

Board's Report

Dear Members,

The Directors of your Company have the pleasure in presenting the Tenth Annual Report together with the audited financial statements for the financial year ("FY") ended March 31, 2018.

FINANCIAL RESULTS

The summary of the Company's financial performance, both on a consolidated and standalone basis, for the FY 2017-18 as compared to the previous FY 2016-17 is given below:

(₹ in Lakh)

Particulars	Consolidated		Standalone	
	2017-18	2016-17	2017-18	2016-17
Total Income	10,49,994.08	8,57,231.01	47,837.11	31,488.99
Less: Total Expenses	8,76,011.69	7,49,340.82	8,368.76	6,978.26
Profit before Tax	1,73,982.39	1,07,890.19	39,468.35	24,510.73
Less: Tax Expense	27,483.30	3,643.67	2,684.52	(355.44)
Profit after Tax	1,46,499.09	1,04,246.52	36,783.83	24,866.17
Add: Share in profit of associate company	83.39	574.73	-	-
Add: Share of minority interest	633.68	(602.58)	-	-
Profit for the year	1,45,948.80	1,04,218.67	36,783.83	24,866.17
Add: Balance brought forward from previous year	1,84,037.58	1,18,752.54	16,509.32	9,065.58
Balance Available	3,29,986.38	2,22,971.21	53,293.15	33,931.75
Appropriations				
Statutory Reserve	17,665.98	8,020.39	7,356.77	4,973.24
Dividend paid for previous year	14,573.70	5.78	14,573.70	5.78
Dividend Distribution Tax	7,673.30	6,713.05	-	2,104.46
Interim dividend on Preference Shares	9,306.55	10,677.49	9,306.55	10,338.95
Transfer to/(from) Debenture Redemption Reserve	4,806.91	67.15	-	-
Transfer to Reserve u/s 36(1)(viii) of Income Tax Act, 1961	5,300.40	9,734.72	-	-
Transfer to Reserve u/s 29-C of National Housing Bank	3,327.12	2,729.93	-	-
Unamortised loss on sale of loans	1,387.45	-	-	-
Share in Associates' Reserves	-	985.12	-	-
Surplus in the Statement of Profit and Loss	2,65,944.97	1,84,037.58	22,056.13	16,509.32

FINANCIAL PERFORMANCE

Being a Core Investment Company, the Company's standalone revenue is, substantially, dividend from its subsidiaries and hence, it is meaningful to look at the consolidated performance.

Consolidated

- Total income grew by 22% from ₹ 8,57,231.01 Lakh in FY 2016-17 to ₹ 10,49,994.08 Lakh in FY 2017-18.
- Profit before taxes grew from ₹ 1,07,890.19

Lakh in FY 2016-17 to ₹ 1,73,982.39 Lakh in FY 2017-18.

- Profit for the year also grew from ₹ 1,04,218.67 Lakh in FY 2016-17 to ₹ 1,45,948.80 Lakh in FY 2017-18.

During the year, the net loan book size grew from ₹ 61,64,849.99 Lakh to ₹ 78,29,922.00 Lakh reflecting a growth of 27%.

The Average Assets Under Management ("AAUM") of the Mutual Fund business stood at ₹ 65,93,164.73 Lakh for the quarter ended March 31, 2018 as against ₹ 39,30,000.00 Lakh for the quarter ended March 31, 2017, reflecting a growth of 68%.

The Average Assets Under Service ("AAUS") of the Wealth Management business stood at ₹ 18,34,711.22 Lakh for the quarter ended March 31, 2018 as against ₹ 13,62,300.83 Lakh for the quarter ended March 31, 2017, reflecting a growth of 35%.

Standalone

- Total income grew from ₹ 31,488.99 Lakh in FY 2016-17 to ₹ 47,837.11 Lakh in FY 2017-18.
- Profit before tax grew from ₹ 24,510.73 Lakh in FY 2016-17 to ₹ 39,468.35 Lakh in FY 2017-18.
- Profit after tax grew from ₹ 24,866.17 Lakh in FY 2016-17 to ₹ 36,783.83 Lakh in FY 2017-18.

Appropriations

The Company proposes to transfer ₹ 7,356.77 Lakh (previous year ₹ 4,973.24 Lakh) to Special Reserve created u/s 45-IC of the Reserve Bank of India Act, 1934.

INFORMATION ON THE STATE OF AFFAIRS OF THE COMPANY

The information on the affairs of the Company has been given as part of Management Discussion & Analysis Report forming part of this Report.

MATERIAL CHANGES AND COMMITMENTS

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

DIVIDEND

The Dividend Distribution Policy of the Company approved by the Board is in line with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). The Policy has been uploaded on the Company's website at <https://www.ltfs.com/investors.html>.

The Board of Directors had declared and paid an interim dividend @ 9.00% (one option), 8.40% (one option), 8.50% (one option), 8.35% (two options) and 8.15% (one option) per share as applicable, on the four series of Cumulative Compulsorily Redeemable Preference Shares ("CCRPS") of face value of ₹ 100 each of the Company, for FY 2017-18, entailing an outflow of ₹ 9,306.55 Lakh (excluding Dividend Distribution Tax).

The Board of Directors are pleased to recommend a final dividend of ₹ 1 per Equity Share of ₹ 10 each (previous year ₹ 0.80 per share) subject to approval of the Members in the ensuing Annual General Meeting ("AGM"). In terms of the revised Accounting Standard (AS-4) 'Contingencies and events occurring after Balance Sheet' as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, proposed dividend of ₹ 19,956.77 Lakh and Dividend Distribution Tax (net) thereon is not recognised as liability as on March 31, 2018.

The dividend, if approved at the ensuing AGM, would be paid to those Members whose name appears in the Register of Members / Beneficial Owners maintained by the depositories as stated in Notice of the ensuing AGM.

CREDIT RATING

During the year under review, CARE Ratings Limited ("CARE") and ICRA Limited ("ICRA") reviewed the ratings on various debt instruments of the Company. Furthermore, new rating was assigned by India Ratings and Research Private Limited ("India Ratings") to the non-convertible debentures ("NCD") and commercial papers of the Company.

CARE upgraded the long-term rating on NCDs to "CARE AAA/Stable" (Triple A; Outlook: Stable by CARE) from "CARE AA+/Positive" (Double A Plus; Outlook: Positive by CARE) and the rating on CCRPS was upgraded to "CARE AAA (RPS)/Stable" (Triple A [Redeemable Preference Shares]; Outlook: Stable by CARE) from "CARE AA+ (RPS)/Positive" (Double A Plus [Redeemable Preference Shares]; Outlook: Positive by CARE). These long-term ratings carried a "Stable" outlook as on March 31, 2018. During the FY 2017-18, the outlook on these ratings was revised to "Positive" from "Stable" in October 2017 and subsequent to the upgrade in long-term ratings, in February 2018 the outlook was again revised to "Stable" from "Positive". CARE has also reaffirmed the rating assigned to the commercial papers issued by the Company at "CARE A1+" (A One Plus by CARE).

ICRA has reaffirmed its ratings on the rated NCD at "ICRA AA+/Stable" (Double A Plus; Outlook: Stable by ICRA). During the year under review, ICRA has also assigned rating of "ICRA A1+" (A One Plus by ICRA) to the commercial papers issued by the Company.

In January 2018, India Ratings assigned a rating of "IND AAA/Stable" (Triple A; Outlook: Stable by India Ratings) to the NCD issues and a rating of "IND A1+" (A One Plus by India Ratings) to the commercial paper issued by the Company.

The instruments/bank facilities with long term ratings of AAA are considered to have highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

The instruments/bank facilities with long term ratings of AA+ are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

The instruments with short term ratings of A1+ are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

SHARE CAPITAL

The Company had allotted 6,38,20,990 Warrants ("Warrants") with each Warrant convertible into one Equity Share of the face value of ₹ 10 each at a price of ₹ 74 per Warrant to BC Asia Growth Investments ("Investor") on December 18, 2015 on a preferential basis. The Company had received 25% upfront money of total consideration from the Investor at the time of allotment of Warrants and balance 75% was received at the time of exercise of notice for option to convert the Warrants. Pursuant to the said conversion of Warrants, the Company has allotted 6,38,20,990 Equity Shares of face value of ₹ 10 each to Investor on May 17, 2017.

Further, the Company also allotted 10,78,10,899 Equity Shares of ₹ 10 each at an issue price of ₹ 185.51 to Larsen & Toubro Limited, the Promoter of the Company by way of preferential issue under Chapter VII of Securities and Exchange Board of India (Issue of Securities and Disclosure Requirements) Regulations, 2009 ("SEBI ICDR") on March 8, 2018 and 6,30,51,702 Equity Shares of ₹ 10 each at an issue price of ₹ 158.60 to the eligible qualified institutional buyers on a private placement basis under Chapter VIII of SEBI ICDR on March 15, 2018.

During the year under review, the Company has issued 16,91,008 Equity Shares and 35,80,500 Equity Shares to

employees of the Company and its subsidiary companies pursuant to the exercise of stock options under the Employee Stock Option Scheme - 2010 and Employee Stock Option Scheme - 2013 respectively.

During the year under review, the Company also redeemed 1,79,00,000 CCRPS amounting to ₹ 17,900 Lakh.

Pursuant to the allotment of the Equity Shares and subsequent redemption of CCRPS, the paid-up share capital of the Company was ₹ 3,03,007.70 Lakh (including preference share capital of ₹ 1,03,440 Lakh) as at March 31, 2018 as compared to ₹ 2,96,912.19 Lakh (including preference share capital of ₹ 1,21,340 Lakh) as at March 31, 2017.

INVESTMENT IN SUBSIDIARIES

During the year under review, the Company has infused capital in its following subsidiaries by subscribing to the Equity Shares offered by them:

Name of subsidiary company	Amount of capital subscribed (₹ in Lakh)
L&T Finance Limited	1,40,000
L&T Housing Finance Limited	60,000
L&T Infrastructure Finance Company Limited	45,000
L&T Infra Debt Fund Limited	1,635

REGISTRATION AS A CORE INVESTMENT COMPANY

The Company is a registered Non-Banking Financial Institution - Core Investment Company ("NBFC-CIC") pursuant to the receipt of Certificate of Registration from the Reserve Bank of India ("RBI") dated September 11, 2013, under Section 45-IA of the Reserve Bank of India Act, 1934.

STATUTORY DISCLAIMER

The Company is having a valid Certificate of Registration dated September 11, 2013 issued by RBI under Section 45-IA of the Reserve Bank of India Act, 1934. However, RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinions expressed by the Company and for repayment of deposits / discharge of liabilities by the Company.

FIXED DEPOSITS

The Company being a NBFC-CIC has not accepted any deposits from the public during the year under review.

DIRECTORS

The composition of the Board is in accordance with the provisions of Section 149 of the Companies Act, 2013 ("the Act") and Regulation 17 of the SEBI Listing Regulations, with an appropriate combination of Non-Executive Directors and Independent Directors. The complete list of Directors of the Company has been provided as part of the Corporate Governance Report.

During the year under review, Mr. Y. M. Deosthalee ceased to be Director and Chairperson of the Company with effect from May 31, 2017 and Mr. S. V. Haribhakti was appointed as Chairperson of the Company with effect from June 1, 2017. Mr. Amit Chandra, Nominee Director and Mr. B. V. Bhargava, an Independent Director of the Company, resigned from the Board of Directors to devote time to other commitments and accordingly, ceased to be Directors of the Company with effect from June 15, 2017 and August 31, 2017 respectively. The Board places on record its appreciation of the valuable services rendered by them during their tenure as the Directors of the Company.

During the year under review, the Company appointed Ms. Nishi Vasudeva and Ms. Vaishali Kasture as Independent Directors in accordance with the provisions of Sections 149, 152 and 161 of the Act and Mr. Pavninder Singh as the Nominee Director in accordance with the provisions of Section 161 of the Act, not being liable to retire by rotation with effect from June 15, 2017, pursuant to approval of the Members at the Ninth AGM held on August 28, 2017.

Section 152 of the Act provides that unless the Articles of Association provide for the retirement of all directors at every AGM, not less than two-third of the total number of directors of a public company (excluding the independent directors) shall be persons whose period of office is liable to determination by retirement of directors by rotation. Accordingly, Mr. Dinanath Dubhashi, Director will retire by rotation at the ensuing AGM and being eligible, has offered himself for re-appointment.

The terms and conditions of appointment of Independent Directors are also available on the website of the Company at <https://www.ltf.com/investors.html>.

Declaration by Independent Directors

All Independent Directors have submitted the declaration of independence, as required pursuant to

provisions of the Section 149(7) of the Act, stating that they meet the criteria of independence as provided in Section 149(6) of the Act and Regulation 16(1)(b) of the SEBI Listing Regulations and are not disqualified from continuing as Independent Directors.

Familiarization Programme

The Company has familiarized the Independent Directors with the Company, their roles, responsibilities in the Company, nature of industry in which the Company operates, business model of the Company, etc. The details relating to the familiarization programme are available on the website of the Company at <https://www.ltf.com/investors.html>.

Fit and Proper Criteria & Code of Conduct

All the Directors meet the fit and proper criteria stipulated by RBI.

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

KEY MANAGERIAL PERSONNEL ("KMPs")

There was no change in the KMPs of the Company during the year under review. As at March 31, 2018, the Company had the following KMPs:

- 1) Mr. Dinanath Dubhashi – Managing Director & Chief Executive Officer
- 2) Mr. Sachinn Joshi – Chief Financial Officer
- 3) Ms. Apurva Rathod – Company Secretary

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

A. Background and Objectives

Section 178 of the Act and Regulation 19 read with Part D of Schedule II of the SEBI Listing Regulations, as amended from time to time, requires the Nomination and Remuneration Committee ("NRC") to formulate a policy relating to the remuneration for the Directors, Senior Management/KMPs and other employees of the Company and recommend the same for approval of the Board.

Further, Section 134 of the Act stipulates that the Board's Report is required to include a statement on Company's Policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence

of director and remuneration for KMPs and other employees.

The Board of Directors has, based on the recommendation of the NRC of the Company, approved the policy on Directors' appointment and remuneration for Directors, KMPs and other employees.

B. Brief framework of the Policy

The objective of this Policy is:

- a) to determine inter-alia, qualifications, positive attributes and independence of a Director;
- b) to guide on matters relating to appointment and removal of Directors and Senior Management;
- c) to lay down criteria/evaluate performance of the Directors; and
- d) to guide on determination of remuneration of the Directors, Senior Management/KMPs and other employees.

C. Appointment of Director(s) – Criteria identification

The NRC identifies and ascertains the integrity, professional qualification, expertise and experience of the person, who is proposed to be appointed as a director and appropriate recommendation is made to the Board with respect to his/her appointment.

Appointment of Independent Directors is subject to the provisions of Section 149 of the Act read with Schedule IV and rules made thereunder and the SEBI Listing Regulations. The NRC satisfies itself that the proposed person satisfies the criteria of independence as stipulated under Section 149(6) of the Act and the SEBI Listing Regulations, before the appointment as an Independent Director.

No person is eligible to be appointed as a Director, if he/she is subject to any disqualifications as stipulated under the Act or any other law(s) for the time being in force.

Appointment of Managing Director and Whole-time Director is subject to provisions of Sections 196, 197, 198 and 203 of the Act read with Schedule V and rules thereunder. The NRC ensures that a person does not occupy position as a Managing Director / Whole-time Director beyond the age of seventy years, unless the appointment is approved by a special resolution passed by the

Company in general meeting. No re-appointment is made earlier than one year before the expiry of term.

D. Evaluation criteria of Directors and Senior Management / KMPs / Employees

- **Independent Directors / Non-Executive Directors**

The NRC carries out evaluation of performance of Independent Directors / Non-Executive Directors every year ending March 31st on the basis of the following criteria:

- a) Membership & Attendance - Board and Committee Meetings;
- b) Contribution during such meetings;
- c) Active participation in strategic decision making;
- d) Inputs to executive management on matters of strategic importance; and
- e) Such other matters, as the NRC / Board may determine from time to time.

- **Executive Directors**

The NRC carries out evaluation of performance of Executive Directors ("EDs") every year ending March 31st. The evaluation is on the basis of Key Performance Indicators ("KPIs"), which are identified well in advance for EDs and weights assigned for each measure of performance keeping in view the distinct roles of EDs. The identified KPIs for EDs are approved by the Board, pursuant to recommendation of the NRC, if required.

- **Senior Management / KMPs / Employees**

The HR Department carries out the evaluation of the aforementioned persons every year ending March 31st, with the Department Head(s) / Management concerned. KPIs are identified well in advance at the commencement of the financial year. Performance benchmarks are set and evaluation of employees is done by the respective reporting Manager(s) / Management/Department Head(s) to determine whether the performance benchmarks are achieved. The payment of remuneration/annual increment to the aforementioned persons is determined after the satisfactory completion of evaluation process.

The HR Department of the Company is authorised to design the framework for evaluating the EDs / Senior Management / KMPs / employees. The objective of carrying out the evaluation by the Company is to identify and reward those with exceptional performances during a financial year. Training and Development Orientation programs on a need basis are provided to employees, whose performance during any financial year does not meet the benchmark criteria.

E. Criteria for Remuneration

NRC while determining the criteria for remuneration for Directors, Senior Management / KMPs and other employees ensures that:

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) remuneration to Directors, Senior Management / KMPs involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

PERFORMANCE EVALUATION

Pursuant to the provisions of the Act and the SEBI Listing Regulations, the Board has carried out an annual evaluation of its own performance, performance of the Directors individually and the Committees of the Board.

Manner of Evaluation

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

It includes circulation of evaluation forms separately for evaluation of the Board and its Committees, Independent Directors / Non-Executive Directors / Managing Director and Chief Executive Officer and Chairperson of the Company.

The process of the annual performance evaluation broadly comprises:

a) Board and Committee Evaluation:

- Evaluation of Board as a whole and the Committees is done by the individual directors/members, followed by submission of collation to NRC and feedback to the Board.

b) Independent / Non-Executive Directors Evaluation:

- Evaluation done by Board members excluding the Director being evaluated is submitted to the Chairperson of the Company and individual feedback provided to each Director.

c) Chairperson / Managing Director & Chief Executive Officer Evaluation:

- Evaluation as done by the individual directors is submitted to the Chairperson of the NRC and Chairperson of the NRC provides feedback to the NRC and subsequently to the Board.

EMPLOYEE STOCK OPTION SCHEME

The disclosures required to be made under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and any amendments thereof is available on the website of the Company at <https://www.ltfs.com/investors.html>.

The certificate from the Statutory Auditors, confirming compliance with the aforesaid provisions has been appended as **Annexure A** to this Report.

BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34(2)(f) of the SEBI Listing Regulations, top 500 listed entities based on their market capitalisation as on March 31, 2018 are required to submit a Business Responsibility Report ("BRR") as a part of the Annual Report. The Company's BRR describing the initiatives taken by the Company has been hosted on the website of the Company at <https://www.ltfs.com/investors.html>. Any Member interested in obtaining a copy of the BRR may write to the Company Secretary of the Company at the registered office.

REPORT ON CORPORATE GOVERNANCE

The Report on Corporate Governance for the year under review, is forming part of the Annual Report. The certificate from the Statutory Auditors of the Company confirming compliance with the conditions of Corporate Governance is appended to the Corporate Governance Report.

STATUTORY AUDITORS

Pursuant to the provisions of Section 139(2) of the Act and the rules made thereunder, the Members at their Eighth AGM held on August 23, 2016, had appointed M/s. B.K. Khare & Co., Chartered Accountants (ICAI Firm's Registration Number 105102W) and M/s. Deloitte Haskins & Sells LLP, Chartered Accountants (ICAI Firm's Registration Number 117366WW-100018) as the Joint Statutory Auditors of the Company for a term of five years, i.e. from the conclusion of the Eighth AGM till the conclusion of the Thirteenth AGM. Joint Statutory Auditors have confirmed that they are not disqualified from continuing as Auditors of the Company.

AUDITORS' REPORT

The Auditors' Report to the Members for the year under review does not contain any qualification. The Notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 134(3)(f) of the Act.

SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Ms. Naina R. Desai, Practising Company Secretary to undertake the Secretarial Audit of the Company for FY 2017-18.

The Secretarial Audit Report is appended as **Annexure B** to this Report.

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

PARTICULARS OF EMPLOYEES

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

In terms of first proviso to Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars as required pursuant to provisions of Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The said Annexure is available for

inspection by the Members at the registered office of the Company during the business hours on any working day of the Company till the date of the ensuing AGM. If any Member is interested in obtaining a copy thereof, such Member may write to the Company Secretary at the registered office.

The Board of Directors affirms that the remuneration paid to the employees of the Company is as per the Policy on Directors' appointment and remuneration for Directors, KMPs and other employees and none of the employees listed in the said Annexure are related to any Directors of the Company.

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

Considering the Company's activities as Core Investment Company carrying out its activities through its subsidiaries, the particulars regarding conservation of energy and technology absorption as required to be disclosed pursuant to the Rule 8(3) of the Companies (Accounts) Rules, 2014 are not relevant to its activities.

There were no foreign exchange earnings during the year (previous year ₹ Nil); the foreign exchange outgo by the Company during the year was ₹ 146.82 Lakh (previous year ₹ 485.89 Lakh) towards professional fees, travelling expenses and Directors' sitting fees.

DEPOSITORY SYSTEM

The Company's Equity Shares are compulsorily tradable in electronic form. As on March 31, 2018, out of the Company's total equity paid-up share capital comprising of 199,56,76,960 Equity Shares, only 20,313 Equity Shares were in physical form and the remaining capital is in dematerialized form. In view of the numerous advantages offered by the Depository System, the Members holding shares in physical form are advised to avail the facility of dematerialization.

SUBSIDIARY COMPANIES

The Company conducts its business through subsidiaries its the various business segments in which it operates. As of March 31, 2018, the Company had 11 subsidiaries (including step down subsidiaries).

MERGER - SUBSIDIARY COMPANY

During the year under review, L&T Access Distribution Services Limited (CIN:U65100MH2011PLC284632),

wholly owned subsidiary of the Company was merged with L&T Capital Markets Limited (CIN:U67190MH2013PLC240261), another wholly owned subsidiary of the Company with effect from November 10, 2017.

MATERIAL SUBSIDIARIES

As required under Regulations 16(1)(c) and 46 of the SEBI Listing Regulations, the Board of Directors has approved the Policy for determining Material Subsidiaries ("Policy"). The details of the Policy are available on the website of the Company at <https://www.ltf.com/investors.html>.

PERFORMANCE AND FINANCIAL POSITION OF EACH SUBSIDIARY / ASSOCIATE AND JOINT VENTURE COMPANIES

As required under Rule 5 and Rule 8(1) of the Companies (Accounts) Rules, 2014, a report on the performance and financial position of each of the subsidiaries and associates of the Company has been appended as **Annexure D** to this Report. The contribution of the subsidiaries is given as a part of the Management Discussion & Analysis Report forming part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- 1) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- 2) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2018 and of the profit of the Company for that period;
- 3) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) the Directors have prepared the annual accounts on a going concern basis;
- 5) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively; and

- 6) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws including applicable secretarial standards and that such systems were adequate and operating effectively.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an internal control system, commensurate with the size, scale and complexity of its operations. Testing of such systems forms a part of review by the Internal Audit ("IA") function. The scope and authority of the IA function is defined in the IA Charter.

The IA function of L&T Financial Services Group ("LTF") monitors and evaluates the efficacy and adequacy of the internal control system in the Company and its compliance with operating systems, accounting procedures and policies of the Company. Based on the report of the IA function, process owners undertake corrective action, if any, in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee ("AC") of the Company from time to time.

BOARD MEETINGS

The details of the Board meetings held during FY 2017-18 are disclosed in the Corporate Governance Report appended to this Report.

COMPOSITION OF AUDIT COMMITTEE

The Company has constituted an AC in terms of the requirements of the Act, Regulation 18 of the SEBI Listing Regulations and RBI Regulations. The details of the same are disclosed in the Corporate Governance Report.

CORPORATE SOCIAL RESPONSIBILITY

In accordance with the requirements of the provisions of Section 135 of the Act, the Company has constituted a Corporate Social Responsibility ("CSR") Committee. The composition and terms of reference of the CSR Committee is provided in the Corporate Governance Report.

The Company has also formulated a CSR Policy which is available on the website of the Company at <https://www.ltf.com/csr.html>. An annual report on activities as required under Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as **Annexure E** to this Report.

VIGIL MECHANISM

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 read with Section 177(9) of the Act, the Company has adopted a Vigil Mechanism Framework, under which the "Whistle Blower Investigation Committee" ("the Committee") has been set up. The objective of the policy is to establish a redressal forum, which addresses all concerns raised on questionable practices and through which the Directors and employees can raise actual or suspected violations.

The Head of IA of LTFS acts as an Ombudsman. The role of Ombudsman is to review the grievance at the initial stage and in case the grievance is material, the same is forwarded to the Committee, for investigation. After investigation, the complaint with Investigation Report is forwarded to AC/Managing Director/ Whole-time Director as the case may be. At the AC, brief update is presented to the Members for their review. The Committee takes necessary actions of maintaining confidentiality within the organization on matters brought to its attention.

The mechanism framed by the Company is in compliance with the requirements of the Act and SEBI Listing Regulations and the same is available on the website of the Company at <https://www.ltfs.com/investors.html>.

PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN OR SECURITY PROVIDED BY THE COMPANY

Details of loans, guarantees and investments are given in the Notes to the Financial Statements, as applicable.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Board of Directors has approved the policy on transactions with related parties ("RPT Policy"), pursuant to the recommendation of the AC. In line with the requirements of the Act, RBI Regulations and the SEBI Listing Regulations, the Company has formulated the RPT Policy which is also available on the Company's website at <https://www.ltfs.com/investors.html>. The RPT Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and the related parties.

Key features of the RPT Policy are as under:

- All transactions with related parties ("RPTs") are referred to the AC of the Company for approval, irrespective of its materiality. The AC, also approves any subsequent modification in the RPTs. The process of approval of RPTs by the Board and Shareholders is as under:

a) Board:

Generally all RPTs are in the ordinary course of business and at arm's length price.

RPTs which are not at arm's length and which are not in the ordinary course of business are approved by the Board.

b) Shareholders:

All material RPTs require prior approval of the shareholders, based on recommendation of the Board, through ordinary resolution passed at the general meeting.

Where any contract or arrangement is entered into by a director or any other employee without obtaining the consent of the Board or approval by a ordinary resolution in the general meeting, it is to be ratified by the Board or by the shareholders at a meeting, as the case may be, within three months from the date on which such contract or arrangement was entered into.

The related parties are abstained from voting on such resolutions whether the entity is a related party to the particular transaction or not.

- All RPTs that were entered into during FY 2017-18 were on an arm's length basis and were in the ordinary course of business and disclosed in the Financial Statements. There were no materially significant RPTs made by the Company with Promoters, Directors, KMPs or Body Corporate(s), which had a potential conflict with the interest of the Company at large. Accordingly, the disclosure of RPTs as required under the provisions of Section 134(3)(h) of the Act in Form AOC-2 is not applicable. The Directors draw attention of the Members to Notes to the Financial Statements which sets out related party disclosures.

RISK MANAGEMENT FRAMEWORK

The Company has constituted a Risk Management Committee ("RMC") in terms of the requirements of Regulation 21 of the SEBI Listing Regulations and RBI Regulations. The details of the same are disclosed in the Corporate Governance Report.

The Company and its subsidiaries have a risk management framework and Board members are informed about risk assessment and minimization procedures and periodical review to ensure management controls risk by means of a properly designed framework. The AC is kept apprised of the proceedings of the meetings of the RMC and also apprised about the risk management framework at subsidiaries.

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

The Company has in place a policy for prevention, prohibition and redressal of sexual harassment at workplace. Appropriate reporting mechanisms are in place for ensuring protection against sexual harassment and the right to work with dignity.

During the year under review, the Company has not received any complaints in this regard.

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

The extract of Annual Return in Form No. MGT-9 as required under Section 92(3) of the Act and as prescribed in Rule 12 of the Companies (Management and Administration) Rules, 2014 is enclosed as **Annexure F** to this Report.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by the Regulators / Courts which would impact the going concern status of the Company and its future operations.

Further, no penalties have been levied by RBI / any other Regulators during the year under review.

RBI REGULATIONS

The Company has complied with all the applicable regulations of RBI as on March 31, 2018.

OTHER DISCLOSURES

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

ACKNOWLEDGEMENT

The Directors express their sincere gratitude to the Reserve Bank of India, Securities and Exchange Board of India, BSE Limited, National Stock Exchange of India Limited, Ministry of Finance, Ministry of Corporate Affairs, Registrar of Companies, other government and regulatory authorities, lenders, financial institutions and the Company's bankers for the ongoing support extended by them. The Directors also place on record their sincere appreciation for the continued support extended by the Company's stakeholders and trust reposed by them in your Company. The Directors sincerely appreciate the commitment displayed by the employees of the Company and its subsidiaries across all levels, resulting in successful performance during the year.

For and on behalf of the Board of Directors

S. V. Haribhakti
Chairperson
DIN: 00007347

Dinanath Dubhashi
Managing Director &
Chief Executive Officer
DIN: 03545900

Place: Mumbai
Date: May 3, 2018