

DIRECTORS' REPORT

The Directors have pleasure in presenting their 18th Report and Audited Accounts for the year ended March 31, 2013.

FINANCIAL RESULTS

	2012-2013 (₹ Lakhs)	2011-2012 (₹ Lakhs)
Sales & other income	10,683.91	11,853.99
Profit before depreciation and tax	1,202.75	2,959.79
Less : Depreciation and Amortisation	185.89	162.09
Profit before tax	1,016.85	2,797.70
Provision for Current Year Tax	263.96	833.00
Profit after tax	752.89	1,964.70

DIVIDEND

The Directors do not propose any dividend for the financial year 2012-2013.

PERFORMANCE OF THE COMPANY

Overall, 2012-2013 has been a very challenging. The Company suffered a set-back during the year due to delay in finalisation of some major power projects in India and abroad which resulted in lower order booking and sales. However, the outlook for the next financial year is expected to be better.

During the year, the Company reported Profit after Tax (PAT) of ₹ 752.89 Lakhs, as against ₹ 1,964.70 Lakhs for the previous year. The sales and other income for the year under review were at ₹ 10,683.91 Lakhs (including exports of ₹ 7,353.23 Lakhs), as against ₹ 11,853.99 Lakhs (including exports of ₹ 3,526.21 Lakhs) for the previous year. The profit before tax (after depreciation) was at ₹ 1,016.85 Lakhs against profit before tax (after depreciation) of ₹ 2,797.70 Lakhs for the previous year.

BUYBACK OF SHARES

Pursuant to Section 77A of the Companies Act, 1956 read with Article 4A of the Articles of Association of the Company, during the year under review, 18,18,180 (last year 872,730) Equity Shares were bought back from the existing shareholders at a price of ₹ 80/- per share for 12,50,000 shares and at a price of ₹ 88 per share for 5,68,180 shares aggregating ₹ 1,500.00 Lakhs. An amount of ₹ 181.82 Lakhs was adjusted from the Share Capital of the Company at the rate of ₹ 10/- per share bought-back and an amount of ₹ 1,318 Lakhs at the rate of ₹ 70/- per share for 1,25,000 shares and ₹ 78/- per share for 5,68,180 shares bought-back, was adjusted from the free reserves. Further, an amount equal to the value of equity shares bought back i.e. ₹ 181.81 Lakhs has been transferred from Profit and Loss Account to capital redemption reserve.

CAPITAL EXPENDITURE

As at March 31, 2013 the gross fixed and intangible assets stood at ₹ 2,097.85 Lakhs and the net fixed & intangible assets at ₹ 651.37 Lakhs. Additions during the year amounted to ₹ 262.70 Lakhs.

DEPOSITS

During the year under review the Company has not accepted any deposits from the public.

AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

The notes to accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any comments of the Board of Directors.

MATERIAL CHANGES, IF ANY, BETWEEN BALANCE SHEET DATE AND DATE OF DIRECTORS' REPORT

There are no material changes between the Balance Sheet date and the date of Director's report.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo are given in Annexure "A" forming part of this Report.

PERSONNEL

The employees in respect of whom particulars are required to be disclosed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 are as follow:

SR NO	Name	Age	Qualification	Exp. Years	Date of Employment	Designation	Gross Remuneration	Last employment, previous designation company
1	Anjan De	49 years	B.E. (Civil), M.E. (Proj. Engg.)	28 years	1st Sept. 1998	Head - Kolkata Engineering Center	₹ 69,68,589/- *	DCPL, Sr. Project Engineer

*Include previous year ESOP perquisites ₹ 29,25,958/-.

SUBSIDIARY COMPANIES

The Company does not have any subsidiary company.

DIRECTORS RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirm:

- i. that in the preparation of the annual accounts, the applicable accounting standards have been followed and there has been no material departure;
- ii. that the selected accounting policies were applied consistently and the directors made judgements 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, 2013 and of the profit of the Company for the year ended on that date;
- iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. that the annual accounts have been prepared on a going concern basis.
- v. that proper systems are in place to ensure compliance of all laws applicable to the Company.
- vi. that the details of all the related party transactions form part of the accounts as required under AS-18 (refer Annual Report, notes to financial statement - L 8)

DIRECTORS

Mr. Ravi Uppal submitted his resignation from the Board with effect from September 15, 2012. Mr. Shailendra Roy has been appointed as a Director to fill up the said casual vacancy on November 27, 2012. The Board of Directors places on record their appreciation for the contributions made by Mr. Ravi Uppal during his tenure as Director and welcome Mr. Shailendra Roy to the Board.

Mr. Steven R. Bertheau submitted his resignation from the Board with effect from April 22, 2013. Mr. Ejaz Shameem has been appointed as a Director to fill up the said casual vacancy on May 15, 2013. The Board of Directors places on record their appreciation for the contributions made by Mr. Steven R. Bertheau during his tenure as Director and welcome Mr. Ejaz Shameem to the Board.

The present Board members comprise, Mr. Shailendra Roy, Mr. Sunil Pande, Mr. B. K. Basu, Mr. T. S. Laughlin, Mr. Kurt Dietzen and Mr. Ejaz Shameem.

Mr. Shailendra Roy, Mr. Sunil Pande, Mr. B. K. Basu, Mr. T. S. Laughlin, Mr. Kurt Dietzen and Mr. Ejaz Shameem retires by rotation and being eligible, offers themselves for reappointment.

The proposal for reappointment of aforesaid Directors is being placed before the ensuing Annual General Meeting for approval.

AUDITORS

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

AUDIT COMMITTEE

Consequent upon the resignations of Mr. Ravi Uppal and Mr. Steven R. Bertheau the audit committee has been reconstituted. The present members of the audit committee comprise, Mr. Shailendra Roy, Mr. B. K. Basu, Mr. Sunil Pande, Mr. T. S. Laughlin, Mr. Kurt Dietzen and Mr. Ejaz Shameem.

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

The committee met periodically during the year and had discussions with the auditors on internal control systems and internal audit report.

COMPLIANCE WITH CORPORATE GOVERNANCE VOLUNTARY GUIDELINE, 2009

The Company has familiarized itself with the requirement of Corporate Governance Voluntary Guidelines, 2009 issued by the Ministry of Corporate Affairs and it is in the process of implementing many of the suggestion. A gist of our compliance with the said guidelines is given below:

SEPARATION OF OFFICES OF CHAIRMAN & CHIEF EXECUTIVE

The Chairman is elected during each Board Meeting by the Directors from amongst those present. Mr. Dipankar Chakraborty is the Manager of the Company. The Director are Non- executive and role of Chairman is confined to the proper conduct of the Board Meeting.

INDEPENDENT DIRECTORS

All the members of the Board of the Company are independent in the sense that none of them are involved in the day-to-day management of the Company. The Directors of the Company are persons of integrity with rich experience, managerial qualities and expertise.

NUMBER OF COMPANIES IN WHICH AN INDIVIDUAL MAY BECOME A DIRECTOR

The Company has apprised its board members about the restriction on number of other directorships and expects in due course to comply with the same.

RESPONSIBILITIES OF THE BOARD

Presentations to the Board in areas such as financial results, budgets, business prospects etc. give the Directors, an opportunity to interact with senior managers and other functional heads. Directors are also updated about their role, responsibilities and liabilities.

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

STATUTORY AUDITORS

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

INTERNAL AUDITORS

The Corporate Audit Services department of Larsen & Toubro Limited provides internal audit services to the Company.

INTERNAL CONTROL

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

SECRETARIAL AUDIT

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

RELATED PARTY TRANSACTIONS

The details of related party transaction form part of the accounts as required under Accounting Standard- 18 issued by ICAI.

ACKNOWLEDGEMENTS

The Directors acknowledge the invaluable support extended to the Company by the bankers, suppliers and customers.

The Directors are pleased to place on record their appreciation for the valuable contribution made by employees of the Company.

For and on behalf of the Board,

*Place : Vadodara
Date : May 15, 2013*

SHAIENDRA ROY
Director

B. K. BASU
Director

ANNEXURE 'A' TO THE DIRECTORS' REPORT

(Additional information given in terms of notification issued by the Department of Company Affairs)

A. CONSERVATION OF ENERGY:

(a) Energy Conservation measures taken:	} The Company provides Engineering from an engineering office It is,therefore, not a significant user of energy. All computers used in the office has built-in energy saving features.
(b) Additional investments & proposals, if any, being implemented for reduction of consumption of energy :	
(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :	

B. TECHNOLOGY ABSORPTION (FORM B):

(Disclosure of particulars with respect to Technology Absorption)

Research and Development (R&D)

1. Specific areas in which R&D carried out by the Company	} The Company's primary activity is the provision of Engineering services in field of power generating plants. The services provided fall in the category of Design and Engineering and as such the Company's total operations can be deemed to be R&D.
2. Benefits derived as a result of the above R&D	
3. Future plan of action	
4. Expenditure on R&D :	
(a) Capital	
(b) Recurring	
(c) Total R&D expenditure as a percentage of total turnover	

Technology Absorption, Adaptation and Innovation

1. Efforts in brief, made towards technology absorption, adaptation and innovation	} We have a focussed approach towards assimilation of power engineering technology from S&L & MHI which enables us to carry out optimised & efficient design of power plants.
2. Benefits derived as a result of the above efforts, e.g. product improvement cost-reduction, product improvement etc.	

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

(1) Activities relating to exports; initiatives taken to increase exports; development of new export markets for product and services; and export plans	} We are executing several foreign engineering assignments with S&L (USA) as also with third party international EPC companies in Far East and Middle East. We are putting continuous efforts to secure more export order by enhancing customer relationships abroad.
(2) Total Foreign Exchange used and earned:	
- Foreign Exchange earned	₹ 6,722.60 Lakhs
- Foreign Exchange used	₹ 432.24 Lakhs

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF L&T-SARGENT & LUNDY LIMITED

Report on the financial statements

We have audited the accompanying financial statements of **L&T-SARGENT & LUNDY LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the statement of profit and loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

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

Emphasis of matter

We draw attention to note L(8)(V) to the financial statements regarding inadequacy of profits and consequently the remuneration paid to the Manager requiring approval by the remuneration committee and by the members in the ensuing general meeting. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

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

SHARP & TANNAN
Chartered Accountants
Firm's Registration Number 109982W
by the hand of

Place : Mumbai
Date : May 15, 2013

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

ANNEXURE TO THE AUDITORS' REPORT

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

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.
- (b) We are informed that the Company has formulated a programme of physical verification of all the fixed assets over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and nature of its assets. Accordingly, the physical verification of the fixed assets has been carried out by management during the year and no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off any substantial part of its fixed assets so as to affect its going concern status.
- 2 The Company did not purchase any materials/stores during the year; nor did it hold any stocks of materials, stores or finished goods at any time during the year/at the year-end and accordingly paragraphs 4(ii)(a), (b) and (c) of the Order are not applicable to the Company.
- 3 (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(b), (c) and (d) of the Order are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms and other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii)(f) and (g) of the Order are not applicable.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the rendering of services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control systems.
- 5 (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered in the register maintained under Section 301 of the Companies Act, 1956 have been entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year, have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- 6 The Company has not accepted any deposits from public and provisions of Section 58A, 58AA and any other relevant provisions of the Companies Act, 1956 are not applicable.
- 7 In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.
- 8 We are informed by management that the Company is not required to maintain cost accounts and records under Section 209(1)(d) of the Companies Act, 1956.
- 9 (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other statutory dues outstanding as at 31 March 2013 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of sales tax, excise duty, service tax, customs duty and income tax as at 31 March 2013 which have not been deposited on account of a dispute pending are as under:

Name of the statute	Nature of the disputed dues	Amount ₹*	Period to which the amount relates	Forum where disputes are pending
Service tax under Finance Act, 1994	Service tax exemption denied	1,06,528	2007-2009	CESTAT

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

- 10 The Company has no accumulated losses as at 31 March 2013 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.
- 11 According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the Balance Sheet date.
- 12 According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 The provisions of any special statute applicable to chit fund/nidhi/mutual benefit fund/societies are not applicable to the Company.
- 14 In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities. The Company

L&T-SARGENT & LUNDY LIMITED

has invested surplus funds in marketable securities and mutual funds. According to the information and explanations given to us, proper records have been maintained of the transactions and contracts and timely entries have been made therein. The investments in marketable securities and mutual funds have been held by the Company in its own name.

- 15 In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 16 The Company has not obtained any term loans hence paragraph 4(xvi) of the Order is not applicable.
- 17 The Company has not raised any funds on short-term basis hence paragraph 4(xvii) of the Order is not applicable.
- 18 The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956 during the year.
- 19 The Company has not issued any debentures hence paragraph 4(xix) of the Order is not applicable.
- 20 The Company has not raised any money by public issues during the year hence paragraph 4(xx) of the Order is not applicable.
- 21 During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instances of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by management.

SHARP & TANNAN

*Chartered Accountants
Firm's Registration Number 109982W
by the hand of*

*Place : Mumbai
Date : May 15, 2013*

FIRDOSH D. BUCHIA
*Partner
Membership No. 38332*

BALANCE SHEET AS AT MARCH 31, 2013

Particulars	Note No.	As At 31.03.2013		As At 31.03.2012	
		₹	₹	₹	₹
EQUITY AND LIABILITIES					
Shareholder's funds					
Share capital	A	55,654,630		73,836,430	
Reserves and surplus	B	499,575,548		556,102,316	
			555,230,178		629,938,746
Current liabilities					
Trade payables	C	171,556,079		154,765,213	
Short-term provisions		44,854,213		44,735,785	
			216,410,292		199,500,998
TOTAL			771,640,470		829,439,744
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	D(i)	58,980,473		48,624,873	
Intangible assets	D(ii)	6,156,817		9,623,687	
Capital work-in-progress	D(i)	–		3,810,232	
			65,137,290		62,058,792
Non Current Investments	D(iii)		40,000,000		
Long-term loans and advances	D(iv)		215,153		299,945
Current assets					
Current investments	E	420,749,585		507,680,554	
Trade receivables	F(i)	156,576,220		193,763,021	
Cash and cash equivalents	F(ii)	11,414,886		18,420,020	
Short-term loans and advances	F(iii)	68,158,369		29,106,636	
Other current assets	F(iv)	9,388,967		18,110,776	
			666,288,027		767,081,007
TOTAL			771,640,470		829,439,744
OTHER NOTES TO THE FINANCIAL STATEMENTS	L				

The accompanying notes form an integral part of the Balance Sheet.

As per our report attached

SHARP & TANNAN

Chartered Accountants
ICAI Registration no. 109982W
by the hand of

For and on behalf of the Board

FIRDOSH D. BUCHIA

Partner
Membership No. 38332

DIPANKAR CHAKRABORTY
Manager

VIPUL G. RAVAL
Company Secretary

S. N. ROY
Director

B. K. BASU
Director

Place : Mumbai
Date : May 15, 2013

Place : Vadodara
Date : May 15, 2013

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

Particulars	Note No.	2012-2013	2011-2012
		₹	₹
REVENUE			
Revenue from operations	G	1,022,715,086	1,143,678,113
Other income	H	45,676,876	41,721,203
TOTAL REVENUE		1,068,391,962	1,185,399,316
EXPENSES			
Operation and establishment expenses	I	309,260,709	285,139,828
Employee benefit expenses	J	638,820,595	604,118,095
Finance cost	K	36,204	162,026
Depreciation and amortisation		18,589,260	16,209,099
TOTAL EXPENSES		966,706,768	905,629,048
Profit before tax		101,685,194	279,770,268
Current tax		23,318,676	83,300,000
Short provision for earlier years		3,078,000	0
Profit after tax		75,288,518	196,470,268
Basic and diluted earnings per share (EPS) ₹		11.41	24.56
Face value of share		10	10
Notes to the financial statements	L		

The accompanying notes form an integral part of the Balance Sheet.

As per our report attached

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

For and on behalf of the Board

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

DIPANKAR CHAKRABORTY
Manager

VIPUL G. RAVAL
Company Secretary

S. N. ROY
Director

B. K. BASU
Director

Place : Mumbai
Date : May 15, 2013

Place : Vadodara
Date : May 15, 2013

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31, 2013

Particulars	2012-2013 ₹	2011-2012 ₹
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax	101,685,194	279,770,268
Depreciation including obsolescence	18,589,260	16,209,099
Interest (net)	(1,826)	116,751
(Profit)/loss on sale of investment (net)	(6,532,696)	(9,823,678)
(Profit)/loss on sale of fixed assets (net)	287,145	442,740
Dividend received from investment	(31,889,834)	(28,372,011)
Operating profit before working capital changes	82,137,243	258,343,169
Adjustments for:		
(Increase) / decrease in trade receivables	37,186,801	(14,244,303)
(Increase) / decrease in long-term loans and advances	84,792	106,491
(Increase) / decrease in short-term loans and advances	(39,051,733)	(1,279,988)
(Increase) / decrease in other current assets	8,721,809	14,242,706
Increase / (decrease) in trade payables	16,790,866	(86,486,731)
Increase / (decrease) in short-term provisions	118,428	12,731,210
Cash generated from operations	105,988,206	183,412,554
Direct taxes refund/(paid) - net	(26,396,676)	(80,219,069)
Net cash from operating activities	79,591,530	103,193,485
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(22,459,936)	(26,304,938)
Sale of fixed assets	505,033	463,135
Sale of investment	1,273,808,869	1,266,934,767
Purchase of investment	(1,220,345,204)	(1,326,422,978)
Dividend received from investment	31,889,834	28,372,011
Interest received	38,030	45,275
Net cash (used in) / from investing activities	63,436,626	(56,912,728)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Buy-back of shares (including premium)	(149,997,086)	(48,000,150)
Proceeds/ (Repayment) of Long Term borrowings	-	-
Proceeds/ (Repayment) of Short Term borrowings	-	-
Dividend paid	-	-
Interest paid	(36,204)	(162,026)
Net cash (used in) / from financing activities	(150,033,290)	(48,162,176)
Net increase in cash and cash equivalents (A+B+C)	(7,005,134)	(1,881,419)
Cash and cash equivalents at the beginning of the period	18,420,020	20,301,439
Cash and cash equivalents at the end of the period	11,414,886	18,420,020

- Note :** 1. Cash Flow Statement has been prepared under the indirect method as set out in the Accounting Standard (AS) 3, "Cash Flow Statement" as specified in the Companies (Accounting Standards) Rules, 2006.
2. Cash and Cash equivalents at the end of the year represent cash and bank balances and include unrealised gain of ₹ Nil (Previous year ₹ Nil) on account of translation of foreign currency bank balances

As per our report attached

SHARP & TANNAN

Chartered Accountants
ICAI Registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA

Partner
Membership No. 38332

Place : Mumbai
Date : May 15, 2013

DIPANKAR CHAKRABORTY
Manager

VIPUL G. RAVAL
Company Secretary

S. N. ROY
Director

B. K. BASU
Director

Place : Vadodara
Date : May 15, 2013

For and on behalf of the Board

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As at 31.03.2013		As at 31.03.2012	
	₹	₹	₹	₹
C CURRENT LIABILITIES				
Trade payables				
Sundry creditors	115,893,617		88,653,621	
Advances from customers	12,494,512		18,131,430	
Due to customers	43,167,950	171,556,079	47,980,162	154,765,213
Short-term provisions				
Current year income tax (net of advance tax ₹ Nil; P.Y. ₹ 80,219,069)	–		3,080,931	
Compensated absences	44,854,213	44,854,213	41,654,854	44,735,785
TOTAL		216,410,292		199,500,998

D FIXED ASSETS

Particulars	COST	ADDITIONS / TRANSFER IN	DISPOSALS	COST	DEPRECIATION				NET BLOCK	NET BLOCK						
					As at 01.04.2012	During the year	During the year	As at 31.03.2013			As at 01.04.2012	For the year	On Disposals	Total upto 31.03.2013	As at 31.03.2013	As at 31.3.2012
					₹	₹	₹	₹			₹	₹	₹	₹	₹	₹
D(i) Tangible assets																
– Plant and Machinery	89,584,013	21,892,814	1,224,758	110,252,069	55,757,668	10,753,791	504,833	66,006,626	44,245,443	33,826,345						
– Office Equipments	9,849,178	704,029	29,636	10,523,571	3,694,169	701,889	2,080	4,393,978	6,129,593	6,155,009						
– Furniture & Fixtures	6,725,581	–	2,992,052	3,733,529	4,202,456	235,453	2,944,599	1,493,310	2,240,219	2,523,124						
– Vehicles	7,800,213	993,711	–	8,793,924	1,679,819	748,887	–	2,428,706	6,365,218	6,120,394						
Capital work-in-progress	–	–	–	–	–	–	–	–	–	3,810,232						
	113,958,985	23,590,554	4,246,446	133,303,093	65,334,112	12,440,020	3,451,512	74,322,620	58,980,473	52,435,105						
P.Y.	98,937,185	20,507,666	1,675,634	117,769,217	55,606,093	10,497,778	769,759	65,334,112	52,435,105							
Particulars	COST	ADDITIONS / TRANSFER IN	DISPOSALS	COST	AMORTISATION				NET BLOCK	NET BLOCK						
	As at 01.04.2012	During the year	During the year	As at 31.03.2013	As at 01.04.2012	For the year	On Disposals	Total upto 31.03.2013	As at 31.03.2013	As at 31.3.2012						
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹						
D(ii) Intangible assets																
– Computer Software	73,802,885	2,679,614	–	76,482,499	64,179,198	6,149,240	2,756	70,325,682	6,156,817	9,623,688						
	73,802,885	2,679,614	–	76,482,499	64,179,198	6,149,240	2,756	70,325,682	6,156,817	9,623,688						
P.Y.	68,005,613	5,797,272	–	73,802,885	58,467,877	5,711,321	–	64,179,198	9,623,687	–						
D(I) + (II)	187,761,870	26,270,168	4,246,446	209,785,592	129,513,311	18,589,260	3,454,268	144,648,303	65,137,290	62,058,792						
P.Y.	166,942,798	26,304,938	1,675,634	191,572,102	114,073,971	16,209,099	769,759	129,513,310	62,058,792	–						

	As At 31.03.2013	As At 31.03.2012
	₹	₹
D(iii) Non-Current Investments		
Investment in Mutual Funds	40,000,000	–
TOTAL	40,000,000	–
NOTE :	As at 31.03.2013	As at 31.03.2012
	₹	₹
Unquoted investments		
Book value	40,000,000	–
L&T FMP - V (Feb 419 Day A) 4,000,000 (P.Y. Nil) units of ₹ 10 each		
TOTAL	40,000,000	–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As At 31.03.2013 ₹	As At 31.03.2012 ₹
D(iv) Long-term loans and advances		
Loan to employees against mortgage of house property	215,153	299,945
TOTAL	215,153	299,945

	As At 31.03.2013 ₹	As At 31.03.2012 ₹
E CURRENT INVESTMENTS		
Investment in Mutual Funds	420,749,585	507,680,554
TOTAL	420,749,585	507,680,554

	As At 31.03.2013 ₹	As At 31.03.2012 ₹
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NOTE :

Unquoted investments

Book value

420,749,585	507,680,554
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Particulars of investments :

Mutual funds

Current investments

1 Axis Treasury Advantage Fund-Daily Dividend Reinvestment 40,106 (P.Y. Nil) units of ₹ 10000 each	40,155,979	-
2 Birla sun life qtlly interval fund Nil (P.Y. 3,538,692) units of ₹ 10 each	-	35,386,921
3 Reliance monthly interval fund Nil (P.Y. 1,999,302) units of ₹ 10 each	-	20,024,608
4 Reliance qtlly interval fund Nil (P.Y. 2,992,972) units of ₹ 10 each	-	30,000,000
5 HDFC Short Term Opportunity Fund-Div Reinvest 3,303,709 (P.Y. Nil) units of ₹ 10 each	33,196,205	-
6 L&T- STDF-Quarterly Dividend 2,391,555 (P.Y. Nil) units of ₹ 10 each	25,000,000	-
7 L&T Short term Opportunity fund-Monthly Dividend 17,717,532 (P.Y. Nil) units of ₹ 10 each	185,000,000	-
8 IDFC money manger - investment plan Nil (P.Y. 2,977,306) units of ₹ 10 each	-	30,192,009
9 DSP-Strategic Bond Fund 37,157 (P.Y. Nil) units of ₹ 10000 each	38,500,000	-
11 DWS FMP-Series 24 Direct Plan-Growth 2,000,000 (P.Y. Nil) units of ₹ 10 each	20,000,000	-
12 IDFC FMP qtr S69 Nil (P.Y. 2,000,000) units of ₹ 10 each	-	20,000,000
13 DSP BLACKROCK FMP - 3M SERICE 33 Nil (P.Y. 2,500,000) units of ₹ 10 each	-	25,000,000
14 SBIMF SDFS-90 days-57 Nil (P.Y. 3,500,000) units of ₹ 10 each	-	35,000,000
15 L&T FMP - V (feb 90 day A) Nil (P.Y. 7,000,000) units of ₹ 10 each	-	70,000,000
16 L&T liquid fund - super IP 887 (P.Y. 75,954) units of ₹ 1000 each	897,401	76,868,024
17 L&T SELECT INCOME FUND - IP Nil (P.Y. 1,921,100) units of ₹ 10 each	-	20,000,000

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As At 31.03.2013		As At 31.03.2012
	₹		₹
18 L&T ULTRA STF - IP 2,756,231 (P.Y.1,230,896) units of ₹ 10 each	28,000,000		12,500,000
19 JPM FMP SERIES 9 Nil (P.Y. 1,000,000) units of ₹ 10 each	-		10,000,000
20 ICICI prudential flexible income plan Nil (P.Y. 353,609) units of ₹ 10 each	-		37,388,813
21 BSL Short Term Fund-Dividend Payment 4,305,482 (P.Y. Nil) units of ₹ 10 each	50,000,000		-
25 SBIMF SDFS-367 days-16 Nil (P.Y. 2,500,000) units of ₹ 10 each	-		25,000,000
26 L&T FMP - V (feb 368 day A) Nil (P.Y. 4,000,000) units of ₹ 10 each	-		40,000,000
27 DWS FMP S-3 Nil (P.Y. 2,032,018) units of ₹ 10 each	-		20,320,180
TOTAL	420,749,585		507,680,554
	As At 31.03.2013		As At 31.03.2012
	₹	₹	₹
	₹	₹	₹
F(I) TRADE RECEIVABLES			
Unsecured			
Debts outstanding for more than six months from the due date			
Considered Good	15,601,763		6,849,120
Considered doubtful	2,759,440		2,759,440
Others debts			
Considered Good	140,974,457		186,913,901
	159,335,660		196,522,461
Less: allowance for doubtful debts	2,759,440	156,576,220	2,759,440
			193,763,021
F(II) CASH AND CASH EQUIVALENTS			
Cash in hand	62,242		156,883
Balances with banks			
- On current accounts	8,253,508		12,533,990
- Temporary favourable balance in cash credit account	3,099,136	11,414,886	5,729,147
			18,420,020
F(III) SHORT-TERM LOANS AND ADVANCES			
Secured, considered good			
Loans to employees against mortgage of house property	105,864		130,026
Unsecured, considered good			
Advances recoverable in cash or kind	62,041,246		28,976,610
Current year income-tax (net of provision ₹ 23,318,676) P.Y. Nil	6,011,259	68,158,369	-
			29,106,636
F(IV) OTHER CURRENT ASSETS			
Due from customers		9,388,967	18,110,776
TOTAL		245,538,442	259,400,453

NOTES FORMING PART OF ACCOUNTS (CONTD.)

	As At 31.03.2013		As At 31.03.2012	
	₹	₹	₹	₹
G REVENUE FROM OPERATIONS				
Sales (Income from engineering services)		1,026,624,683		1,135,623,514
Increase/(decrease) in Work-in-progress (engineering services)				
Add/(less) : closing work-in-progress	(28,432,983)		(24,523,386)	
Add/(less) : opening work-in-progress	24,523,386	(3,909,597)	32,577,985	8,054,599
TOTAL		1,022,715,086		1,143,678,113
H OTHER INCOME				
Income from investment - dividend		31,889,834		28,372,011
Profit on sale/redemption of investments (net)		6,532,696		9,823,678
Interest received from employees		38,030		45,275
Miscellaneous income		7,216,316		3,480,239
TOTAL		45,676,876		41,721,203
			2012-13	2011-12
			₹	₹
I OPERATION AND ESTABLISHMENT EXPENSES				
Rent (including lease rentals ₹ Nil; P.Y. ₹ 533,635)			85,843,843	86,476,281
Insurance			759,014	678,085
Travelling and conveyance			66,198,936	52,818,721
Establishment expenses			70,197,806	76,942,445
Telecommunication expenses			11,288,051	10,478,934
Rates and taxes			4,089,778	2,450,114
Power and fuel			12,644,427	1,254,823
Printing and stationery			5,456,912	4,535,471
Technical services and project expenses			27,621,880	19,108,867
Repairs and maintenance - plant and machinery			12,744,112	13,860,831
Repairs and maintenance - others			9,596,560	7,455,991
Directors' fees			120,000	97,000
Provision for doubtful debts			-	2,759,440
Loss on sale of fixed assets			287,145	442,740
Other miscellaneous expenses			9,419,603	10,577,884
Exchange loss/(gain)			(7,007,358)	(4,797,799)
TOTAL			309,260,709	285,139,828
J EMPLOYEE BENEFIT EXPENSES				
Salaries and allowances			557,724,849	541,595,587
Contribution to and provision for				
Provident fund and pension fund			19,226,431	18,236,581
Gratuity fund			4,841,075	1,751,262
Leave encashment (Provision ₹ 59,81,281; P.Y. ₹ 9,650,279)			25,455,071	12,212,864
Staff welfare expenses (Also refer note L(8)(V))			31,573,169	30,321,801
TOTAL			638,820,595	604,118,095
K FINANCE COST				
Interest others			36,204	162,026
TOTAL			36,204	162,026

NOTES FORMING PART OF ACCOUNTS (CONTD.)

L OTHER NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES:

a) Basis of accounting

The Company maintains its accounts on accrual basis under historical cost convention. The financial statements are in compliance with provision of the Companies Act, 1956 and the Accounting Standards as specified in the Companies (Accounting Standards) Rule, 2006 prescribed by the central government.

The preparation of financial statements in conformity with GAAP requires that management of the Company makes estimates and assumptions that affect 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 include the useful life of fixed assets and intangible assets, provision for doubtful debts/advances, future obligations in respect of retirement benefit plans etc. Actual results could differ from these estimates.

b) Revenue recognition

The Company's revenue recognition policy is as follows

- a) In respect of lump sum / fixed price contracts : Percentage of completion method
- b) In respect of contracts having both fixed price component and reimbursable price component
 - i) In respect of fixed price component : Percentage of completion method
 - ii) In respect of reimbursable component : On accrual basis
- c) Income from deputation of personnel : On accrual basis
- d) Any other income : On accrual basis

In respect of (a) and (b) (i) above, the stage of completion of contract in progress is determined on an appropriate basis having regard to the nature and terms of each contract.

c) Employee benefits

(i) Short term employee benefits

- (a) All employee benefits payable within one year like salaries, wages, accumulating short term compensated absences ("leave entitlements") etc are recognized in the period in which the employee renders the related service which entitles him to avail such benefits.
- (b) The expected cost of bonus payments are recognized when (i) there is a present obligation to make such payments as a result of past events and (ii) a reliable estimate of the liability can be made.

(ii) Post-employment benefits

- (a) **Defined contribution plans:** The Company's Employees Superannuation Scheme and state administered pension scheme are classified as defined contribution plan. The contribution paid / payable under defined contribution plan is recognized during the period in which the employee renders the related service.
- (b) **Defined benefit plans:** The Company's Gratuity Fund and Self Managed Provident Fund Schemes are classified as defined benefit plans. The present value of the obligation under such defined benefit plans, current service cost and where applicable, the past service cost is determined based on actuarial valuation using the projected unit credit method. The discount rates used for determining the present value of the obligation under defined benefit plans, are based on the market yields at the Balance Sheet date on government bonds having maturity periods approximating to the terms of related obligations.

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

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

Gains or losses on curtailment or settlements of any defined benefit plans are recognized when the curtailment or settlement occurs.

(iii) Termination benefits

Where termination benefits such as compensation payable under voluntary retirement scheme are payable, the actual amount is recognised as an expense immediately.

d) Fixed assets and depreciation

Fixed assets are stated at cost less depreciation.

Depreciation is provided on the Straight Line Method at the rates as per schedule XIV of the Companies Act, 1956. Depreciation on additions / deductions is calculated pro-rata from / to the month of addition / deductions. Assets acquired on finance lease are capitalized and are amortized over the period of lease.

NOTES FORMING PART OF ACCOUNTS (CONTD.)**e) Intangible assets and amortization**

Intangible assets are recognized as per the requirement of Accounting Standard 26 - Intangible Assets, as specified in the Companies (Accounting Standards) Rule, 2006 prescribed by the central government.

Specialized software is amortized over a period of three years.

f) Investments

Investments intended to be held for one year or more are classified as long-term investments and are carried at cost less permanent diminution in value. 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.

g) Foreign currency transactions

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 rates at the date of transaction. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate.

The exchange difference that arise on settlement of monetary items, or on translation at each Balance Sheet date at the closing rate, are recognized as income or expense in the period in which they arise.

h) Impairment of assets

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

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

i) 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 expected outcome of assessments/appeals.

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

Deferred tax assets are recognized 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 realized.

j) Provisions, contingent liabilities and contingent assets

Provisions are recognized for liabilities that can be measured only by using a substantial degree of estimation, if (a) the Company has a present obligation as a result of past event; (b) a probable outflow of resources is expected to settle the obligation; and (c) 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 (a) a present obligation arising from a past event, when it is probable that an outflow of resources will be required to settle the obligation or (b) 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.

2 AUDITORS REMUNERATION AND EXPENSES CHARGED TO THE ACCOUNTS:

(Figures in ₹)

Particulars	2012-13	2011-12
Audit fees	78,000	85,000
Tax audit fees	35,000	35,000
Audit of trusts	28,000	24,000
Transfer pricing	20,000	20,000
Certification work	1,34,080	85,500
Reimbursement of expenses	2,399	1,654

3 EARNINGS IN FOREIGN EXCHANGE

(Figures in ₹)

Particulars	2012-13	2011-12
Engineering services	73,53,22,691	35,26,21,127
Reimbursement of expenses	80,77,450	24,17,554

NOTES FORMING PART OF ACCOUNTS (CONTD.)**4 EXPENDITURE IN FOREIGN CURRENCY:**

(Figures in ₹)

Particulars	2012-13	2011-12
Travelling	2,71,96,951	1,08,13,025
Software license fees	61,39,335	54,56,658
JV administration expenditure	55,19,706	84,01,396
Technical service fees	34,50,321	23,27,599
Other expenses	9,17,827	3,51,521

5 EMPLOYEE BENEFITS:

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

(Figures in ₹)

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2012-13	2011-12	2012-13	2011-12
A				
a) Present value of defined benefit obligation as on March 31, 2013				
– Wholly funded	2,95,17,772	2,29,36,880	16,11,26,454	13,20,19,277
b) Fair value of plan assets as on March 31, 2013	2,31,76,331	1,96,83,252	163,905,193	13,33,40,571
Amount to be recognised as liability or (asset) (a-b)	63,43,441	32,53,628	(27,78,739) ⁽¹⁾	(13,21,294) ⁽¹⁾
B				
Amounts reflected in the Balance Sheet				
Liabilities	(63,43,441)	(32,53,628)	(31,20,596) ⁽²⁾	(29,74,958) ⁽²⁾
Assets	–	–	–	–
Net (liability)/asset	(63,43,441)	(32,53,628)	(31,20,596)	(29,74,958)

⁽¹⁾ Asset is not recognized in Balance Sheet.⁽²⁾ Employer's and employee's contribution for the month of March paid in April.

b) The amounts recognised in statement of profit and loss are as follows:

(Figures in ₹)

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2012-13	2011-12	2012-13	2011-12
1 Current service cost	50,95,353	48,75,947	1,39,45,255 ⁽¹⁾	1,30,12,676 ⁽¹⁾
2 Interest cost	22,97,094	19,16,617	1,12,21,639	84,14,672
3 Expected return on plan assets	(15,64,606)	(8,57,567)	(1,33,89,048) ⁽²⁾	(1,06,34,080) ⁽²⁾
4 Actuarial losses/(gains)	(9,86,766)	(41,83,735)	(24,10,631) ⁽²⁾	(20,57,920) ⁽²⁾
5 Past service Cost	–	–	–	–
6 Actual return on plan assets over interest payable	–	–	45,78,041	42,77,328
Included in "Employee benefit expenses"	48,41,075	17,51,262	1,39,45,255	1,30,12,676
7 Actual return on plan assets	25,10,131	16,30,986	1,57,99,680	1,26,92,000

⁽¹⁾ Employer's contribution to provident fund.⁽²⁾ The actual return on plan assets is higher than interest cost but no credit is taken to the statement of profit and loss on account of the difference.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

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

(Figures in ₹)

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2012-13	2011-12	2012-13	2011-12
Opening balance of the present value of defined benefit obligation	2,29,36,880	2,01,74,336	13,20,19,277	10,19,96,026
Add: current service cost	50,95,353	48,75,947	–	–
Add: interest cost	22,97,094	19,16,617	1,12,21,639	84,14,672
Add: Contribution by plan participants	–	–	–	–
i) Employer	–	–	1,39,45,255	1,30,12,676
ii) Employee (including transferred employees)	–	–	2,31,97,875	2,08,73,333
Add/ (less): actuarial (gains) and losses	(41,241)	(34,10,316)	–	–
Past Service Cost	–	–	–	–
Less: benefits paid	(7,68,314)	(6,19,704)	(1,92,57,592)	(1,22,77,430)
Closing balance of the present value of defined benefit obligation	2,95,19,772	2,29,36,880	16,11,26,454	13,20,19,277

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

(Figures in ₹)

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2012-13	2011-12	2012-13	2011-12
Opening balance of the fair value of the plan assets	1,96,83,252	1,15,26,795	13,33,40,571	10,20,14,950
Add: expected return on plan assets	16,64,606	8,57,567	1,33,89,048	1,06,34,080
Add/(less): actuarial gains/(losses)	9,45,525	7,73,419	24,10,631	20,57,920
Add: Contribution by the employer	17,51,262	71,45,175	1,27,68,270	1,18,89,283
Add: Contribution by plan participants	–	–	2,12,54,264	1,90,21,768
Less: benefits paid	(7,68,314)	(6,19,704)	(1,92,57,592)	(1,22,77,430)
Closing balance of the plan assets	2,31,76,331	1,96,83,252	16,39,05,193	13,33,40,571

Note: The fair value of the plan assets under the Trust-Managed Provident Fund Plan has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

The Company expects to contribute ₹ 50,00,000 (PY. ₹ 50,00,000) towards its gratuity plan and ₹ 1,20,07,154 (PY. ₹ 90,03,699) towards its self-managed provident fund plan in the financial year 2012-13.

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

Particulars	Gratuity plan	Gratuity plan	Self-managed provident fund plan	Self-managed provident fund plan
	2012-13	2011-12	2012-13	2011-12
Government of India securities	47%	75%	40%	40%
Corporate bonds	53%	25%	60%	60%
Special deposit scheme	–	–	–	–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

f) Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

Particulars		2012-13	2011-12
1	Discount rate as at March 31 for gratuity	7.95% p.a.	8.60% p.a.
2	Expected return on plan assets as at March 31	7.50% p.a.	7.50% p.a.
3	Attrition rate	10% withdrawal rate for all ages	10% withdrawal rate for all ages
4	Salary growth rate	7.00% p.a.	7.00% p.a.

Discount rate: The discount rate is based on the prevailing market yields of Indian Government securities as at the Balance Sheet date for the estimated term of the obligations.

Expected rate of return on plan assets: This is based on the Actuary's expectation of the average long term rate of return expected on investments of the Fund during the estimated term of the obligations.

Salary escalation rate: The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

Retirement age: The employees are assumed to retire at the age of 58 years.

Mortality: Published rates under the LIC (1994 - 96) mortality tables.

Disability: Leaving service due to disability is included in the provision made for all causes of leaving service.

Self-managed provident fund plan: The interest payment obligation of self-managed provident fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognized immediately in the Profit and Loss Account as actuarial losses. The Actuarial Society of India has not issued any guidance note for actuarially valuing the possible shortfall of the interest.

g) The amounts pertaining to defined benefit plans are as follows:

Summary of plan assets and liabilities of Gratuity Fund:

(Figures in ₹)

Particulars		2012-13	2011-12	2010-11	2009-10	2008-09
1	Defined benefit obligation	2,95,19,772	2,29,36,880	2,01,74,336	1,28,78,255	1,00,40,559
2	Plan assets	2,31,76,331	1,96,83,252	1,15,26,795	91,95,258	77,91,981
3	Surplus/ (deficit)	(63,43,441)	(32,53,628)	(86,47,541)	(36,82,997)	(22,48,578)

Experience adjustments on plan asset and liabilities of Gratuity Fund:

(Figures in ₹)

Particulars		2012-13	2011-12	2010-11	2009-10	2008-09
1	Experience adjustments on plan liabilities	(14,44,290)	(23,42,328)	37,55,742	6,67,723	(9,551)
2	Experience adjustments on plan assets	9,45,525	7,73,419	(58,931)	1,87,360	10,97,347

Self-managed provident fund plan:

(Figures in ₹)

Particulars		2012-13	2011-12	2010-11	2009-10	2008-09
1	Defined benefit obligation	16,11,26,454	13,20,19,277	10,19,96,026	7,34,14,800	5,98,07,200
2	Plan assets	16,39,05,193	13,33,40,571	10,20,14,950	7,42,92,500	6,16,26,300
3	Surplus/ (deficit)	27,78,739	13,21,294	18,924	8,77,700	18,19,100

h) The Company has contributed ₹ 47,51,917 (PY. ₹ 48,64,545) towards employee pension scheme and ₹ NIL (PY. ₹ NIL) towards superannuation scheme (both defined contribution schemes) during the year which are included in schedule J - employee benefit expenses.

General descriptions of defined benefit plans:

a) Gratuity plan

The Company makes contributions to the group gratuity fund, a funded defined benefit plan for qualifying employees managed by a trust. The scheme provides for lump-sum payment to employees at the time of retirement, death while in employment or termination of employment of an amount equivalent to 15 days salary for every completed year of service or part thereof in excess of six months, provided the employee has completed five years in service.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

b) Self-managed provident fund plan

The Company's provident fund plan is managed by a trust permitted under the Provident Fund Act, 1952. The plan envisages contribution by employer and employees and guarantees interest at the rate notified by the provident fund authority. The contribution by employer and employee together with interest are payable at the time of separation from service or retirement whichever is earlier. The benefit under this plan vests immediately on rendering of service.

6 There are no contingent liabilities as at 31 March 2013 (P.Y. ₹ Nil).

7 Estimated amounts of contracts remaining to be executed on capital account ₹ 40,51,445 (P.Y. ₹ 26,02,380).

8 Related party transactions:

I. List of related parties where control exists:

Larsen & Toubro Limited : Holding Company

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

Larsen & Toubro Limited : Holding Company

Sargent & Lundy LLC : Associate

L&T - MHI Boilers Private Limited : Fellow Subsidiary

Larsen & Toubro Electromech LLC : Fellow Subsidiary

Larsen & Toubro Infotech Limited : Fellow Subsidiary

L&T - Valdel Engineering Limited : Fellow Subsidiary

Larsen & Toubro (Oman) LLC : Fellow Subsidiary

L&T-Ramboll Consulting Engineers Limited : Fellow Associate

L&T-Chiyoda Limited : Fellow Associate

L&T Infrastructure Finance Company Limited : Fellow Subsidiary

Larsen & Toubro ATCO Saudi LLC : Fellow Subsidiary

L&T - Finance Limited : Fellow Subsidiary

L&T Gulf Limited : Fellow Subsidiary

Nabha Power Limited : Fellow Subsidiary

Key Management Personnel:

Mr. Dipankar Chakraborty (Manager)

III. Disclosure of related party transactions:

(Figures in ₹)

No.	Nature of transaction / relationship	2012-13	2011-12
1	Purchase of goods & services (including Software License Fees, JV Administration Fees, Technical Service Fees, Fixed Assets)		
	Larsen & Toubro Limited	4,000,000	3,261,884
	Larsen & Toubro Infotech Limited	125,000	299,666
	Sargent & Lundy LLC	16,027,189	24,813,795
	L&T-Ramboll Consulting Engineers Limited	47,196	–
	L&T-Chiyoda Limited	1,752,000	–
2	Sale of Fixed Asset		
	Larsen & Toubro Limited	–	53,516
3	Sale of goods/power/contract revenue & services		
	Larsen & Toubro Limited	174,247,439	673,358,044
	L&T - MHI Boilers Private Limited	1,632,000	16,078,720
	Larsen & Toubro (Oman) LLC	–	684,114
	Larsen & Toubro Electromech LLC	11,970,255	15,623,558
	Nabha Power Limited	2,055,844	5,186,668
	Sargent & Lundy LLC	669,497,726	308,552,508
	L&T Infrastructure Finance Company Limited	585,000	–
	L&T-Chiyoda Limited	50,000	–

NOTES FORMING PART OF ACCOUNTS (CONTD.)

No.	Nature of transaction / relationship	2012-13	2011-12
4	Rent paid, including lease rentals under leasing / hire purchase arrangements		
	Larsen & Toubro Limited	48,280,241	78,441,183
	L&T Finance Limited	-	529,135
5	Payment of Salaries/ Perquisites to Key Managerial Personnel		
	Mr. B. K. Basu & Mr. Dipankar Chakraborty	-	4,039,126
	Mr. Dipankar Chakraborty (Refer Note V below)	65,56,713	-
6	Infrastructure charges & overhead recoveries		
	Larsen & Toubro Limited	130,286,296	79,863,434
	L&T - MHI Boilers Private Limited	1,435,329	1,266,696
	L&T-Valdel Engineering Limited	-	26,559
	Larsen & Toubro ATCO Saudi LLC	-	162,949

IV. Amount due to / from related parties:

(Figures in ₹)

No.	Particulars / relationship	2012-13	2011-12
1	Accounts receivable from related parties		
	Larsen & Toubro Limited	27,234,352	118,539,522
	L&T - MHI Boilers Private Limited	31,965	1,215,266
	Larsen & Toubro Electromech LLC	1,801,123	10,569,136
	L&T-Valdel Engineering Limited	16,690	44,173
	Nabha Power Limited	242,698	512,673
	L&T-Gulf Private Limited	4,450	3,276
	Sargent & Lundy LLC	73,969,257	17,410,044
	L&T Infrastructure Finance Company Limited	452,786	-
2	Accounts payable to related parties		
	Larsen & Toubro Limited	57,387,282	73,746,205
	Larsen & Toubro Infotech Limited	126,405	269,699
	L&T - MHI Boilers Private Limited	290,417	410,103
	Larsen & Toubro ATCO Saudi LLC	280,873	162,949
	L&T-Chiyoda Limited	1,575,227	-
3	Advance received from customer		
	Larsen & Toubro Limited	8,044,512	13,681,430

V. In view of inadequacy of profits, as per Section II of Part II of Schedule XIII of the Companies Act, 1956, remuneration of ₹ 64,51,425/- paid to Mr. Dipankar Chakraborty, Manager of the Company, will have to be approved by the remuneration committee and by way of Special Resolution in ensuing general meeting.

9 FOREIGN CURRENCY EXPOSURES:

- (A) (i) The Company has receivables denominated in foreign currency at the Balance Sheet date aggregating to ₹ 8,35,02,280 (P.Y. ₹ 3,92,72,563) that are not hedged by a derivative instrument or otherwise.
The Company has payables denominated in foreign currency at the Balance Sheet date aggregating to ₹ Nil (P.Y. ₹ Nil) that are not hedged by a derivative instrument or otherwise.
- (ii) The Company has no firm commitments payable denominated in foreign currency at the Balance Sheet date (P.Y. ₹ Nil)
- (iii) The Company has no highly probable forecast transactions at the Balance Sheet date.
- (B) The Company has no derivatives outstanding at the Balance Sheet date.

NOTES FORMING PART OF ACCOUNTS (CONTD.)**10 DEFERRED TAX:**

Major components of deferred tax

(Figures in ₹)

Particulars	Deferred tax (asset)/ liability as at 31 March 2012	Charge (Credit) to Profit and Loss Account	Deferred tax (asset)/ liability as at 31 March 2013
Provision for leave encashment	(13,514,917)	(1,940,535)	(15,455,452)
Provision for Doubtful Debts	(895,300)	–	(895,300)
Deferred tax asset	(14,410,217)	(1,940,535)	(16,350,752)
Difference between book and tax depreciation	6,786,812	(2,096,467)	8,883,279
Deferred tax liability	6,786,812	(2,096,467)	8,883,279
Net deferred tax (asset) liability	(7,623,405)	(4,037,003)	(7,467,473)

Deferred tax asset has not been recognized on grounds of prudence.

- 11** Loans and advances include amount due from officers of the Company ₹ Nil (P.Y. ₹ Nil). Maximum amount outstanding at any time during the year ₹ Nil (P.Y. ₹ Nil)
- 12** Pursuant to the Employees Stock Options Scheme established by the holding company (i.e. Larsen & Toubro Limited), stock options were granted to the employees of the Company. Total cost incurred by the holding company, in respect of the same is ₹ 26,83,10,145 (P.Y. ₹ 28,75,59,540) The same is being recovered over the period of vesting by the holding company. Accordingly, cost of ₹ 21,24,36,192 (P.Y. ₹ 18,36,47,054) has been recovered by the holding company upto current year, out of which, Rs. 2,87,89,138 (P.Y. ₹ 6,90,72,298) was recovered during the year. Balance ₹ 5,58,73,952 (P.Y. ₹ 10,39,12,486) will be recovered in future periods.
- 13** The Company operates in a single segment, namely, providing Engineering Services. Segment Reporting on the basis of geographical segments is as under:

(Figures in ₹)

Revenue by location of customers	2012-13	2011-12
India	28,19,87,592	78,29,77,173
USA	66,94,97,726	29,66,43,036
Rest of the world	6,58,24,965	5,60,03,305
TOTAL	1,01,73,10,283	113,56,23,514

(Figures in ₹)

Carrying amount of segment assets by location of assets	2012-13	2011-12
India	1,04,50,17,949	78,56,38,670
USA	7,59,35,008	2,16,74,788
Rest of the world	77,62,693	2,21,26,286
TOTAL	1,12,87,15,650	82,94,39,744

(Figures in ₹)

Cost incurred on acquisition of tangible and intangible fixed assets	2012-13	2011-12
India	2,62,70,168	2,63,04,938
USA	–	–
Rest of the world	–	–
TOTAL	2,62,70,168	2,63,04,938

- 14** The Cash Credit facilities from Bank are secured by hypothecation of book debts. The charge on these assets also extends to outstanding bank guarantees up to ₹ 56,60,200 (P.Y. ₹ 80, 30,200).
- 15** Sundry creditors include ₹ Nil (P.Y. ₹ Nil) payable to micro and small enterprises (as defined in Micro, Small & Medium Enterprises Development Act, 2006).
- 16** Pursuant to Section 77A of the Companies Act, 1956 read with Article 4A of the Articles of Association of the Company, during the year under review, 18,18,180 (last year 872,730) Equity Shares were bought back from the existing shareholders at a price of ₹ 80/- per share for 1,250,000 Shares and at a price of ₹ 88 per share for 5,68,180 Shares aggregating ₹ 1,50,000,000. An amount of ₹ 1,81,82,000 was adjusted from the Share Capital of the Company at the rate of ₹ 10/- per share bought-back and an amount of ₹ 1,31,82,000 at the rate of ₹ 70/- per share for 1,250,000 Shares and ₹ 78/- per share for 5,68,180 shares bought-back, was adjusted from the free reserves. Further, an amount equal to the value of equity shares bought back i.e. ₹ 18,18,12,000 has been transferred from Profit and Loss Account to capital redemption reserve.

NOTES FORMING PART OF ACCOUNTS (CONTD.)

17 Disclosures pursuant to Accounting Standard (AS) 7 (Revised) "Construction Contracts":

(Figures in ₹)

No.	Particulars	2012-13	2011-12
1	Contract revenue recognized for the financial year	1,026,624,683	1,135,623,514
2	Aggregate amount of contract costs incurred and recognized profit (less recognized loss) as at end of the financial year for all contracts in progress as at Balance Sheet date	(28,432,983)	(24,523,386)
3	Amount of customer advances outstanding for contracts in progress as at end of the financial year	12,494,512	18,131,430
4	Retention amount due from the customer for contracts in progress as at end of the financial year	2,172,905	1,362,557

18 Figures for the previous year have been regrouped / reclassified wherever necessary.

As per our report attached

SHARP & TANNAN

Chartered Accountants
ICAI Registration no. 109982W
by the hand of

FIRDOSH D. BUCHIA

Partner
Membership No. 38332

Place : Mumbai

Date : May 15, 2013

For and on behalf of the Board

DIPANKAR CHAKRABORTY
Manager

VIPUL G. RAVAL
Company Secretary

S. N. ROY
Director

B. K. BASU
Director

Place : Vadodara

Date : May 15, 2013