by the Registrar to this Issue.
- vii. If incomplete / incorrect details required for issuance of NCDs in electronic form are given in the Application Form, it will be deemed to be an application for NCDs in physical form and thus will be rejected.
- viii. In case of allotment of NCDs in electronic form, the address, nomination details and other details of the first applicant as registered with his / her DP shall be used for all correspondence with the applicant. The applicant is therefore responsible for the correctness of his / her demographic details given in the Application Form vis-à-vis those with his / her DP. In case the information is incorrect or insufficient, the Company would not be liable for losses, if any.
- ix. It may be noted that NCDs in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. Our NCDs are proposed to be listed on NSE and BSE which have connectivity with NSDL and CDSL.
- x. Interest or other benefits with respect to the NCDs held in dematerialised form would be paid to those NCD Holders whose names appear first on the list of beneficial owners given by the Depositories to us as on Record Date. In case of those NCDs for which the beneficial owner is not identified by the Depository as on the Record Date / Book Closure Date, we would keep in

abeyance the payment of interest or other benefits, till such time that the beneficial owner is identified by the Depository and conveyed to us, whereupon the interest or benefits will be paid to the beneficiaries, as identified, within a period of 30 days.

xi. The trading of the NCDs shall be in dematerialised form only.

D. Communications

- All future Communications in connection with Applications made in the Issue should be addressed to the Registrar quoting all relevant details as regards the applicant and its application.
- Applicants can contact the Compliance Officer of the Company / Lead Managers or the Registrar in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non-receipt of letters of allotment / credit of NCDs in beneficiary account / refund orders, etc., applicants may contact the Compliance Officer of the Company / Lead Manager or Registrar.

10. Rejection of Application

The Board / Committee of Directors of the Company, as the case may be, reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason thereof.

Application may be rejected on one or more technical grounds, including but not restricted to:

- Applications not duly signed by the sole / joint applicants;
- Amount paid doesn't tally with the amount payable for the NCDs applied for;
- Age of first applicant not given;
- Application by persons not competent to contract under the Indian Contract Act, 1872 including minors (without the name of guardian) and insane persons;
- GIR number furnished instead of PAN;
- Applications for amounts greater than the maximum permissible amounts prescribed by applicable regulations;
- Applications by any persons outside India;
- Application for an amount below the minimum application size;
- Application for number of NCDs, which are not in multiples of one;
- Category not ticked;
- Application under power of attorney or by limited companies, corporates, trust etc., where relevant documents are not submitted;
- Application Form does not have applicant's depository account details;
- Applications accompanied by Stockinvest / money order / postal order;
- Signature of sole and / or joint applicant(s) missing;
- Application Forms not delivered by the applicant within the time prescribed as per the Application Form and the Prospectus and as per the instructions in the Prospectus and the Application Form;
- In case the subscription amount is paid in cash;
- In case no corresponding record is available with the Depositories that matches three parameters namely, names of the applicant, the Depository Participant's Identity and the beneficiary's account number; or
- Applications not accompanied by necessary permission under any applicable law.
- Application Form accompanied by more than one cheque.

For further instructions regarding application for the NCDs, investors are requested to read the Application Form.

11. Letters of Allotment / NCD Certificates / Refund Orders

The unutilised portion of the application money will be refunded to the applicant by an A/c Payee cheque / demand draft. In case the 'at par' facility is not available, the Company reserves the right to adopt any other suitable mode of payment.

The Company shall credit the allotted NCDs to the respective beneficiary accounts / despatch the Letter(s) of Allotment or Letter(s) of Regret / Refund Orders in excess of Rs.1,000/-, as the case may be, by

Registered Post / Speed Post at the applicant's sole risk. Refund Orders up to Rs.1,000/- will be sent under certificate of posting. We may enter into an arrangement with one or more banks in one or more cities for refund to the account of the applicants through ECS / Direct Credit / RTGS / NEFT.

Further,

- a) Allotment of NCDs offered to the public shall be made within a time period of 30 days from the date of closure of the Issue.
- b) Credit to demat account will be given within 2 working days from the date of allotment
- c) Interest @ 15% p.a. will be paid if the allotment has not been made and / or the Refund Orders have not been dispatched to the applicants within 30 days from the date of the closure of the Issue, for the delay beyond 30 days.

The Company will provide adequate funds to the Registrar to the Issue, for this purpose.

12. Retention of Oversubscription

The Company is making a public Issue of secured redeemable NCDs aggregating to Rs. 250 Crores with an option to retain oversubscription up to Rs. 250 Crores for issuance of additional NCDs, aggregating to a total of up to Rs.500 Crores.

13. Period of Subscription

The Issue shall remain open for up to 14 days, with an option to close earlier or extend further within the aforementioned period. The Company shall inform the authorities (Stock Exchanges and/or SEBI) for the closure of Issue prior to the scheduled date as specified in the Prospectus and such date shall be communicated to the investors through advertisements at least 3 days prior to such closure. Further any extension of the Issue shall be informed to the authorities (Stock Exchanges and/or SEBI) through adequate correspondence and such extension shall be communicated to the investors through advertisements.

14. Amendment of Application

Applicants have the option to withdraw all or any of the applications made till the close of the banking hours of the last day of the issue period. Applicants are not allowed to amend applications, once submitted. Applicants may withdraw such application(s) by written notice to the Registrar, which notice shall include the application form number.

15. Basis of Allotment

Separate investor categories shall be maintained as under:

- Retail – 30% of issue size
- NII – 40% of issue size, out of which 15% of issue size is reserved for Resident Indian individuals and Hindu Undivided Families through the Karta;
- QIBs – 30% of issue size

DETERMINATION OF TOTAL ISSUE AMOUNT

If the application amount received in the Issue is greater than base amount of Rs.250 Crores, the Board / Committee of Directors of the Company, as the case may be, shall determine the amount of oversubscription to be retained for the purposes of allotment up to a maximum of an additional amount of Rs.250 Crores (“**Determined Amount**”). The Determined Amount shall then be aggregated with the base amount (“**Total Issue Amount**”) and the basis of allocation for the Total Issue Amount shall be determined in accordance with the process specified above. The Total Issue Amount shall not exceed Rs.500 Crores.

Process of allocation: On closure of the Issue, all the valid applications would be segregated among the aforesaid 3 categories within which allotment on a first come first serve basis to the extent of the specified percentages would be done. Under-subscription in any of the categories can be spilled over to other categories at the discretion of the Board / Committee of Directors of the Company, as the case may be. Company shall allot NCDs to any other category in case of under-subscription in the order of preference of Retail, NII and QIB. It is further clarified that in case of under subscription in the 15% reservation for

Resident Indian individuals and Hindu Undivided Families through the Karta, such undersubscribed portion shall first be used towards the Retail category.

ALLOTMENT OF NCDs AGGREGATING TO THE TOTAL ISSUE AMOUNT

The Company, Lead Managers and the Registrar, in consultation with the Designated Stock Exchange, shall carry out the allotments of NCDs to the extent of the Total Issue Amount in the following manner:-

- Allotments, to the maximum extent possible, will be made on a first-come first-serve basis under each category, based on date of receipt of application by the Escrow Bankers. However, with respect to applications which cannot be distinguished on first come first serve basis on the basis of such applications being filed on the same date, such applicants will be allotted NCDs based in proportion to their respective application size, rounded off to the nearest integer.
- If the process of rounding off to the nearest integer results in the actual allocation of NCDs being higher than the Issue size, not all applicants will be allotted the number of NCDs arrived at after such rounding off. Rather, one NCD will be allotted, in decreasing order, to each applicant whose allotment size, prior to rounding off, had the highest decimal point, to the extent of the Issue size.
- In the event, there are more than one applicant whose fractional entitlement remain equal after the manner of distribution referred to above, the Company will ensure that the basis of allotment is finalised in a fair and equitable manner.
- If an applicant has applied for more than one Option of NCDs, and in case such applicant is entitled to allocation of only a part of the aggregate number of NCDs applied for, the Option-wise allocation of NCDs to such applicants shall be in proportion to the number of NCDs with respect to each Option, applied for by such applicant.

If there are multiple applications made by an applicant, all the valid applications received will be aggregated to determine the category in which such applicant falls. All such applications will individually be considered for allotment on a first-come-first-serve basis within the category.

16. Utilisation of Application Money

The sum received in respect of the Issue will be kept in separate bank accounts and we will have access to such funds as per applicable provisions of law(s), regulations and approvals.

SECTION VII: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATIONS AND STATUTORY DEFAULTS

General Overview on Outstanding Litigations

As on the date of this Prospectus, there are no defaults in meeting statutory dues, institutional dues and towards holders of instrument like debentures, fixed deposits etc., by the Company, the promoters or by Indian public companies promoted by the same promoter and listed on stock exchange.

There are no outstanding litigations pertaining to:-

- a) matters likely to affect operation and finances of the Company including disputed tax liabilities of any nature; and
- b) criminal prosecutions launched against the Company and the directors for alleged offences under the enactments specified in paragraph 1 of Part I of Schedule XIII to the Act.

A. Litigations filed by the Company

The Company has filed 5489 claims / proceedings for recovery of dues against several defaulters as on February 2, 2010. These may be in the nature of suits, arbitration proceedings, petitions under Section 9 of the Arbitration and Conciliation Act, 1996 for interim reliefs, proceedings for execution of decrees, winding up proceedings against defaulters, in cases of dishonoured cheques, criminal complaints, etc. The proceedings are in the ordinary course of business as part of recovery of dues and are not likely to materially affect the operations and finances of the Company.

B. Litigations filed against the Company

There are 178 cases / complaints, filed against the Company as on February 2, 2010. These primarily include consumer complaints, petitions under Section 9 of the Arbitration and Conciliation Act, 1996 for interim relief to prevent us from repossessing the assets provided as security, suits to restrain us from repossessing assets provided as security, petitions under Section 34 of the Arbitration and Conciliation Act, 1996 for setting aside Arbitral Awards, criminal complaints against the Company's local officers etc. These cases / complaints are also in the ordinary course of business and are not likely to materially affect the operations and finances of the Company.

Further:

- (a) There are no litigations or pending proceedings initiated for economic offences against the Company. Further, there are no orders / notices / injunctions which have been received by the Company from any regulatory authority, including but not limited to the RBI, SEBI, Stock Exchanges and IRDA;
- (b) There are no outstanding litigations or defaults which pertain to matters which are likely to affect the operations and finances of the Company, including disputed tax liabilities (except as mentioned hereunder), prosecution under any enactment referred to in Schedule XIII of the Act; and
- (c) There are no orders / notices / injunctions whose likely outcome will have a material adverse effect on the operations of LTF / L&T / L&T CHL, as the case may be, which have been received by our promoters and our subsidiaries from any regulatory authority, including but not limited to the RBI, SEBI, Stock Exchanges and IRDA.

C. Contingent Liabilities

Our Company has contingent liabilities amounting to Rs. 1,721 lakhs as on September 30, 2009 on account of income-tax / sales-tax liabilities in respect of matters in appeal and bond executed in respect of legal matters. In any event, the outcomes of these cases are not likely to materially affect the operations and finances of the Company. For details of contingent liabilities, please refer to page 107 of this Prospectus.

D. Litigations against Directors of the Company

As on date, there are no criminal prosecutions initiated against the Directors of the Company for alleged offences under the enactments specified in paragraph 1 of Part I of Schedule XIII of the Act.

E. Litigations against promoters of the Company

There are no litigations against L&T and L&T CHL, whose likely outcome will have a material adverse effect on the operations of the Company. Further, there are no defaults in meeting statutory dues, institutional dues, and towards holders of instruments like debentures, fixed deposits and arrears on cumulative preference shares etc.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Government and other Approvals

LTF was incorporated on November 22, 1994, as a public limited company under the Act vide Certificate of Incorporation No.11-83147 (Corporate Identification Number: U65990MH1994PLC083147).

LTF was registered with RBI under Section 45-IA of the RBI Act, as a non-banking financial institution without accepting public deposits vide Certificate of Registration No.B-13.00602 dated April 02, 1998. Based on the revised regulatory framework prescribed by RBI for NBFCs, LTF was re-classified under the category “Asset Finance Company-Non Deposit Taking” by RBI vide fresh Certificate of Registration No.B-13.00602 dated March 21, 2007.

The Company has been authorised to act as a Corporate Agent under the Insurance Act, 1938 by Insurance Regulatory and Development Authority vide Licence No.3921121 dated 08/01/2008.

The Company has also been enrolled as AMFI Registered Mutual Fund Advisor vide AMFI Registration No.ARN-56817 dated January 16, 2008, issued by Association of Mutual Funds in India (AMFI) read with RBI approval vide letter bearing Ref.No.DNBS.MRO.No.7859/AFC-13.12.04/2007-08 dated February 14, 2008.

Authority for the present Issue

The shareholders of the Company, subject to the Memorandum and Articles of Association, have passed a resolution under section 293(1)(d) of the Act, at the EGM held on January 8, 2008, which prescribes the maximum monetary limit for the purpose of borrowing. The aggregate value of the Debentures offered under this Prospectus, together with the existing borrowings of the Company, is within the approved borrowing limits of Rs.10,000 Crores.

The Issue of Debentures offered under the Prospectus is being made pursuant to resolution passed by the Board of Directors of the Company at its Meeting held on December 16, 2009.

Prohibition by SEBI / Eligibility of LTF to come out with the Issue

Our Company and our Promoters have not been restrained, prohibited or debarred by SEBI from accessing the securities market or dealing in securities and no such order or direction is in force. Further, no member of our promoter group has been prohibited or debarred by SEBI from accessing the securities market or dealing in securities due to fraud.

Disclaimer clause of NSE

AS REQUIRED, A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED TO NSE. NSE HAS GIVEN VIDE ITS LETTER DATED FEBRUARY 5, 2010 PERMISSION TO THE ISSUER TO USE THE EXCHANGE'S NAME IN THIS PROSPECTUS AS ONE OF THE STOCK EXCHANGES ON WHICH THIS ISSUER'S SECURITIES ARE PROPOSED TO BE LISTED. THE EXCHANGE HAS SCRUTINISED THE DRAFT PROSPECTUS FOR ITS LIMITED INTERNAL PURPOSE OF DECIDING ON THE MATTER OF GRANTING THE AFORESAID PERMISSION TO THIS ISSUER. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE AFORESAID PERMISSION GIVEN BY NSE SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE PROSPECTUS HAS BEEN CLEARED OR APPROVED BY NSE; NOR DOES IT IN ANY MANNER WARRANT, CERTIFY OR ENDORSE THE CORRECTNESS OR COMPLETENESS OF ANY OF THE CONTENTS OF THIS PROSPECTUS; NOR DOES IT WARRANT THAT THE ISSUER'S SECURITIES WILL BE LISTED OR WILL CONTINUE TO BE LISTED ON THE EXCHANGE; NOR DOES IT TAKE ANY RESPONSIBILITIES FOR THE FINANCIAL OR OTHER SOUNDNESS OF THE ISSUER, ITS PROMOTERS, ITS MANAGEMENT OR ANY SCHEME OR PROJECT OF THE ISSUER.

EVERY PERSON WHO DESIRES TO APPLY FOR OR OTHERWISE ACQUIRE ANY SECURITIES OF THE ISSUER MAY DO SO PURSUANT TO INDEPENDENT INQUIRY, INVESTIGATION AND ANALYSIS AND SHALL NOT HAVE ANY CLAIM AGAINST THE EXCHANGE WHATSOEVER BY REASON OF ANY LOSS WHICH MAY BE SUFFERED BY SUCH PERSON CONSEQUENT TO OR IN

CONNECTION WITH SUCH SUBSCRIPTION / ACQUISITION WHETHER BY REASON OF ANYTHING STATED OR OMITTED TO BE STATED HEREIN OR ANY OTHER REASON WHATSOEVER.

Disclaimer clause of BSE

BOMBAY STOCK EXCHANGE LTD. ("THE EXCHANGE") HAS GIVEN VIDE ITS LETTER DATED FEBRUARY 01, 2010 PERMISSION TO L & T FINANCE LIMITED TO USE THE EXCHANGE'S NAME IN THIS OFFER DOCUMENT AS ONE OF THE STOCK EXCHANGES ON WHICH THIS COMPANY'S NCDs ARE PROPOSED TO BE LISTED. THE EXCHANGE HAS SCRUTINISED THIS OFFER DOCUMENT FOR ITS LIMITED INTERNAL PURPOSE OF DECIDING ON THE MATTER OF GRANTING THE AFORESAID PERMISSION TO L & T FINANCE LIMITED. THE EXCHANGE DOES NOT IN ANY MANNER: -

- i) WARRANT, CERTIFY OR ENDORSE THE CORRECTNESS OR COMPLETENESS OF ANY OF THE CONTENTS OF THIS OFFER DOCUMENT; OR
- ii) WARRANT THAT THIS NCDs WILL BE LISTED OR WILL CONTINUE TO BE LISTED ON THE EXCHANGE; OR
- iii) TAKE ANY RESPONSIBILITY FOR THE FINANCIAL OR OTHER SOUNDNESS OF THIS COMPANY, ITS PROMOTERS, ITS MANAGEMENT OR ANY SCHEME OR PROJECT OF THIS COMPANY;

AND IT SHOULD NOT FOR ANY REASON BE DEEMED OR CONSTRUED THAT THIS PROSPECTUS HAS BEEN CLEARED OR APPROVED BY THE EXCHANGE. EVERY PERSON WHO DESIRES TO APPLY FOR OR OTHERWISE ACQUIRES ANY SECURITIES OF SECURED REDEEMABLE NCDs OF 2010 A SERIES OF THIS COMPANY MAY DO SO PURSUANT TO INDEPENDENT INQUIRY, INVESTIGATION AND ANALYSIS AND SHALL NOT HAVE ANY CLAIM AGAINST THE EXCHANGE WHATSOEVER BY REASON OF ANY LOSS WHICH MAY BE SUFFERED BY SUCH PERSON CONSEQUENT TO OR IN CONNECTION WITH SUCH SUBSCRIPTION/ACQUISITION WHETHER BY REASON OF ANYTHING STATED OR OMITTED TO BE STATED HEREIN OR FOR ANY OTHER REASON WHATSOEVER.

Disclaimer clause of RBI

RBI HAS ISSUED CERTIFICATE OF REGISTRATION DATED APRIL 02, 1998 AND A FRESH CERTIFICATE OF REGISTRATION DATED MARCH 21, 2007 RE-CLASSIFYING THE COMPANY UNDER THE CATEGORY "ASSET FINANCE COMPANY-NON DEPOSIT TAKING". IT MUST BE DISTINCTLY UNDERSTOOD THAT THE ISSUING OF THIS CERTIFICATE AND GRANTING A LICENSE AND APPROVAL BY RBI IN ANY OTHER MATTER SHOULD NOT IN ANY WAY, BE DEEMED OR CONSTRUED TO BE AN APPROVAL BY RBI TO THIS PROSPECTUS NOR SHOULD IT BE DEEMED THAT RBI HAS APPROVED IT AND THE RBI DOES NOT TAKE ANY RESPONSIBILITY OR GUARANTEE THE FINANCIAL SOUNDNESS OF THE COMPANY OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED BY THE COMPANY IN THIS CONNECTION AND FOR REPAYMENT OF DEPOSITS / DISCHARGE OF LIABILITIES BY THE COMPANY.

Listing

The NCDs proposed to be offered in pursuance of this Prospectus will be listed on NSE and BSE. The NSE and the BSE have vide their letters dated February 5, 2010 and February 1, 2010, respectively, granted 'in-principle' approval for listing the NCDs to be issued pursuant to this Prospectus. If permissions to deal in and for an official quotation of our NCDs are not granted by NSE or BSE, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of the Prospectus.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange(s) mentioned above are taken within 7 working days from the date of allotment.

For the avoidance of doubt, it is hereby clarified that in the event of non subscription to any one or more of the Options, such NCDs with Option(s) shall not be listed.

Consents

Consents in writing of: (a) the Directors, (b) the Company Secretary, (c) the Compliance Officer, (d) the Statutory Auditors, (e) Bankers to the Company, (f) Bankers to the Issue, (g) Escrow Collection Banks, (h) Lead Managers, (i) Registrar, (j) Legal Advisors to the Issue, (k) Legal Advisors to Citigroup Global Markets India Private Limited, (l) Credit Rating Agencies, (m) the Debenture Trustee and (n) Lead Brokers to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Prospectus with the Stock Exchange.

Expert Opinion

Except the reports of ICRA and CARE in respect of the credit rating(s) of this Issue and the letters furnishing their rationale for their rating(s), our Company has not obtained any expert opinions.

Common Form of Transfer

The Issuer undertakes that there shall be a common form of transfer for the Debentures as prescribed under the SCRA / Act and all applicable laws shall be duly complied with in respect of all transfer of Debentures and registration thereof.

Minimum Subscription

If the Company does not receive the minimum subscription of 75% of the base issue amount of Rs.250 Crores i.e. Rs.187.50 Crores, the entire subscription amount shall be refunded to the applicants within 15 days from the date of closure of the Issue. If there is delay in the refund of subscription by more than 8 days after the Company becomes liable to pay the subscription amount, the Company will pay interest for the delayed period, at rates prescribed under sub-sections (2) and (2A) of Section 73 of the Act.

Filing of Draft Prospectus

The Draft Prospectus had been filed with the NSE and the BSE in terms of Regulation 7 of the Debt Regulations, for dissemination on their website(s). The Debentures are being offered for public issue and the same are being issued at the face value of Rs.1,000/- (Rupees One Thousand only) each.

Issue Related Expenses

The expenses of this Issue include, among others, fees for the Lead Managers, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses to be incurred for the Issue size of Rs. 500 crores (assuming the full subscription including the retention of over subscription of Rs. 250 crores) are as follows:

<i>(Rs. in lakhs)</i>		
Activity	Expenses	% of Issue Size of Rs.500 Crores
Lead Management Fee	125.00	0.25%
Advertising and Marketing Expenses	750.00	1.50%
Printing and Stationery	25.00	0.05%
Others (Debenture Trustee Fees, Registrar Fee, Credit Rating Fee, Legal Fees, Stamp Duty & Registration expense, etc.)	91.00	0.18%
Total	991.00	1.98%

The above expenses are indicative and are subject to change depending on the actual level of subscription to the Issue and the number of Allottees, market conditions and other relevant factors.

Underwriting

This Issue has not been underwritten.

Details regarding the capital issue during the last three years by the Company and other listed companies under the same management within the meaning of section 370 (1B)

L&T had come out with a GDR Issue aggregating to USD 400 million in November 2007. The same was priced at USD 100 per GDS and each GDS represents 1 equity share of Rs.2/- each.

Other than the above, neither the Company nor any other listed company under the same management within the meaning of Section 370(1B) of the Act has made any public or rights or composite issue of capital in the last three years.

Public / Rights Issues

Our Company had come out with a Public issue of secured redeemable non-convertible debentures for an overall aggregate amount of Rs.1,000 Crores in August 2009.

Previous Issues of shares otherwise than for cash

Pursuant to a scheme of amalgamation, L&T Equipment Leasing Company Limited, LTM Limited, L&T Netcom Limited and L&T Trade.Com Limited were merged with LTF with effect from May 05, 2004. The shareholders of L&T Equipment Leasing Company Limited, L&T Netcom Limited and LTM Limited were allotted 2,66,91,500 equity shares of Rs.10/- each of L&T Finance Limited on May 06, 2004.

Dividend

Our Company has no stated dividend policy. The Company has not paid any dividend on its equity shares for the financial years 2006, 2007, 2008, and 2009. The details of dividend paid for the financial year 2004-05 are furnished below:-

Nature of Dividend	%
Interim Dividend	5
Final Dividend	5

Revaluation of assets

The Company has not revalued its assets in the last five years.

Trading of Debentures

The secured redeemable non-convertible debentures for an overall aggregate amount of Rs.1,000 Crores publicly issued by the Company in August 2009 are listed on the NSE and the BSE. The Secured, Redeemable, Non-Convertible Debentures in various tranches issued by the Company in the past on private placement basis are listed on the WDM segment of NSE.

Debentures or bonds and redeemable preference shares and other instruments issued by the Company and outstanding

As on the date of filing of this Prospectus, the Company has issued listed / rated / unrated, secured / unsecured, non-convertible redeemable debentures aggregating to Rs. 257,000 lakhs. Apart from the above, there are no outstanding debentures, bonds, redeemable preference shares or other instruments issued by the Company that are outstanding.

Mechanism for redressal of investor grievances

M/s. Sharepro Services (India) Pvt. Ltd. has been appointed as the Registrar to ensure that investor grievances are handled expeditiously and satisfactorily and to effectively deal with investor complaints. The MOU between the Registrar and the Company will provide for retention of records with the Registrar for a period of at least three years from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar for redressal of their grievances. All grievances relating to the Issue should be addressed to the Registrar giving full details of the applicant, number of NCDs applied for, amount paid on application and the bank branch or collection centre where the application was submitted etc.

Sharepro Services (India) Pvt. Ltd.

Samhita Warehousing Complex,
Bldg. No.13 A B, Gala No. 52 to 56,
Near Sakinaka Telephone Exchange,
Andheri - Kurla Road, Sakinaka,
Mumbai - 400 072
Tel: +91 22 6772 0300 / 6772 0400
Fax: +91 22 28591568 / 28508927
Contact Person: Mr. Prakash Khare
Website: www.shareproservices.com
E-mail: sharepro@shareproservices.com
Investor Grievance Email: ltfin2010@shareproservices.com
Compliance Officer: Mr. V. Kumaresan

In addition, the Company's Compliance Officer would also handle all investors' grievances.

Name	:	S. Krishna Kumar
Designation	:	Compliance Officer
Address	:	Spanco House, B. S. Deoshi Marg, Deonar, Mumbai - 400 088
Telephone	:	+91 22 4249 1300/ 4249 1400
Fax	:	+91 22 42491384
E-Mail	:	ncd2@ltfinance.com

We estimate that the average time required by the Registrar for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Change in auditors of the Company during the last three years

There has been no change in the statutory auditors of the Company during the last 3 years. M/s. Sharp & Tannan, Chartered Accountants have been the Company's Statutory Auditors since its inception.

Caution

Though the provisions of sub-section (1) of section 68-A of the Act, do not apply to an issue of bonds / debentures, the attention of the investors is drawn to the provisions as a matter of abundant caution:

“Any person who –

- (a) makes in a fictitious name, an application to a company for acquiring, or subscribing for, any shares therein, or

- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in fictitious name,

shall be punishable with imprisonment for a term which may extend to five years” .

Disclaimer in respect of Jurisdiction

ISSUE OF THE DEBENTURES HAVE BEEN / WILL BE MADE IN INDIA TO INVESTORS AS SPECIFIED UNDER SECTION “WHO CAN APPLY” ON PAGE 161 OF THIS PROSPECTUS. THE DEBENTURES ARE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE EXISTING INDIAN LAWS AS APPLICABLE IN THE STATE OF MAHARASHTRA. ANY DISPUTE ARISING IN RESPECT THEREOF WILL BE SUBJECT TO THE EXCLUSIVE JURISDICTION OF THE COURTS AND TRIBUNALS OF MUMBAI.

Disclaimer Statement from the Issuer

THE ISSUER ACCEPTS NO RESPONSIBILITY FOR STATEMENTS MADE OTHER THAN IN THIS PROSPECTUS ISSUED BY THE COMPANY IN CONNECTION WITH THE ISSUE OF THE DEBENTURES AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS / HER OWN RISK.

REGULATIONS AND POLICIES

The regulations set out below are not exhaustive and are only intended to provide general information to investors and is neither designed nor intended to be a substitute for professional legal advice. Taxation statutes such as the Income Tax Act, 1961, Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Act, 1952, and other miscellaneous regulations such as the Trade and Merchandise Marks Act, 1958 and applicable Shops and Establishments statutes apply to us as they do to any other Indian company and therefore have not been detailed below. The statements below are based on the current provisions of Indian law and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

1. Regulation of NBFCs registered with the RBI

NBFCs are primarily governed by the RBI Act, the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2007 (“**APD Directions**”), the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (“**Non- Deposit Accepting Companies Directions**”) and to a certain extent by the provisions of the Non- Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. In addition to these regulations, NBFCs are also governed by various circulars, notifications, guidelines, etc. issued by the RBI from time to time.

2. Types of Activities that NBFCs are permitted to carry out

Typically, an NBFC is a company registered under the Act which, either as its principal or part of its business is engaged in the activities of loans and advances, acquisition of shares / stock / bonds / debentures / securities issued by Government of India or other local authorities or other marketable securities of like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of carrying out any agricultural or industrial activities or the sale / purchase / construction of immovable property.

Although by definition, NBFCs are permitted to operate in similar sphere of activities as banks, there are a few important, key differences. The most important distinctions are as follows:

- (i) an NBFC cannot accept deposits repayable on demand – in other words, NBFCs can only accept fixed term deposits. This also implies that NBFCs are not permitted to issue negotiable instruments, such as cheques. For the same reason, NBFCs are not permitted to issue debit cards or stored value cards; and
- (ii) the RBI generally (and in most cases, automatically) permits banks to act as authorised dealers, i.e. persons authorised to deal in foreign exchange. NBFCs will not be allowed to deal in foreign exchange, even if they specifically apply to the RBI for approval in this regard.

3. Types of NBFCs:

Section 45-IA of the RBI Act makes it mandatory for every NBFC to get itself registered with RBI in order to be able to commence any of the aforementioned activities.

In addition, the RBI has further stipulated that any company in which (i) financial assets represent more than 50% of its total assets; and (ii) the income from such financial assets represents more than 50% of its gross income, would also be required to register itself with the RBI as an NBFC.

Further, an NBFC may be registered as a deposit accepting NBFC (“**NBFC-D**”) or as a non-deposit accepting NBFC (“**NBFC-ND**”). NBFC-ND with total asset size of Rs. 100,00,00,000/- (Rupees Hundred Crores) or more as per the last audited balance sheet are further classified as Systemically Important NBFC-ND (“**NBFC-ND-SI**”). The Company has been registered with the RBI as a NBFC-ND-SI.

NBFCs registered with RBI are further classified as:

- (i) asset finance companies;
- (ii) investment companies; and/or

- (iii) loan companies.

The Company has been classified as an asset finance company.

4. Regulatory Requirements of an NBFC under the RBI Act Net Owned Fund

Section 45-IA of the RBI Act provides that to carry on the business of an NBFC, an entity would have to register as an NBFC with the RBI and would be required to have a net owned fund of Rs.25,00,000/- (Rupees Twenty Five Lakhs) or Rs. 2,00,00,000/- (Rupees Two Crores), depending upon the date of registration with RBI. For this purpose, the RBI Act has defined “net owned fund” to mean:

- (a) the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company, after deducting:
 - (i) accumulated balance of losses;
 - (ii) deferred revenue expenditure; and
 - (iii) other intangible assets.
- (b) further reduced by the amounts representing:
 - (i) investment by such companies in shares of its subsidiaries, companies in the same group, other NBFCs; and
 - (ii) the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with (i) subsidiaries of such companies; and (ii) companies in the same group to the extent such amount exceeds 10% of (a) above.

5. Reserve Fund

In addition to the above, Section 45-IC of the RBI Act requires NBFCs to create a reserve fund and transfer therein a sum of not less than 20% of its net profits earned annually before declaration of dividend. Such sum cannot be appropriated by the NBFC except for the purpose as may be specified by the RBI from time to time and every such appropriation is required to be reported to the RBI within 21 days from the date of such withdrawal.

6. Obligations of NBFC-ND under the Non-Deposit Accepting Companies Directions

NBFCs such as the Company, which do not accept public deposits, are subject to lesser degree of regulation as compared to a NBFC-D and are governed by the RBI’s Non- Deposit Accepting Companies Directions.

NBFC ND-SIs are required to comply with prescribed capital adequacy ratios, single and group exposure norms, and other specified prudential requirements prescribed under these Directions. Some of the important obligations are as follows (there are certain relaxations and exceptions available, but the following provides a summary of applicable restrictions):

- (i) Capital Adequacy Ratio: NBFCs-ND-SI are required to maintain a minimum CRAR of 10%. However, by recent amendments vide circular dated August 1, 2008, the RBI has increased the minimum CRAR, and NBFCs-ND-SI have been directed to achieve 12% CRAR by March 31, 2010 and 15% CRAR by March 31, 2011.
- (ii) Single/Group Lending Exposure: There are restrictions on lending by an NBFC-ND-SI to a single borrower or a single group of borrowers. As per these restrictions, no NBFC-ND can lend to any ‘single borrower’ in excess of 15% of its owned funds and to any ‘single group of borrowers’ in excess of 25% of its owned funds.
- (iii) Single/Group Investment Exposure: The Non-Deposit Accepting Companies Directions also prohibit an NBFC-ND-SI to invest in the shares of another company in excess of 15% of its owned funds and to invest in the shares of a ‘single group of companies’ in excess of 25% of its owned funds.
- (iv) Single/Group Lending and Investment Exposure: No NBFC-ND-SI can lend and invest together in excess of 25% of its owned funds to a ‘single party’ and in excess of 40% of its owned fund to a

‘single group of parties’.

- (v) All NBFC-ND-SI are required to submit a monthly compliance report to the RBI.
- (vi) Recently, the RBI has introduced a system of reporting for NBFCs-ND-SI whereby regular reports (in the prescribed formats) on short term dynamic liquidity, structural liquidity and interest rate sensitivity would have to be submitted. Such requirement for such reporting has commenced with effect from the period ending September 30, 2008. The periodicity of the statement of short term dynamic liquidity is monthly and it is required to be furnished to the RBI within 10 days of the close of the month to which it relates. The periodicity of the statement of structural liquidity is half-yearly and the statement is required to be submitted to the RBI within 20 days of the close of the half-year to which it relates. However, in order to enable NBFCs to fine tune their system, the first return for the period ended September 2008 is required to be submitted by the first week of January 2009.

Apart from the above, every NBFC-ND is required to pass a resolution, within thirty days of each financial year to the effect that the company has neither accepted public deposit, nor would accept any public deposit, during the said financial year. Copies of such resolutions are required to be submitted to the statutory auditor of the company and also to be filed with the RBI.

An NBFC-ND is also required to inform the RBI of any change in the address, telephone no.’s, etc. of its Registered Office, names and addresses of its directors / auditors, names and designations of its principal officers, the specimen signatures of its authorised signatories, within one month from the occurrence of such an event. Further, an NBFC-ND would need to ensure that its registration with the RBI remains current.

All NBFCs (whether accepting public deposits or not) having an asset base of Rs. 100 Crores or more or holding public deposits of Rs. 20 Crores or more (irrespective of asset size) as per their last audited balance sheet are required to comply with the RBI Guidelines for an Asset-Liability Management System.

Similarly, all NBFCs are required to comply with “Know Your Customer Guidelines – Anti Money Laundering Standards” issued by the RBI, with suitable modifications depending upon the activity undertaken by the NBFC concerned.

7. Corporate Governance

Pursuant to RBI circular (DNBS.PD/CC 94/03.10.042/2006-07) dated May 8, 2007, the RBI has proposed certain corporate governance guidelines for the consideration of all NBFC-D with an asset size of Rs. 20 Crores or more and all NBFC-ND-SI. The guidelines recommend that the aforesaid types of NBFCs constitute an Audit Committee, a Nomination Committee (to ensure that fit and proper persons are nominated as directors on their respective boards) and a Risk Management Committee to institute risk management systems. The guidelines have also issued instructions relating to credit facilities to directors, loans and advances to relatives of the directors of the said NBFCs or to the directors of other companies and their relatives and other entities, timeframe for recovery of such loans, etc. Such NBFCs are also required to frame internal corporate governance guidelines based on the guidelines issued by the RBI on May 8, 2007.

8. Accounting Standards & Accounting policies

Subject to the changes in Indian Accounting Standards and regulatory environment applicable to an NBFC or even otherwise we may change our accounting policies in the future and it might not always be possible to determine the effect on Profit and Loss account of these changes in each of the accounting years preceding the change.

In such cases our profit/ loss for the preceding years might not be strictly comparable with the profit/ loss for the period for which such accounting policy changes are being made.

9. Reporting by Statutory Auditor

The statutory auditor of the NBFC-ND is required to submit to the Board of Directors of the company along with the statutory audit report, a special report certifying that the Directors have passed the requisite

resolution mentioned above, not accepted any public deposits during the year and has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it. In the event of non-compliance, the statutory auditors are required to directly report the same to the RBI.

10. Other Regulations

In addition to the above, the Company is required to comply with the provisions of the Act, Foreign Exchange Management Act, 1999, taxation and other applicable statutes of both the State and Central Government.

11. Exchange Control Regulations governing NBFCs

The exchange control laws of India regulates and governs foreign investment in certain categories of financial service companies in India and the categories of activities which can be carried on by such companies after they have received foreign direct investment.

SUMMARY OF KEY PROVISIONS OF ARTICLES OF ASSOCIATION

Set forth in this portion of the Prospectus is a summary of the key provisions of the Articles of Association of the Company:-

Article 14 of the Articles of Association of the Company authorizes the payment of a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally), for any shares in or debentures of the Company, or procuring or agreeing to procure subscription for any shares in or debentures of the Company so long the same is in compliance with Section 76 of the Act.

Article 15 of the Articles of Association of the Company allows the Company to pay a reasonable sum of brokerage for the issue of shares or debentures of the Company.

Article 37 of the Articles of Association of the Company restricts the Company from registering any transfer of shares or debentures by the Company unless a proper instrument of transfer, duly stamped and executed, specifying the name and address of the Company along with the share/debenture certificates or letter of allotment of shares/debentures. In the event of no such certificate in existence then the transferor shall be the deemed debenture holder until the name of the transferee is entered into the Register. The Articles also prescribe certain procedures for indemnifying the transferee for the loss or misplace of the debenture certificates if the same is proven to the satisfaction of the Board.

Article 38 of the Articles of Association of the Company prescribes the procedure for the transfer of shares or other interest of the members in the Company has to be made by the Transferor or the Transferee.

Article 39 of the Articles of Association of the Company provides that the transfer of the instruments shall be in a prescribed form and shall be presented to the prescribed authority before such instrument is signed by the Transferor in accordance with Section 108(1-A) of the Act.

Article 40 gives discretionary powers to the Board to decline registration of any proposed transfer of debentures or transmission of debentures by operation of law, whether transferee is a member of the Company or not subject to the provisions of Section 111 of the Act.

Article 41 prescribes the Company to intimate any refusal by the Company to register any transfer of debentures, within two months from the date of filing of the instrument of transfer or two months from the date on which the intimation for transfer was lodged. The provisions of Section 111 of the Act or any statutory modifications shall apply in such a case.

Article 42 prohibits transfer to an insolvent or a person of unsound mind.

Article 43 prescribes the Company to retain the instruments of transfer unless prescribed by the Board. The instruments declined by the Board are to be returned to the depositors.

Article 44 of the Articles of Association prescribes that no fee shall be charged by the Company in respect of registration of transfer or transmission of any number of debentures, grant of probate or letters of administration, succession certificate or other instruments.

Article 45 of the Articles of Association of the Company lists out the persons entitled to Debentures by transmission. The Articles provides that the executors or administrators or the holder of succession certificate in respect of Debentures of a deceased member (not being one of several joint holders) shall be the only persons whom the company shall recognize as having any title to the Shares registered in the name of such member and, in case of the death of any one or more of the joint holders of any registered shares.

Article 47 of the Articles of the Company prescribes that the Company shall incur no liability or responsibility, in consequence of its registering or giving effect to any transfer of shares, made or purporting to be made by any apparent legal owner thereof to the prejudice of persons having or claiming any equitable right, title or interest to or in the same debentures.

Article 48 of the Articles of Association of the Company provides that all the provisions herein contained as to the transfer of shares shall apply mutatis mutandis to the transfer and transmission of the Debentures.

Article 58 of the Articles of the Company permits the Company to accept deposits from members, either in advance of calls or otherwise, raise or borrow or secure the payment of monies for the purpose of the Company not exceeding the aggregate of the paid up capital of the Company and its free reserves subject to the fulfilment of the conditions prescribed in 293 and 293 of the Act. The said Article also provides that where the monies borrowed together with the monies to be borrowed exceed the aggregate of the paid up capital of the Company, the Directors shall be required to take consent of the shareholders in a General Meeting.

Article 59 of the Articles of the Company allows the Directors of the Company to raise or secure the payment or repayment of any monies borrowed in such a manner and upon such terms and conditions in all respects as they think fit and, in particular, by the issue of bonds, or debentures of the Company or any mortgage, charge or other security upon all or any part of the undertaking or property of the Company through a Board Resolution passed in a meeting.

Article 60 of the Articles of the Company prescribes that Debentures, debenture stock, bonds or other securities of the Company may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Article 61 of the Articles of the Company prescribe that the Company may issue any debentures, debenture stock, bonds or other securities at a discount, premium or otherwise and with any special privilege as to redemption, surrender allotment of shares, appointment of Directors, and otherwise it may think fit subject to the provision that the Debentures with a right to allotment of or conversion into shares, other than debentures issued to any institution specified by the Central Government in this behalf for the purpose of clause (b) of the proviso to sub-section (3) of Section 81 of the Act, shall be issued only by a special resolution.

Article 98 of the Articles of the Company provides that any Trust Deed for securing the debentures or debenture stock may, if so arranged shall provide for the appointment or removal, from time to time some persons to be the Director (Debenture Director) of the Company to be appointed or removed by the Trustee.

Article 99 of the Articles of the Company provides that the Debenture Director shall not be bound to hold a qualification share and shall not be liable to retire by rotation or subject to the provisions of the Act, be removed by the Company.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION:

The following contracts and documents which are or may be deemed material have been entered or are to be entered into by the Company. Copies of these contracts and the other documents referred to hereunder, may be inspected at the Registered Office of the Company at L&T House, Ballard Estate, Mumbai - 400 001 from 10.00 a.m. to 5.00 p.m. on any business days from the date of this Prospectus until the date of closure of the Issue.

A. Material Contracts

1. Engagement Letter dated January 22, 2010 accepted by the Company appointing Citigroup Global Markets India Private Limited, JM Financial Consultants Private Limited and Kotak Mahindra Capital Company Limited to act as Lead Managers to the Issue;
2. Memorandum of Understanding dated January 22, 2010 between the Company and the Lead Managers to the Issue;
3. Memorandum of Understanding dated January 22, 2010 between the Company and the Registrar;
4. Escrow Agreement dated February 4, 2010 executed by the Company, the Registrar, the Escrow Collection Bank(s) and the Lead Managers;
5. Tripartite Agreement dated June 29, 2005 executed between CDSL, the Company and the Registrar;
6. Tripartite Agreement dated December 1, 2001 executed between NSDL, the Company and the Registrar;
7. Draft Debenture Trust-cum-Mortgage Deed to be executed between the Company and the Debenture Trustee; and
8. Letter dated February 4, 2010 received from Bank of Maharashtra conveying "No Objection" for the creation of an additional *pari passu* charge in respect of certain property being secured for the purposes of this Issue.

B. Documents

1. Memorandum and Articles of Association of the Company;
2. Certification of Incorporation No.11-83147 dated November 22, 1994 issued by the Registrar of Companies, Maharashtra, Mumbai (Corporate Identification Number: U65990MH1994PLC083147);
3. Certificate of Registration No.B-13.00602 dated April 02, 1998 issued by RBI, under section 45-IA of the Reserve Bank of India Act, 1934;
4. Fresh Certificate of Registration No.B-13.00602 dated March 21, 2007 issued by RBI, re-classifying the Company under the category "Asset Finance Company-Non Deposit Taking";
5. Licence No.3921121 dated 08/01/2008 issued by the Insurance Regulatory and Development Authority authorising the Company to act as a Corporate Agent under the Insurance Act, 1938;
6. AMFI Registration No.ARN-56817 dated January 16, 2008 issued by the Association of Mutual Funds in India enrolling the Company as AMFI Registered Mutual Fund Advisor read with RBI approval vide letter Ref.No.DNBS.MRO.No.7859/AFC-13.12.04/2007-08 dated February 14, 2008;
7. Certified True Copy of Resolution passed by the Shareholders at the Extra-Ordinary General Meeting held on January 8, 2008, granting authority to the Board of Directors/Committee of Directors to borrow monies under section 293(1)(d) of the Act, from time to time;
8. Certified True Copy of the Resolution passed by the Board of Directors at its Meeting held on December 16, 2009 authorising the Issue;

9. Auditors' Report dated January 18, 2010 referred to in the Prospectus;
10. Annual Reports of the Company for the last 5 Financial Years 2004-05 to 2008-09;
11. Credit Rating letters each dated January 20, 2010 from CARE and ICRA granting credit rating(s) to the Debentures to be issued in pursuance of this Prospectus;
12. Consents of the (a) the Directors, (b) the Company Secretary, (c) Compliance Officer, (d) the Statutory Auditors, (e) Bankers to the Company, (f) Bankers to the Issue, (g) Escrow Collection Banks, (h) Lead Managers, (i) Registrar, (j) Legal Advisors to the Issue, (k) Legal Advisors to Citigroup Global Markets India Private Limited, (l) Credit Rating Agencies, (m) the Debenture Trustee and (n) Lead Brokers to the Issue, to include their names in the Prospectus and to act in their respective capacities;
13. Due Diligence Certificate dated February 5, 2010 filed by the Lead Managers and Due Diligence Certificate dated February 4, 2010 filed by the Debenture Trustee; and
14. The NSE 'in-principle' approval letter dated February 5, 2010 and the BSE 'in-principle' approval letter dated February 1, 2010.

DECLARATION

We, the Directors / Manager & Secretary, as the case may be, of the Company, certify that all the relevant guidelines issued by the Government of India, SEBI, applicable provisions under the Securities Contracts (Regulation) Act, 1956, rules framed thereunder and the Act and the Debt Regulations have been complied with. We further certify that the disclosures made in this Prospectus are true, fair and correct and adequate and in conformity with Schedule II of the Act, Schedule I of the Debt Regulations and the Listing Agreement executed/ to be executed with National Stock Exchange of India Limited, the Designated Stock Exchange, and Bombay Stock Exchange Limited, to the extent applicable.

We confirm that this Prospectus does not omit disclosure of any material fact which may make the statements made therein, in light of the circumstances under which they are made, misleading. We further confirm that the Prospectus does not contain any false or misleading statement.

Yours faithfully,

Y. M. Deosthalee
(Director)

N.Sivaraman
(Director)

R. Shankar Raman
(Director)

S. Raghavan
(Director)

N. Suryanarayanan
(Manager & Secretary)

Place: Mumbai
Date: February 5, 2010