L&T Hydrocarbon Engineering

ANNUAL REPORT
2017 - 2018

MISSION

Execution Par Excellence

We are committed to evolving into a major Indian multinational, occupying leadership position in the hydrocarbon industry.

Our people are our prime movers. We practise collaborative team-working with zeal, responsiveness and a sense of urgency. We encourage our personnel to demonstrate an entrepreneurial spirit and assume ownership for their actions.

We believe in an ethical work culture, with emphasis on governance in all business dealings. Our endeavour is to practise the highest levels of Quality, Health, Safety, Environmental and Information Security in all our operations.

Our focus is on sustainable value creation for all our stakeholders. We are passionate about our performance culture and committed to delivering excellence at every phase of our operations.

Sarma

Subramanian Sarma
CEO & Managing Director

Date: 20th April, 2016

L&T Hydrocarbon Engineering

About Us

L&T Hydrocarbon Engineering Limited is an engineering, procurement, fabrication, construction and project management company providing integrated 'design to build' solutions to large and complex Offshore and Onshore hydrocarbon projects worldwide.

Earlier a business vertical of Larsen & Toubro Limited, the Company is now a wholly-owned subsidiary of the reputed technology, engineering and construction conglomerate.

As a dedicated subsidiary, L&T Hydrocarbon Engineering Limited is positioned to sharpen its focus on service to its customer base and enhance responsiveness in all its engagements. The subsidiary continues to draw on the parent company's organisational strengths and experience.

The Company has over three decades of experience and expertise in the hydrocarbon segment, and conforms to global standards and norms across all aspects of project management, HSE and corporate governance.

L&T Hydrocarbon Engineering Limited caters to the needs of its client base in multiple geographies – India, the Middle East, Asia-Pacific, Africa, the Americas and Europe.

Conscious of its larger responsibilities as a corporate citizen, the Company is committed to the development of the communities around its facilities and project sites.

Contents

Company Information

Board of Directors

Mr. K. Venkataramanan	Non-Executive Chairman
Mr. Subramanian Sarma	Chief Executive Officer & Managing Director
Mr. T. Chinnappa	Whole Time Director
Mr. R. Shankar Raman	Non-Executive Director
Mr. Vikram Singh Mehta	Independent Director
Mr. Sarthak Behuria	Independent Director
Mrs. Bhagyam Ramani	Independent Director

Chief Financial Officer	Mr. K. S. Balasubramanyam
Company Secretary	Ms. Alpana S. Khale
Registered Office	L&T House, Ballard Estate, Mumbai 400 001
Auditors	M/s Sharp & Tannan

Dear Shareholders,

It is with a sense of great pride and accomplishment that I present to you the Annual Report of L&T Hydrocarbon Engineering for the year 2017-18.
For the global industry, the year gone by was challenging, with interplay between economic, political and social forces. 2017 was another volatile year for oil markets, with prices finally appearing on track to a sustainable recovery after several false starts.
India also saw ups and downs in the economic environment in the past year, with short-term disruptions due to GST, currency market volatility and geopolitical developments.
It has been a year of continued transformation, geared towards higher performance, with emphasis on creating value for customers. The Company scaled new peaks in terms of order book, turnover, working capital management and return on capital employed, and registered exceptional all-round performance.

The Company achieved its first breakthrough into a Petrochemical project in the Middle East, bagged its first ever Hydrocracker project and won many offshore projects with high 'Transportation and Installation' content. During the execution of these projects, we maintained our focus on capability building, collaborative working and operational excellence initiatives. With over 20 active projects currently in our portfolio and still growing, our mission statement 'Execution Par Excellence' gains even greater prominence.

The Company has shown continuous improvement in HSE performance during the year, including delivering the best-ever HSE performance with over 101 million LTI-free construction man-hours clocked at a single stretch. Additionally, we received many accolades in 2017-18. Notable among these are the 'ASSE GCC HSE Excellence Gold Award 2018' by ASSE Kuwait Chapter, 'ASSE GCC HSE Excellence Platinum Award 2018' for HSE excellence in Oman and ROSPA 2018 Gold Award for HSE Excellence.

The year saw completion of several mega projects, such as the Bassein Development Project, S-1 Vashishta project, etc. and the organization continues to set new benchmarks for safety, quality and execution excellence in each project through projects being completed before time. Going forward, we expect to build an even stronger and deeper order book.

L&T Hydrocarbon Engineering strives for sustainable growth in harmony with the environment and society. The Company's CSR interventions – fuelled by commitment, mobilisation of employee volunteerism, innovative approaches, technology and key partnerships towards the goals of water and sanitation, education, health and skill building – have been making a lasting difference to the lives of the underprivileged.

Towards providing geographical risk diversification, the Company is exploring newer markets, which offer good long-term business potential, and has undertaken intense and successful pre-qualification efforts in Africa and CIS regions. The business is also exploring alternative product lines such as wind farms and process skids as well as strategic partnerships to enhance asset utilisation.

Integrated, IT-enabled Project Management enhances L&T Hydrocarbon Engineering's ability to deliver projects on time and within budget, while conforming to international safety standards. Digitalization initiatives have contributed to enhanced safety performance and accelerated collation and processing of information.
We will continue to explore the application of newer technologies and methods that will bring greater efficiency in our execution.

These results are remarkable and very encouraging. But the best is yet to come. After having looked back at the achievements of the past year, I want to take this opportunity to acknowledge the contributions made by Team LTHE and thank our customers, suppliers and other stakeholders who made it possible for the Company to deliver such an improved financial performance.

At the successful closure of yet another financial year, I assure you on behalf of the management that the business is moving in the right direction with respect to our vision to 'Revolutionize the Hydrocarbon Industry' and mission of 'Execution Par Excellence'. I express my sincere thanks for your trust and continued support.

Subramanian Sarma
CEO & Managing Director
L&T Hydrocarbon Engineering Limited

Directors' Report

Directors' Report

The Directors have pleasure in presenting the Ninth Annual Report and Audited Accounts for the year ended March 31, 2018.

FINANCIAL RESULTS

₹ crore

Particulars	2017-18	2016-17
Turnover (gross)	**11044.35**	*8786.61*
Profit before Depreciation, Interest, Taxes & Amortisation	**739.99**	*825.65*
Less: Depreciation & Amortisation	**90.23**	*94.28*
Profit before Interest & Taxes	**649.76**	*731.37*
Less: Interest	**8.41**	*28.01*
Profit before Tax	**641.35**	*703.36*
Less: Tax (including deferred tax provision)	**235.73**	*267.04*
Profit after Tax	**405.62**	*436.32*
Add: Balance brought forward from previous year	**(78.95)**	*(583.61)*
Add: Gain/(Loss) on re-measurement of the Net defined benefit plans	**3.98**	*(0.15)*
Add: Reserves transferred under Scheme of Arrangement	**–**	*68.49*
Less: Dividend (including Dividend Distribution Tax)	**73.30**	–
Balance carried to Balance Sheet	**257.35**	*(78.95)*

YEAR IN RETROSPECT

The gross sales for the financial year under review were ₹ 11044.35 crore as against ₹ 8786.61 crore for the previous financial year 16-17 registering growth of 25.88 percent. The Profit before tax for FY 17-18 is ₹ 641.35 crore as against ₹ 703.36 crore for FY 16-17. The Profit after tax at ₹ 405.62 crore for the FY 17-18 as against previous year's Profit after tax of ₹ 436.32 crore.

CAPITAL & FINANCE

1. **SHARE CAPITAL AS ON MARCH 31, 2018:**
   The total paid up equity & preference share capital of the Company as on March 31, 2018 stood at ₹ 1760.05 crores. During the year under review, the Company has not issued any shares. The details of equity and preference share capital is given in Extract of Annual Report (MGT-9) annexed herewith as Annexure "C".

2. Inter Corporate Deposits with holding company outstanding as on March 31, 2018 stood at ₹ 129.91 crore and that with company's subsidiary & joint venture stood at 526.65 crore.

CAPITAL EXPENDITURE

As at March 31, 2018, the gross fixed and intangible assets, stood at ₹ 992.18 crore & 20.31 crore respectively and the net fixed and intangible assets, at ₹ 723.47 crore & 2.03 crore respectively. Capital expenditure during the year amounted to ₹ 39.23 crore.

TRANSFER TO RESERVES

The company has not transferred any amount to Reserves for the Financial Year 2017-18.

DEPOSITS

The Company has not accepted any deposits from public falling within the ambit of Section 73 of the Companies Act, 2013 and the Rules framed thereunder during the financial year ended March 31, 2018. There are no deposits outstanding as of March 31, 2018.

SUBSIDIARY/ASSOCIATE/JOINT VENTURE COMPANIES:

During the year under review, the Company subscribed to/acquired equity/preference shares in various subsidiary/associate/joint venture companies.

The details of investments / disinvestments in subsidiary companies during the year are as under:

A) Shares acquired during the year:

Name of the Company	Type of Shares	No. of shares
L&T Hydrocarbon Caspian LLC, Azerbaijan	Equity	9,250
Larsen & Toubro Electromech LLC, Oman	Equity	2,10,000
L&T Modular Fabrication Yard LLC, Oman	Equity	20,19,230
Larsen & Toubro ATCO Saudi LLC, Saudi Arabia	Equity	1,000

B) Equity shares sold/transferred during the year:

Name of the Company	Number of shares
NIL	

C) Performance and Financial Position of each subsidiary/associate and joint venture companies:

A statement containing the salient features of the financial statement of subsidiaries/associate/joint venture companies and their contribution to the overall performance of the Company is provided in Annexure "A".

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

The Company has disclosed the full particulars of the loans given & investments made in the Annual Accounts.

There are no guarantees given or securities provided by the company.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Audit Committee has approved the Related Party Transactions up to September 30, 2017 of financial year 2017-18 and thereafter the matters were placed before the Board for their consideration.

All the related party transactions were in the ordinary course of business and at arm's length.

A Statement containing details of all material transactions/ contracts/ arrangements is attached as Annexure "F".

DIVIDEND

Considering the good financial performance of the Company for the nine month period from April 1, 2017 up to December 31 2017; the Directors of the Company declared an Interim dividend on preference shares as follows:

i. ₹ 0.75 per share on 50,00,00,000 10% Non-cumulative, Optionally Convertible, Redeemable Preference Shares of ₹ 10 each (amounting to ₹ 45.14 Cr including DDT) and the same was paid on March 28, 2018.

ii. ₹0.90 per share on 26,00,00,000 12% Non-cumulative, Optionally Convertible, Redeemable Preference Shares of ₹ 10 each (amounting to ₹ 28.16 Cr including DDT) and the same was paid on March 28, 2018.

The Directors of the company recommend payment of final preference dividend and the same shall be paid subject to shareholders approval in General meeting. Following is recommended:

i. ₹ 0.25 per share on 50,00,00,000 10% Non-cumulative, Optionally Convertible, Redeemable Preference Shares of ₹ 10 each (amounting to ₹ 15.05 Cr including DDT)

ii. ₹ 0.30 per share on 26,00,00,000 12% Non-cumulative, Optionally Convertible, Redeemable Preference Shares of ₹ 10 each (amounting to ₹ 9.38 Cr including DDT)

MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY, BETWEEN THE END OF THE FINANCIAL YEAR AND THE DATE OF THE REPORT:

There are no material changes and commitments affecting the financial position of the Company, between the end of the financial year under review and the date of the report.

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

Information as required to be given under Section 134(3)(m) read with Rule 8(3) of the Companies (Accounts) Rules, 2014 relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo is provided in Annexure 'B' forming part of this Report.

RISK MANAGEMENT POLICY

The Company has formulated a risk management policy and has in place a mechanism to inform the Board Members about risk assessment and mitigation procedures.

A detailed note on risk management is given under financial review section of the Management Discussion and Analysis of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

The Company has recently re-constituted Corporate Social Responsibility committee which now comprises of Mr. Vikram Singh Mehta, Mrs. Bhagyam Ramani and Mr. T. Chinnappa as the Members.

The details of the various projects and programmes to be undertaken by the Company as a part of its CSR framework is available on its website www.lnthydrocarbon.com. The disclosures required to be given under Section 135 of the Companies Act, 2013 read with Rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in Annexure 'D' to the Board report.

DETAILS OF DIRECTORS & KEY MANAGERIAL PERSONNEL APPOINTED/RESIGNED DURING THE YEAR:

A. Directors of the Company as on March 31, 2018 are:

1. Mr. K. Venkataramanan
2. Mr. R. Shankar Raman
3. Mr. Subramanian Sarma
4. Mr. T. Chinnappa
5. Mr. Vikram Singh Mehta
6. Mr. Sarthak Behuria
7. Mrs. Bhagyam Ramani

B. Directors appointed during the year:

During the year, following appointments were made on Board:-

Mr. T. Chinnappa was appointed as Whole-time Director with effect from May 1, 2017 up to March 31, 2019.

Mr. K. Venkataramanan, whose tenure as Non-Executive Chairperson was upto September 30, 2017, was re-appointed as Non-Executive Chairman for additional one year upto September 30, 2018.

Mr. Subramanian Sarma and Mr. T. Chinnappa, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting of the Company.

C. Resignation of Director during the year:

Mr. K. Ravindranath, Whole-time director, re-appointed with effect from April 07, 2017 to October 01, 2017, retired from the services with effect from October 1, 2017 upon reaching superannuation.

Dr. Ashok Kumar Balyan, an Independent Director of the Company, resigned with effect from October 24, 2017.

The Company appreciates the services of Mr. K. Ravindranath and Dr. A. K. Balyan during their tenure as directors.

D. Key Managerial Personnel:

The following are the Key Managerial Personnel as per the provisions of Section 203 of the Companies Act, 2013.

a) Mr. T. Chinnappa, Whole-time Director

b) Mr. K. S. Balasubramanyam, Chief Financial Officer

c) Ms. Alpana Khale, Company Secretary

Mr. R. Venkatesh, Chief Financial Officer of the Company resigned from the services of the Company w.e.f April 27, 2017, on his transfer to other unit within the L&T group.

Mr. K. Balasubramanyam was appointed as the new Chief Financial officer w.e.f April 28, 2017.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

The Meetings of the Board are held at regular intervals with a time gap of not more than 120 days between two consecutive Meetings. Additional Meetings of the Board of Directors are held when necessary. During the year under review, 4 meetings were held - April 27, 2017; July 20, 2017; October 17, 2017 and January 19, 2018.

The Agenda of Meeting is circulated to the Directors well in advance as per the provisions of Companies Act, 2013. Minutes of the Meetings of the Board of Directors are circulated amongst the Members of the Board for their perusal.

AUDIT COMMITTEE

The Company had an Audit Committee in terms of the requirements of the Companies Act, 2013. It comprised of three members, all of them being Independent Directors as under:

1. Dr. Ashok Kumar Balyan - Chairman
2. Mr. Sarthak Behuria - Member
3. Mrs. Bhagyam Ramani - Member

During the year under review, 2 meetings were held on April 27, 2017 and July 20, 2017.

The terms of reference of Audit Committee were in line with the provisions of Companies Act, 2013 read with rules thereunder.

In view of the Notifications dated July 5, 2017 and July 13, 2017; issued by Ministry of Corporate Affairs, the Company has dissolved the Audit Committee of the Board and all the matters that were considered by Audit Committee are now being considered by the Board.

As per the provisions of Section 177(9) of the Companies Act, 2013 ('Act'), the Company is required to establish an effective Vigil Mechanism for directors and employees to report genuine concerns. The Company has a Whistle-blower Policy in place. The policy now provides a dedicated Hot line number and also a dedicated email ID to encourage and facilitate employees to report concerns about unethical behaviour, actual/suspected frauds and violation of Company's Code of Conduct or Ethics Policy. The policy provides for adequate safeguards against victimisation of persons who avail the same and provides for direct access to the Nominated Director. The implementation of the Policy is now reviewed by the Board periodically vide the Nominated Director appointed by the Board for the very purpose in its meeting held on October 17, 2017. The Company has disclosed its Vigil Mechanism/Whistle Blower Policy on its website www.lnthydrocarbon.com

COMPANY POLICY ON DIRECTORS APPOINTMENT AND REMUNERATION

The Company has constituted the Nomination & Remuneration Committee in accordance with the requirements of the Companies Act, 2013 read with the rules made thereunder. The Committee comprises of two Independent Directors, one Non-Executive Director and the Managing Director as follows:

1. Mr. Sarthak Behuria - Chairman
2. Mr. Vikram Singh Mehta - Member
3. Mr. K. Venkataramanan - Member
4. Mr. Subramanian Sarma - Member

During the year under review two meetings were held i.e. on April 27, 2017 and October 17, 2017.

The terms of reference of the Nomination and Remuneration Committee are in line with the provisions of the Companies Act, 2013.

The Company has formulated a policy on director's appointment and remuneration including recommendation of remuneration of the key managerial personnel and other employees and the criteria for determining qualifications, positive attributes and independence of a Director.

DECLARATION OF INDEPENDENCE

The Company has received a Declaration of Independence as stipulated under Section 149(7) of the Companies Act, 2013 confirming that he/she is not disqualified from continuing as an Independent Director.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

i. in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations relating to material departures;

ii. the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of profit of the Company for that period;

iii. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. the Directors have prepared annual accounts on a going concern basis; and

v. the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

ADEQUACY OF INTERNAL FINANCIAL CONTROLS:

The Company has designed and implemented a process driven framework for Internal Financial Controls ('IFC') within the meaning of the explanation to Section 134(5)(e) of the Companies Act, 2013. For the year ended March 31, 2018, the Board is of the opinion that the Company has sound IFC commensurate with the nature and size of its business operations and operating effectively and no material weaknesses exist. The Company has a process in place to continuously monitor the same and identify gaps, if any, and implement new and / or improved controls wherever the effect of such gaps would have a material effect on the Company's operations.

REPORTING OF FRAUDS

The Auditors of the Company have not reported any fraud as specified under section 143(12) of the Companies Act, 2013.

PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES AND DIRECTORS

The Nomination & Remuneration Committee and the Board has laid down the manner in which formal annual evaluation of the performance of the Board, committees and individual directors has to be made. It includes circulation of questionnaires to all Directors for evaluation of the Board and its Committees, Board composition and its structure, its culture, Board effectiveness, Board functioning, information availability, etc. These questionnaires also cover specific criteria and the grounds on which all directors in their individual capacity will be evaluated.

The inputs given by all the directors were discussed in the meeting of the Independent Directors held on March 20, 2018, as per schedule IV of the Companies Act, 2013. The performance evaluation of the Board, Committees and Directors was also reviewed by the Nomination and Remuneration Committee and the Board.

COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD AND GENERAL MEETINGS:

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Board Meetings and General Meetings.

PROTECTION OF WOMEN AT WORKPLACE:

The parent company Larsen & Toubro Limited (L&T) has formulated a policy on 'Protection of Women's Rights at Workplace' which is applicable to all group companies. This has been widely disseminated. No cases of sexual harassment were received during 2017-18.

AUDITORS

The Auditors, Sharp & Tannan, Chartered Accountants, hold office from the conclusion of the 8th Annual General Meeting till conclusion of 10th Annual General Meeting. Certificate from the Auditors has been received that they are eligible to act as auditors of the Company under Section 141 of the Companies Act, 2013. A proposal for ratifying their appointment from conclusion of 9th AGM till conclusion of 10th AGM forms part of Notice convening the 9th AGM and the same is recommended for your ratification.

AUDITOR'S REPORT

The Auditors report to the shareholders does not contain any qualification, observation or adverse comment or remark(s) which has/have an adverse effect on the functioning of the Company.

COST AUDITORS

Pursuant to the provisions of Section 148 of the Companies Act, 2013 and as per the Companies (Cost Records and Audit) Rules, 2014 and amendments thereof, the Board of Directors, at its meeting held on April 25, 2018, has approved the appointment of R. Nanabhoy & Co. as Cost Auditors of the Company for audit of cost accounting records for the financial year 2018-19 at a Remuneration of ₹ 1,80,000 only for FY 18-19.

They have confirmed their independent status and that they are free from any disqualifications under section 141 of the Companies Act, 2013. The Report of the Cost Auditors for the financial year ended March 31, 2018 is under finalization and will be filed with the MCA within the prescribed period.

A proposal for ratification of remuneration of the Cost Auditor for the financial year 2018-19 will be placed before the shareholders for consideration.

SECRETARIAL AUDITORS REPORT

The Board had appointed Naina Desai, Practicing Company Secretary, as the Secretarial Auditor of the company under Section 204 of The Companies Act, 2013 for the Financial Year ended March 31, 2018. The Secretarial Audit Report in Form MR-3 is attached as Annexure 'E' to this Report.

The same does not contain any qualification. The Secretarial Auditors' report to the shareholders does not contain any qualification or reservation which has any material adverse effect on the functioning/going concern status of the Company

EXTRACT OF ANNUAL RETURN

As per the provisions of Section 92(3) of the Companies Act, 2013, an extract of the Annual Return is attached as Annexure 'C' to this Report.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

During the year under review, there were no orders passed by the regulators or courts or tribunals impacting the going concern status and the Company's operations in future.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank the Customers, Supply Chain Partners, Business Associates, Employees, Management of the Holding Company, Banks, Central and State Government authorities, Regulatory authorities, and various other stakeholders for their continued co-operation and support to the Company.

For and on behalf of the Board

K. VENKATARAMANAN
Non-Executive Chairman
(DIN: 0001647)

Place : Mumbai
Date : April 25, 2018

Annexure 'A' to the Directors' Report

FORM AOC – 1

(Pursuant to First proviso to subsection 3 of Section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of Financial Statements of Subsidiaries

PART A SUBSIDIARIES

(All amounts in ₹)

Sr. No	Particulars	Companies			
1	**Name of the Subsidiary**	**L& T Sapura shipping Private Limited**	**L&T Sapura Offshore Private Limited**	**L&T Gulf Private Limited**	**Larsen Toubro Arabia LLC** (1 SAR = ₹17.03) Closing Rate as on December 2017
2	Reporting Period for concerned Subsidiary	01 April 2017 to 31 March 2018	01 April 2017 to 31 March 2018	01 April 2017 to 31 March 2018	01 January 2017 to 31 December 2017
3	Share Capital	1,58,85,30,830	1,00,000	8,00,00,000	17,03,00,000
4	Reserves & Surplus	3,12,89,71,783	74,10,520	20,96,44,570	(4,11,41,53,653)
5	Total Assets	8,52,73,86,541	6,69,55,912	35,30,93,140	3,35,20,77,877
6	Total Liabilities	3,80,98,83,928	5,94,45,392	6,34,48,570	7,29,59,31,530
7	Investments	0	0	1,36,09,634	0
8	Turnover	1,22,16,94,984	0	25,75,00,737	38,26,88,986
9	Profit before Taxation	6,98,93,616	10,13,134	7,50,97,362	(84,64,24,328)
10	Provision for Taxation	36,42,163	(9409)	2,11,93,191	0
11	Profit after taxation	6,62,51,453	10,22,543	5,39,04,171	(84,64,24,328)
12	Proposed Dividend	–	–	–	–
13	% shareholding	60%	60%	50.0002%	75%

(All amounts in ₹)

Sr. No	Particulars	Companies		
1	**Name of the Subsidiary**	**LTEM *** (1 OMR = ₹ 165.91) Closing Rate as on December 2017	**LTATCO*** (1 SAR = ₹ 17.03) Closing Rate as on December 2017	**LTMFY*** (1 OMR = ₹ 165.91) Closing Rate as on December 2017
1	Reporting Period for concerned Subsidiary	01 January 2017 to 31 December 2017	01 January 2017 to 31 December 2017	01 January 2017 to 31 December 2017
2	Share Capital	497,73,000	170,30,000	47,85,86,475
3	Reserves & Surplus	-1,26,39,91,115	-4,39,61,00,818	-1,33,29,00,367
4	Total Assets	2,61,39,28,807	2,41,24,97,150	2,78,57,87,510
5	Total Liabilities	3,82,81,52,922	6,79,15,67,968	3,49,07,09,734
6	Investments	0	0	0
7	Turnover	3,17,53,56,135	52,04,11,085	5,10,53,63,274
8	Profit before Taxation	16,82,70,070	41,37,064	9,10,97,365

(All amounts in ₹)

Sr. No	Particulars	Companies		
1	**Name of the Subsidiary**	**LTEM *** (1 OMR = ₹ 165.91) Closing Rate as on December 2017	**LTATCO*** (1 SAR = ₹ 17.03) Closing Rate as on December 2017	**LTMFY*** (1 OMR = ₹ 165.91) Closing Rate as on December 2017
9	Provision for Taxation	–67,35,282	–1,02,18,000	0
10	Profit after taxation	16,15,34,787	–60,80,936	9,10,97,365
11	Proposed Dividend	–	–	–
12	% shareholding	70%	100%	70%

***NOTE:**

LTEM : Larsen & Toubro Electromech LLC

LTATCO : Larsen & Toubro ATCO Saudi LLC

LTMFY : L&T Modular Fabrication Yard LLC

PART B: ASSOCIATES AND JOINT VENTURES

Statement containing salient features of Financial Statements of Associate Companies/Joint Ventures

(All amounts in ₹)

Sr. No	Particulars	L&T Chiyoda Limited	LTHC LLC** (1 AZN = ₹ 38.69) Closing Rate as on December 2017
1	Latest Audited Balance Sheet date	31 March 2018	Newly incorporated
2	Shares of associates held by the Company on year end	LTHE holds 45,00,000 equity shares @ ₹ 10 each in LTC	LTHE holds 9,250 equity shares @ ₹ 10 each in LTHC LLC
	Number of shares	45,00,000 (Out of these 3 shares are held jointly with Directors nominated by LTHE)	9250 Shares
	Amount of investment	₹ 52.93 crores	₹ 0.36 crores
3	Description of how there is significant influence	By virtue of 50% shareholding & right to nominate 50% of Board strength (Both LTHE & Chiyoda hold exactly 50% shares)	By virtue of 50% shareholding & right to nominate 50% of Board strength
4	Reason why the associate is not consolidated	Control is joint, as all Board decisions need to be approved by at least 1 Director nominated by both the JV partners	Control is joint, as all Board decisions need to be approved by at least 1 Director nominated by both the JV partners
5	Net worth attributable to shareholding as per latest audited balance sheet (₹ crore)	Total Net Worth of LTC = 121.48 crores Attributable to LTHE : 50% = 60.74 crores	Total Net Worth of LTHC LLC = ₹ 0.72 crores Attributable to LTHE : 50% = ₹ 0.36 crores
6	Profits/(Loss) for the year (₹ crore):	PAT: ₹ 34.47 crores	NIL
7	Considered in consolidation	₹ 17.23 crores	NIL
8	Not considered in consolidation	₹ 17.23 crores	NIL

**LTHC LLC : L&T Hydrocarbon Caspian LLC

Annexure 'B' to the Directors' Report

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

A. CONSERVATION OF ENERGY

(a) Energy Conservation measures taken:

1. Improving Energy Effectiveness/Efficiency of Equipment and Systems

- Switching over to energy efficient inverter based welding machine both hired and procurement.
- Optimizing the power demand within the limits sanctioned by the state electric supply.
- Maintaining the power factor within the limits (0.96 - 0.99) to optimize the power demand from the State electric supply.
- Maintaining monitoring mechanism to study the HSD consumption of equipment/systems as per norms.
- Street light lamp LED conversion for HPSV/MH at MFFK.
- Conversion of shop Metal Halide lights to energy efficient LED lamps in all MFFH shops.
- Increase use of FCAW Gas shielded welding process.
- Replacement of Conventional Chiller Plant with Electrical Compressor Operated Chiller Plant at EPC Block
- Optimize running of Air Compressors used for Blasting/Painting through optimum loading of Blasting operation & reduction in idle running at MFFH.
- Conversion and retrofitting of equipment e.g. Installation of on-off timers in high mast towers at MFFH

(b) Additional investments & proposals, if any, being implemented for reduction of consumption of energy:

- Implementation of Energy Management System ISO 50001 at MFFK
- Conversion of shop MH lights to energy efficient LED lamps at MFFK.
- Maintenance of Harmonic Filter in 11 KV side - to optimize the line currents and to reduce the power losses at MFFK.
- Installation of Occupancy sensors at MFFK offices.
- GPS installation for the own & hired equipment to optimize the utilization.
- Use of LED lights for temporary lighting in Yards in place of HPSV lights.
- Replacement of Existing window/split ACs by energy efficient invertor based AC
- Upgrade the Power Distribution network to reduce the diesel Consumption.
- Proposal submitted for Replacement of Existing Metal Halide Lamps with LED Fittings in Yard High Masts / Towers at MFFH.
- Proposing low voltage heating pads in PWHT process in place of high voltage.
- Proposal submitted for Installing Roof Top Solar Power Plant in EPC Building

(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The measures taken have resulted in savings in cost of production, cost of power consumption, energy savings and reduction in maintenance cost, reduction in processing cycle time.

(d) Total Energy Consumption and Energy Consumption per unit of production as per Form A in respect of industries specified in the Schedule:

The Company provides engineering, procurement & construction solutions on turnkey basis in oil & gas, petroleum refining, chemicals & petrochemicals and fertilizer sectors and pipelines. Hence, disclosures in Form A are not applicable to the Company.

B. RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company:

The Company has well-established R&D facilities for carrying out applied research in the areas of Process Engineering, Material Science & Corrosion Engineering, Energy Management & Safety Studies, Asset Integrity Management and Offshore Engineering.

During the year (2017 - 2018) research work was carried out in following areas:

- **Process Engineering**

  Design, analysis and simulation of Gas Processing plant and equipment (Gas/Liquid Separation, Condensate Fractionation, Gas Dehydration, Gas Sweetening Units and C2/C3/C4 component recovery systems); Process Design of Melamine Plant; Process simulation for Ammonia and Urea Plants; Process engineering for Gas Compressor Modules; Flow simulation studies for Oil & Gas Projects; Steady State and Dynamic Simulation of Oil & Gas Processing plants; Refractory engineering for Fertilizer and Refinery Plant equipment; Technology evaluation, modelling and simulation for high-ash Indian coal gasification for poly-generation; Technology evaluation for Slurry Hydrocracker and ultra-low sulphur fuel; Two-phase flow modelling; Pipeline flow assurance studies; Modelling of Pressure Swing and Temperature Swing Adsorption beds for product purification; Pilot Plant data analysis for chemical plants, scale-up analysis from pilot to commercial design; Transient analysis of pipelines for pigging and slugging operation; Adequacy of Control & Trip logic strategies for Normal, Emergency and Start-up scenario of compressor operation; Surge Analysis of compressors.

- **Material Science & Corrosion Engineering**
  Material selection, verification and corrosion control methodologies for Oil & Gas Processing Plants, Pipelines, Terminals and Offshore E&P facilities; Risk assessment and development of Corrosion Management Plan for Oil & Gas facilities; Cathodic Protection studies, surveys and plant/pipeline integrity studies; Troubleshooting and Failure Analysis for equipment and components: Preservation and Restoration techniques for critical systems; Surface engineering of various metals and non-metallic materials; Characterization of various materials with in-house laboratory facility.

- **Energy Management & Safety Studies**
  Design verification of HVAC systems; Cold Room and Freezer Room design for offshore platforms; Radiation and Dispersion Analysis for Flares; Check-rating and design optimization of Waste Heat Recovery Coils and Heat Exchangers; HAZOP studies for Gas Processing and Chemical plants; Adequacy check of Air-Cooled Condensers for enhanced duties; Design of high-vacuum Exchangers and batch-operated Exchangers for Hydrazine Hydrate plant; Design of Reboilers with columns mounted on the kettle; Study of design aspects of Multi-Effect Evaporators and Lignin / Biomass fired Steam Boilers.

- **Asset Integrity Management**
  Noise Mapping for Process Plants; Expert support for Acceptance Test and Commissioning for critical machinery; Lateral and Torsional Vibration analysis for Turbines and Compressors; Troubleshooting of high-speed turbo-machinery in Fertilizer, Petrochemical and Refinery plants and offshore platforms; Failure analysis for various equipment in Onshore & Offshore projects; Fitness For Service (FFS) assessment of piping and equipment; Reliability Study for critical pumps in onshore oil fields; Advanced stress analysis by FEA for critical process equipment and piping; Under-water strain gauging of static equipment during hydro-test; Design and analysis of piping system subjected to combined thermal and shock loads; Combined creep and fatigue assessment of process equipment subjected to elevated thermal cycles; Lifting and transportation analysis of equipment and piping; Fluid Structure interaction simulation; Design of Rotary Absorber system.

- **Offshore Engineering**

  Offshore Fixed Structures

  Design, analysis and optimization of complex offshore structures; Advanced engineering analysis for offshore Jackets; Studies on design/ analysis of Jack-up Rig, Subsea Systems, FPSO topsides, Critical structural joints; Loadout and transportation analysis for the offshore structures; Brownfield Structural engineering.

  Offshore Floating Structures & Subsea Systems

  Naval Arch studies; Hydrostatic Stability; Hydrodynamics Studies; Mooring Analysis & Bollard Pull calculation for Offshore structure Transportation and Installation; Advanced engineering studies for Jacket Launch, Tow, Floatation & Upending; Studies on Design/ analysis of Integrated Deck Float-over; Development of advanced design and analysis capabilities for Subsea Pipelines; Advanced Finite Element Analysis (FEA) of critical components.

R&D Laboratories in the areas of Materials and Corrosion, Vibration & Acoustics and Experimental Stress Analysis have been upgraded by addition of new, state-of-the-art instruments and software tools to carry out the R&D studies effectively. R&D facilities are augmented with the latest IT infrastructure. A fully E-enabled Technical Library, having a large collection of technical publications, research journals and product/technology databases further supplement the R&D resources. The R&D Centre has been involved in active networking with Professional Societies, other R&D Laboratories and Academic Institutes.

2. Benefits derived as a result of above R&D:

- Complete process simulation, design solutions and optimization for Hydrocarbon projects in Fertilizer sector, involving Reformers, Ammonia Plant and Urea Plant.
- Technology evaluation for crystallizer, filtration unit, flash dryer and pneumatic transport for Melamine plant
- Scale-up studies and basic engineering package validation for chemical plants such as Hydrazine Hydrate
- Energy optimization for Crude Distillation Units and Vacuum Distillation Units in Refineries
- Parametric evaluation of gasification technologies for high-ash Indian coal for poly-generation
- Establishment of in-house capability in Process Simulation and FEED Verification for on-shore / off-shore Gas Processing Plants and design optimization of associated equipment.

- In-house expertise development for complete Refractory solutions (e.g., material selection, engineering, commissioning and troubleshooting) in high-temperature equipment for process plants.
- Developed capability for carrying out innovative on-line health assessment technique for assessing the performance and life of refractory lining in Fertilizer and Refinery plants.
- Refractory Design & Engineering Standards for Refractory Linings in Indmax based FCCU
- Design verification for Multi-Effect Evaporators and Lignin / Biomass fired Steam Boilers for 2nd Generation Ethanol plants
- Design of high vacuum Exchangers, batch-operated Exchangers, column mounted Reboilers for Hydrazine Hydrate plant
- HAZOP Study for various Petrochemical / Chemical / Oil & Gas plants
- Successful testing / commissioning of plants and equipment in various Hydrocarbon projects, through multi-disciplinary technology support.
- Management of complete Materials & Corrosion scope in Pre-FEED, FEED and Detailed Engineering phases of Onshore / Offshore projects, using in-house expertise and resources.
- Capability building to support business units for all Materials related assignments (material verification / selection / evaluation / characterization; corrosion rate estimation, selection of alternative materials; recommendation for corrosion control methodologies; failure analysis; preservation and corrosion protection of critical equipment; cathodic protection; plant and pipeline integrity; identification of newer technologies and commercially available solutions for preventing material degradation and extending useful life).
- Developed novel high temperature wear resistant coatings for internal linings in Hydrocarbon equipment.
- Establishment of in-house capabilities in analysis of piping system for flow-induced and acoustic-induced vibrations; Conduct of Plant Noise studies utilizing in-house expertise; Development of in-house capabilities in special acoustic studies such as piping insulation design and valve noise / vent noise assessment.
- Development of in-house expertise in advanced FEA for offshore application such as In-place and Fatigue analysis of plated hull structures and Vortex Induced Vibration (VIV) analysis of long, submerged conduits.
- Development of in-house expertise in strain gauging for special applications like water- proof gauging required for measuring strains on the inner surface of pressure vessel during hydro test.
- Establishment of in-house capability in carrying out combined creep and fatigue damage assessment of process equipment subjected to elevated temperature cycles.
- Development of in-house capability in areas such as: FEED verification and Pile Soil Interaction (PSI); Analysis of Offshore Platforms; Integrated Deck Float-over analysis; FEA expertise for Critical components of Offshore Jacket & Topside structures; Code based design and FEED verification of subsea pipeline projects; Specialized applications such as Jacket Launch, Tow, Floatation, Upending & On-bottom analysis; Structural Joint Design for Offshore Platforms and Brownfield Structural Engineering
- Yard Engineering and Installation Engineering support for in-house EPC Projects.
- Establishment of In-house expertise in Specialized Analysis for Pile Drivability, critical to offshore Jacket stability.
- Complete in-house support to business units for Transportation & Installation Engineering of Offshore Projects.

3. Future Plan of Action:

The R&D Centre is committed to providing appropriate technology support to all Hydrocarbon Projects, as required by various LTHE business units. Future development activities are identified based on the anticipated needs of upcoming Projects as well as requirements for in-house capability development. The following key areas have been identified under R&D Action Plan:

- Process technology assimilation, design optimization and system integration for EPC Projects in Coal Gasification
- Process simulation for various Refinery units such as Hydrocracker, DCU, Reforming, Alkylation units etc.
- Simulation studies for Melamine process optimization
- Evaluation of Petcock for Gasification applications
- Biomass conversion technologies to produce "Green" Fuels (Catalytic / Bio Enzymes)
- Second Generation Ethanol Technology for cellulose
- Modeling and Process Simulation of Fluidized Bed Gasification Reactors for high-ash Indian coals
- Process design capabilities in Petrochemical / Polymer Plants
- Application of Enhanced Oil Recovery (EOR) processes through polymer flooding techniques
- Transient analysis for refractory lined equipment
- CO2 Capture from Reformer stack in Fertilizer plant and recycling as feed stock for Urea plant

- Use of CFD techniques for design optimization of Coal Gasifiers
- Emerging (Non-traditional) energy solutions such as CBM, Shale Gas and Tar Sands
- Application of Low Temperature Thermal Desalination (LTTD) process for commercial use
- Design of Combustion Air Pre-heaters for Reformers in Ammonia Plants
- Application of Organic Rankine Cycle (ORC) based power generation units
- Advanced Finite Element Analysis (FEA) techniques for analyzing coupled Fluid Structure Interaction (FSI) problems
- Capability development in areas such as: Fracture Mechanics studies; Fatigue Analysis; specialized NDT methods for residual stress measurement; stress analysis of non-ferrous materials like ceramic refractory and concrete structures; Fitness for Service (Level-3) assessment using FEA.
- Material Selection and Corrosion Management capability for Petrochemical / Polymer Plants
- Capability development for specialized Offshore applications, such as : structural analysis and design of offshore structure compatible with Float-over Installation method; coupled motion analysis; structural analysis and design of FPSO Topsides; structural design of Jack-up Rigs; structural analysis and design of Subsea Modules; design and analysis of Deepwater Floating Solutions.
- Feasibility study on Jack-up Rig conversion to early production units
- Capability development for performing engineering related to Offshore Concept and FEED in-house.
- Design capability for Cathodic Protection System for Offshore Fixed Platform.

4. Expenditure on R&D:

₹ crore

Particulars	2017-18	*2016-17*
Capital	**0.06**	*0.06*
Recurring	**20.05**	*14.66*
TOTAL	**15.13**	*14.72*
Total R&D expenditure as percentage to total turnover	**0.18%**	*0.17%*

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts made in brief towards technology absorption, adaptation and innovation:

- Interaction with external agencies and technology partners for exposure to the latest products, designs, manufacturing technologies, processes, analytical techniques and engineering protocols
- Active involvement with International / National Professional Societies (such as IChemE, AIChE / CCPS, IIChE, ICC, ASME, NACE, ASM, ASTM, AISC, ACS, HTRI, SPE, RINA, NAFEMS, etc.)
- Institutionalization of in-house schemes (such as ICONs and KnowNet) for identifying, nurturing and implementing innovative ideas and technology solutions
- Networking and knowledge sharing through National / International Conferences, Seminars and Technical Exhibitions
- Review of Patents in relevant technology areas
- Nomination of R&D engineers to external training programs, expert groups and technical committees
- Collaborative efforts with educational / research institutions for research projects
- Use of state-of-the-art equipment, instrument and software as well as the latest Codes and Standards
- Analyzing feedback from Customers / internal users to continually improve processes and services

2. Benefits derived as a result of above efforts:

- Capability development and professional enrichment of R&D Engineers through networking with domain experts and researchers in India and abroad
- Enhancement of professional skills of R&D Engineers through additional academic qualifications, certification and acquisition of Chartered Engineer status
- Successful performance simulation / optimization of process design and engineering for various Hydrocarbon projects (Refinery, Oil & Gas, Fertilizer and Chemical plants)
- Energy conservation through optimal design, analysis and engineering of heat exchange equipment and waste heat recovery systems for Process Plants
- Optimum selection, verification and characterization of materials for critical applications; Troubleshooting and failure analysis; Implementation of suitable preservation / corrosion protection techniques to achieve successful longer life and adequate performance
- Establishment of in-house capability for specialized engineering analyses, such as Modeling & Process Simulation, Computational Fluid Dynamics (CFD), Transient Thermal Analysis, Radiation and Dispersion analysis, advanced Stress Analysis by Finite Element Analysis (FEA), Vibration

& Acoustics, Rotor Dynamics, Tribology etc., in order to achieve self-sufficiency and minimize dependence on external agencies

- Acquisition of in-house expertise in areas such as Cathodic Protection (CP) System design and implementation; Pipeline Survey (CAT, CIPL, DCVG and AC Interference) and Pipeline Integrity Assessment (ECDA and ICDA)
- Complete Asset Integrity Management (AIM) services for Hydrocarbon facilities, involving advanced Non-Destructive Testing (NDT), Risk Based Inspection (RBI) Studies, Fitness for Service (FFS) Studies and Remaining Life Assessment (RLA) Studies.
- Root Cause Analysis (RCA) and Reliability Studies for critical machinery in operating plants
- Establishment / upgradation of state-of-the art laboratory facilities for materials characterization, accelerated corrosion tests, chemical analysis, corrosion control, coating evaluation, vibration and noise studies, experimental stress analysis etc., in order to provide comprehensive technology support to business units. This has reduced the dependence on external agencies and enabled effective execution of projects.
- Establishment of in-house capability for advanced engineering analysis, such as Integrated Deck Float-over analysis, Jacket Launch, Tow, Floatation, Upending, On-bottom etc.
- Troubleshooting of various Materials related problems such as: Hydrogen Blistering in Absorber column; Chloride Stress corrosion cracking of Condensate reboiler shell; Microbial corrosion attack in Heat Exchanger tubes; Corrosion damage in Inconel reactor.
- Reverse engineering of newly developed composite materials by characterization and validation for strategic applications

3. Information regarding technology imported during the last 5 years:

No technology was imported during the last 5 years.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports; development of new export markets for products and services; and export plans:

The Company has advanced its reach both across the value chain and geographies and has been prequalified for major international EPC projects from reputed customers in the Middle East, South East Asia and CIS countries. The Company's CEO & MD, Mr. Subramanian Sarma, has over 30 years of experience in the international oil & gas contracting industry and is based out of the Company's Middle East office to enable close monitoring of key on-going projects and drive new growth. The most noteworthy developments in the recent times have been the Company along with a consortium partner entering into a 6 Years Long Term Agreement with Saudi Aramco under which the Company is executing four contracts. The Company has also entered into an agreement with Shell for the provision of engineering services and are engaged with other IOCs as well. The Company has expanded into new geographies and is keenly pursuing opportunities in Algeria, Africa, SEA & CIS Countries across its various businesses. The Company is also focusing to globally promote the export of pre-fabricated structures & modules from its three fabrication yards.

Total foreign exchange used and earned:

₹ crore

Particulars	2017-18	*2016-17*
Foreign Exchange earned	**7912.87**	*7008.71*
Foreign Exchange used	**6032.35**	*4440.62*

Annexure 'C' to the Directors' Report

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31.03.2018

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

i)	CIN	U11200MH2009PLC191426
ii)	Registration Date	April 02, 2009
iii)	Name of the Company	L&T Hydrocarbon Engineering Limited
iv)	Category	Public Limited Company
v)	Sub-Category of the Company	Public Limited Company
vi)	Address of the Registered office and contact details	L&T House, Ballard Estate, Mumbai 400 001 Tel: +91 22 6705 5656
vii)	Whether listed company	No
viii)	Name, Address and Contact details of Registrar and Transfer Agent, if any	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
1	General construction services of other industrial plants	99542699	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary / Associate	% of Shares held	Applicable Section
1	Larsen & Toubro Limited, L&T House, Ballard Estate, Mumbai 400 001	L99999MH1946PLC004768	Holding Company	100%	2 (46)
2	L&T Sapura Shipping Pvt Ltd Manapakkam Campus, Chennai 600 089	U61100TN2010PTC077217	Subsidiary Company	60%	2(87)
3	L&T-Chiyoda Ltd L&T House, Ballard Estate, Mumbai 400 001	U28920MH1994PLC083035	Associate Company	50%	2(6)
4	L&T-Gulf Pvt Ltd L&T House, Ballard Estate, Mumbai 400 001	U74140MH2008PTC177765	Subsidiary Company	50.002%	2(87)
5	L&T Sapura Offshore Pvt Ltd Manapakkam Campus, Chennai 600 089	U11200TN2010PTC077214	Subsidiary Company	60%	2(87)
6	Larsen & Toubro Electromech LLC	1044451	Subsidiary Company	70%	2(87)
7	L&T Modular Fabrication Yard LLC	1001910	Subsidiary Company	70%	2(87)
8	Larsen Toubro Arabia LLC	2051049523	Subsidiary Company	75%	2(87)
9	Larsen & Toubro ATCO Saudi LLC	2050055625	Subsidiary Company	100%	2(87)
10	L&T Hydrocarbon Caspian LLC	1503665631	Associate Company	50%	2(6)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding - Equity Shares

All figures in crores

Category of Shareholders	No. of Shares held at the beginning of the year FY 17-18				No. of Shares held at the end of the year FY 17-18				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1) Indian									
a) Individual/ HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.		100.005	100.005	100		100.005	100.005	100	–
e) Banks / FI									
f) Any Other….									
Sub-total (1):-		100.005	100.005	100		100.005	100.005	100	
2) Foreign									
a) NRIs - Individuals									
b) Other – Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other….									
Sub-total (2):-									
Total shareholding of Promoter (A) = (A)(1)+(A)(2)		**100.005**	**100.005**	**100**		**100.005**	**100.005**	**100**	
B. Public Shareholding									
1) Institutions									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1):-									
2) Non-Institutions									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)									
Sub-total (B)(2):-									
Total Public Shareholding (B)=(B)(1)+(B)(2)									
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)		**100.005**	**100.005**	**100**		**100.005**	**100.005**	**100**	

Category-wise Share Holding - Preference Shares

All figures in crores

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1) Indian									
a) Individual/HUF									
b) Central Govt									
c) State Govt (s)									
d) Bodies Corp.		76	76	100		76	76	100	–
e) Banks / FI									
f) Any Other….									
Sub-total (1):-		76	76	100		76	76	100	
2) Foreign									
a) NRIs - Individuals									
b) Other - Individuals									
c) Bodies Corp.									
d) Banks / FI									
e) Any Other….									
Sub-total (2):-									
Total shareholding of Promoter (A) = (A)(1)+(A)(2)		**76**	**76**	**100**		**76**	**76**	**100**	
B. Public Shareholding									
1) Institutions									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1):-									
2) Non-Institutions									
a) Bodies Corp.									
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh									
c) Others (specify)									
Sub-total (B)(2):-									
Total Public Shareholding (B)=(B)(1)+(B)(2)									
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)		**76**	**76**	**100**		**76**	**76**	**100**	

(ii) Shareholding of Promoters - Preference shares

All figures in crores

Sl No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Share	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Larsen & Toubro Limited	100.005	100	–	100.005	100	–	–
	Total	**100.005**	**100**	**–**	**100.005**	**100**	**–**	**–**

Shareholding of Promoters – Preference Shares

All figures in crores

Sl No	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in Shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Share	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Larsen & Toubro Limited	76	100	–	76	100	–	–
	Total	**76**	**100**	**–**	**76**	**100**	**–**	**–**

(iii) Change in Promoters' Shareholding (please specify, if there is no change) - Equity Shares: No Change

All figures in crores

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	100.005	100	100.005	100
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase /decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the End of the year	100.005	100	100.005	100

(iii) Change in Promoters' Shareholding (please specify, if there is no change)- No change

All figures in crores

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	76	100%	76	100%
	Further Allotment	N.A.			
	At the End of the year	76	100%	76	100%

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

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

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of Shares	% of total shares of the company
1	At the beginning of the year	NIL	NIL	NIL	NIL
2	Date wise Increase / Decrease in Share holding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
3	At the end of the year	NIL	NIL	NIL	NIL

V. INDEBTEDNESS

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

All figures in ₹ Crs.

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	13.01	30.64		43.65
ii) Interest due but not paid	0	0		0
iii) Interest accrued but not due	0	0		0
Total (i+ii+iii)	**13.01**	**30.64**	**0**	**43.65**
Changes In Indebtness during the financial year				
Addition				
Reduction	(13.01)	(30.64)		(43.65)
Net Change	**(13.01)**	**(30.64)**		**(43.65)**
Indebtedness at the end of financial year				
i) Principal Amount	0	0		0
ii) Interest due but not paid	0	0		0
iii) Interest accrued but not due	0	0		0
Total(i+ii+iii)	**0**	**0**	**0**	**0**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

All figures in ₹ Crs.

Sl. no.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		S. Sarma	K. Ravindranath	T. Chinnappa	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12.98	2.36	0.87	16.21
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	4.01	0.04	0.02	4.07
	(c) Profits in lieu of salary under section 17(3) of the Income tax Act, 1961	–	–	–	–
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission	–	–	–	–
	- as % of profit				
	- others, specify…				
5.	Others, please specify	–	–	–	–
	Total (A)	**16.99**	2.40	0.89	20.28

Note: Remuneration to Mr. K. Ravindranath is considered for a period from April 01, 2017 to September 30, 2017 and for Mr. T. Chinnappa for a period from May 1, 2017 to March 31, 2018.

B. Remuneration to other directors:

₹ crore

Sl. no.	Particulars of Remuneration	Name of Directors					Total Amount
		Vikram Mehta	Sarthak Behuria	A K Balyan	Bhagyam Ramani	K Venkataramanan	
1.	Independent Directors						
	• Fee for attending Board /Committee meetings	0.02	0.03	0.03	0.03	0.02	0.13
	• Commission						
	• Others, please specify						
	Total (1)	**0.02**	**0.03**	**0.03**	**0.03**	**0.02**	**0.13**
2.	Other Non-Executive Directors						
	• Fee for attending board /committee meetings						
	• Commission						
	• Others, please specify						
	Total (2)	**0**	**0**	**0**	**0**		**0**
	Total (B)=(1+2)	**0.02**	**0.03**	**0.03**	**0.03**	**0.02**	**0.13**

C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD

₹ crore

Sl. no.	Particulars of Remuneration	Alpana Khale (CS)	R. Venkatesh (CFO)	K. S. Balasubramanyam (CFO)	Total
1.	Gross salary				
	(a) Salary as per Provisions contained in section 17(1) of the Income-tax Act, 1961	0.07	0.13	0.37	0.57
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0	0	0.05	0.05
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	–	–	–	–
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission				
	- as % of profit - others, specify	–	–	–	–
5.	Others, please specify	–	–	–	–
	Total	**0.07**	**0.13**	**0.42**	**0.62**

Note: Remuneration to Ms. Alpana Khale is considered for a period from April 01, 2017 to June 30, 2017; for Mr. R. Venkatesh for a period from April 1, 2017 to April 27, 2017 and for Mr. K.S. Balasubramanyam for a period from April 28, 2017 to March 31, 2018.

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT / COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. DIRECTORS					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

Annexure 'D'
to the Directors' Report

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES

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

The Company is committed to discharging its Social Responsibility through:

a. Partnership with communities in education and skill-building

b. Innovation and Technology

Our 'CSR' approach is based on the dedicated involvement of our employees, who get as much value out of the initiatives, as the recipient. The focus areas for the Company are given below.

a. Education

b. Health

c. Water & Sanitation

d. Skill building

While the focus of CSR efforts will be in the areas mentioned above, the Company however may also undertake projects where societal needs are high or in special situations (such as in the case of natural disasters etc.). CSR Policy of the Company is available on the Company's website- www.lnthydrocarbon.com

2. During the year the CSR Committee was reconstituted and the current composition of the CSR Committee is:

1. Mr. Vikram Singh Mehta, Independent Director
2. Mrs. Bhagyam Ramani, Independent Director
3. Mr. T. Chinnappa, Director

3. Average net profit of the Company for last three financial years: ₹ 346.02 crore (excluding profit of international branches)

4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above): ₹ 6.92 crore

5. Details of CSR spent during the financial year:

i. Total amount spent for the financial year: ₹ 6.97 crore

ii. Amount unspent, if any: Nil

iii. Manner in which the amount spent during the financial year: Refer below

Overview of Initiatives Undertaken

Our CSR interventions - based on commitment, mobilization of employee volunteerism, innovative approaches, appropriate technology and key partnerships - have been making a lasting difference in the lives of underprivileged. Further, synergy between corporate actions and the Government and NGOs are making CSR interventions more effective in facilitating inclusive development. We have a CSR policy with built-in, self-regulating mechanisms to monitor and ensure their adherence to law, ethical standards, and international norms.

Building India's Social Infrastructure - Our CSR Vision

With the stated objective to bring about positive social change and improve the quality of life in the communities in which we operate, we have focused on four key areas:

Water & Sanitation

- 150 toilets constructed in Kattupalli ,Tamil Nadu
- 138 toilets constructed in Medhe & Majivali villages, Vasai, Maharashtra

In our endeavor towards creating a better quality of life for the communities in which we operate, we focus on providing access to safe drinking water. Household and community toilets have been constructed in villages and awareness drives undertaken through street plays and focused group discussions.

We have contributed towards the construction of 288 individual household toilets in FY 2017-18. Awareness programmes on health and sanitation are conducted in schools. Basic sanitation facilities have been provided in schools and Anganwadi Centres in the rural areas of Gujarat, Chennai and Maharashtra.

Education:

- Constructed model school in Kattupalli benefitting 200 children
- 18178 children enrolled in education programs. Learning levels improved through various initiatives. PRATHAM NGO was the implementing partner in Mumbai and Vadodara
- 300 children enrolled in football training in Mumbai
- 200 Anganwadis supported in Jamnagar benefitting 5000 children

Supporting Education Programmes in rural and slum areas has been part of our CSR intervention. Supporting pre-school education, ensuring quality education for primary school children, infrastructure support for creating a better educational environment, teachers' training and scholarships to meritorious students form a part of our Education Projects. For all these projects we work in collaboration with reputed NGOs and Community Based Organizations (CBOs).

Games are a great way to grow - physically, emotionally, socially and intellectually. We discovered an interesting way of providing underprivileged students with valuable life skills - through football! Run by Just For Kicks, a collaboration with the government and low-income group schools, the programme provides basic facilities that enable underprivileged children from various schools to be part of a football team. LTHE contributed towards furtherance of the cause by this NGO. Round-the-year specialised coaching was provided to these children. Out of the 840 children who benefitted from this initiative, 300 were sponsored by L&T Hydrocarbon Engineering.

Health:

Following activities were conducted:

- Nutritional kit to 300 TB patients & 100 malnourished children
- Bulk milk chiller installed (05) - Vadodara Benefitting 2323 Milk producers
- Two ambulances donated to two Panchayats in Haldia (West Bengal)
- Free Health checkup camp for 600 Children in Mumbai Slums

Skill Building:

Activities conducted in skill building were:

- Community Development Centre in Mora
- Tailoring training for 236 women in Govandi Slum area
- Para-nursing training for 20 students in Govandi
- Computer training program for 200 underprivileged children in Mahim, Mumbai

We help enhance employability of youth through various Skill Building Programs. Community Development centre has been set up in Mora Village, Surat, which will cater to 1000 youth and women. State of art center has been created for vocational training of the disadvantaged sections of society. Computer training, tailoring training, Beauty culture training will be provided so that they are economically self-reliant.

Amount Spent towards CSR for FY 17-18

₹ crore

SN	Project	Thrust Area	Location	Budgeted	Actual Spent	Implemented
1	Infrastructure support to community development centre	Skill building	Mora (Hazira), Gujarat	1.04	1.18	Direct
2	Infrastructure support to Govt. Civil Hospital	Healthcare	Hazira, Gujarat	0.25	0.30	Direct
3	Cluster Units of Bulk Milk Chillers in 5 villages	Healthcare	Vadodara, Gujarat	0.90	0.81	Direct
4	IIT Madras scholarship	Education	Chennai	0.36	0.36	Direct
5	Water & sanitation project	Water & Sanitation	Vasai, Mumbai	0.90	0.87	Implemented by Agency
6	Projects in construction sites	Healthcare & Sanitation	Gujarat & Punjab	0.50	0.42	Direct
7	Social Infrastructure Development in villages	Education & Health	Kattupalli, Tamil Nadu	0.80	0.85	Direct

₹ crore

SN	Project	Thrust Area	Location	Budgeted	Actual Spent	Implemented
8	Education Program in slum areas, in collaboration with 'Pratham'	Education	Mumbai & Vadodara	0.80	0.80	Implemented by Agency
9	Pragatee Foundation (JFK)-Life skill training program	Skill building	Mumbai	0.20	0.20	Implemented by Agency
10	Donation of 2 ambulances to village panchayats	Healthcare	Haldia, West Bengal	0.38	0.38	Direct
11	Infrast. support to primary school	Education	Alva (Vadodara), Gujarat	0.25	0.25	Implemented by Agency
12	Vocational Training Programs in Slum Areas	Skill building	Govandi & Bandra, Mumbai	0.30	0.30	Implemented by Agency
13	Swasth Foundation	Healthcare	Mumbai	–	0.12	Implemented by Agency
	Total			**6.68**	**6.84**	
15	Administration expenses			0.24	0.13	
	Grand Total			**6.92**	**6.97**	

6. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

Company has duly spent the required amount.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

The CSR Committee hereby affirms that:

- The Company has duly formulated a CSR Policy Framework which includes formulation of a CSR Theme, CSR budget, roles and responsibilities of the Committee and CSR team for implementation of the CSR policy;
- The Company has constituted a mechanism to monitor and report on the progress of the CSR programs;
- The activities undertaken by the Company as well as the implementation and monitoring mechanisms are in compliance with its CSR objectives and CSR policy & its Framework.

Mr. Vikram Singh Mehta
Independent Director
(DIN: 00041197)

Mrs. Bhagyam Ramani
Independent Director
(DIN: 00107097)

Annexure 'E' to the Directors' Report

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

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

To,

The Members,

L&T HYDROCARBON ENGINEERING LIMITED

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

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2018, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2018 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), **as applicable**:-

  a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

  b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; **presently, (Prohibition of Insider Trading) Regulations, 2015**;

  c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

  d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **presently (Share Based Employee Benefits) Regulations, 2014**;

  e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

  f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

  g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

  h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;

(vi) No other specific business/industry related laws applicable to the Company.

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

i. Secretarial Standards issued by The Institute of Company Secretaries of India;

ii. **The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015** and the Listing Agreements entered into by the Company with Stock Exchange(s), if applicable. **This is not applicable.**

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

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors or Committees thereof that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

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

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

(i) Public/Right/Preferential issue of shares/debentures/sweat equity, etc.- NIL

(ii) Redemption / buy-back of securities. -NIL

(iii) Major decisions taken by the members in pursuance to section 180 of the Companies Act, 2013.- NIL

(iv) Merger / amalgamation / reconstruction, etc- NIL

(v) Foreign technical collaborations.- NIL

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

Place : Mumbai
Date : April 19, 2018

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

'ANNEXURE A'

To,

The Members

L&T HYDROCARBON ENGINEERING LIMITED

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

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

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

Place : Mumbai
Date : April 19, 2018

Annexure 'F' to the Directors' Report

FORM NO. AOC-2

(Pursuant to clause (h) of sub-section (3)of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of contracts or arrangements or transactions not at arm's length basis: NIL
2. Details of Material contracts or arrangements or transactions are at arm's length basis

Amt. in ₹ Crs

Name(s) of the related party	Nature of relationship	Nature of contracts/ arrangements/ transactions	Duration	Salient terms of the contracts or arrangements or transactions including the value, if any
NIL				

Management Discussion & Analysis

Management Discussion & Analysis

Overview:

L&T Hydrocarbon Engineering Limited ('LTHE') delivers integrated design to build world-class solutions for the global Oil & Gas Industry including oil & gas extraction and processing, petroleum refining, chemicals & petrochemicals, fertiliser sectors and cross-country pipelines and terminals. The existing in-house capabilities, synergized with strategic partnerships, enable it to deliver a single-point solution for every phase of a project – from front-end design through detail engineering, procurement, fabrication, project management, construction and installation up to commissioning services.

The key aspects of our business philosophy are on-time delivery, cost competitiveness, high quality standards with focus on best-in-class HSE and IT security practices. Integrated strengths coupled with experienced and highly skilled work force, are the key enablers in delivering critical and complex projects. Over the years, we have garnered a reputation for simultaneously executing multiple projects. We believe in an attitude and approach that allow for flexibility of operation and agility in response.

The Company has repeatedly delivered, large, critical and complex projects, globally, by virtue of its customer focus and responsiveness, experienced and highly skilled human resources, excellent Quality and HSE practices and culture of excellence. The business has a fully integrated capability chain including in-house engineering and R&D centres, modular fabrication facilities with waterfront as well as onshore construction and offshore installation capabilities. The principles of Company's business philosophy are striving for excellence in corporate governance, HSE and quality standards, extensive IT enabled processes, digitalization, state-of-the-art IT security practices, on-time delivery and cost competitiveness.

Major facilities in India include Engineering & Project Management Centres at Mumbai, Vadodara, Chennai and Bengaluru and Fabrication Yards at Hazira (near Surat) and Kattupalli (near Chennai). Our overseas presence is primarily in the Middle East in UAE (Sharjah), Saudi Arabia (Al-Khobar), Kuwait and Oman (Muscat). The Company also has a major Modular Fabrication Facility at Sohar in Oman held through a subsidiary.

The Company caters to clients across the Hydrocarbon value-chain through its business verticals, viz.::

- Offshore
- Onshore
- Construction Services
- Modular Fabrication Services
- Engineering Services

Offshore:

The Company offers turnkey EPCIC solutions to the Global Offshore Oil & Gas industry encompassing wellhead platforms, large integrated process platforms and modules, subsea pipelines, brown field developments, offshore drilling rigs (upgrade and new-builds), floating production storage and off-loading (FPSO) modules, deepwater subsea systems, offshore windfarm projects and decommissioning projects. For nearly three decades, the business has repeatedly demonstrated its ability to offer custom-designed, cost-competitive solutions to the industry with an impeccable on-time delivery record meeting international quality and HSE standards. The Company has successfully executed large offshore platforms and pipeline projects on east and west coasts of India, the Middle East, South East Asia and Africa, for global companies such as ONGC, GSPC, British Gas, Saudi Aramco, ADNOC Offshore, Bunduq, Qatar Petroleum, Maersk Oil Qatar, PTTEP, Petronas Carigali and Songas.

Its Offshore Engineering Centre has comprehensive engineering capabilities covering the complete project life cycle from feasibility studies, concept, FEED, 3-D model based detailed engineering, special studies to commissioning for offshore projects. Value Engineering is one of the core elements in our project execution, and operational excellence is a key value driver in the Offshore Engineering Centre global delivery model. Our business processes are oriented towards creating value and improving the quality of deliverables on a continual basis. Our engineering expertise is backed by an institutionalized system of Route Maps, Standard Operating Procedures and Knowledge management.

The Company owns and operates a self-propelled heavy-lift-cum-pipe-lay vessel – LTS 3000 – through its joint venture L&T Sapura Shipping Private Limited.

The Company secured an EPCI contract, in consortium, for three Gas Production Platforms with Associated Subsea Lines and Umbilical Tie-ins and Hook-up under a Long term Agreement (LTA) with Saudi Aramco.

On the domestic front, the Company secured an EPCIC contract for Bassein Development of ONGC involving 3 well platforms, 23 km subsea pipeline, composite subsea power cable, clamp-on works on an existing platform and modification work on nine existing platforms in the western offshore basin in India. Two other major contracts

Additional development of Vasai East Project on India's West Coast for ONGC

are T&I (Transportation & Installation) contracts of ONGC – one to replace well fluid, gas lift and water injection pipelines along with brownfield modification works on platforms in the western offshore field, and the other for extracting gas from Daman field situated in the south western part of Tapti-Daman block in Mumbai Offshore. During the year, the Company successfully completed the Bassein development and S1 Vashistha deepwater projects for ONGC.

Onshore:

The vertical provides engineering, procurement, construction and commissioning solutions for a wide range of hydrocarbon projects covering upstream oil & gas processing, refining, petrochemicals, fertilisers (ammonia & urea complexes), cryogenic storage tanks & regasification terminals including LNG and cross-country pipelines. The business has a record of accomplishment of successful simultaneous execution of multiple mega projects with diverse technologies from process licensors like UOP, Axens, Technip, Haldor Topsøe, CB&I Lummus, Black & Veatch, Ortloff, ExxonMobil, BOC Parsons, Invista and Davy Process Technology. We have built capability and resources to execute multiple large-value complex projects simultaneously meeting stringent delivery schedules.

Its Design Engineering Centres viz., L&T-Chiyoda for onshore engineering and L&T-GULF for Pipeline engineering enable the vertical to offer complete spectrum of FEED, process and detailed engineering to clients. The Company's subsidiary, Larsen Toubro Arabia, is registered as an In-Kingdom EPC ('IK-EPC') company in Saudi Arabia, and addresses onshore IK-EPC opportunities.

The Company has executed Lump-Sum Turnkey (LSTK) projects for various Indian oil majors like IOCL, MRPL, ONGC, OMPL, BPCL, HPCL, Reliance Industries, etc., as well as fertilizer companies like NFL, GNFC, RCF, GSFC and others.

Internationally, the business group is prequalified by major international oil & gas producers, and has a successful track record of project execution with international bellwethers like Saudi Aramco, ADNOC Gas Processing, Petroleum Development Oman (PDO), Kuwait Oil Company (KOC), Kuwait National Petroleum Company (KNPC), Petronas, Dolphin Energy, Chemanol, etc.

During the year, the business received orders from Hindustan Petroleum Corporation Limited for carrying out Full Conversion Hydrocracker Unit as well as for Crude Distillation Unit (CDU) and Vacuum Distillation unit (VDU), both for Visakhapatnam Refinery Modernisation project at Visakhapatnam, Andhra Pradesh and from Adani Group involving two LNG Storage Tanks for LNG Terminal at Dhamra port, Odisha.

On the international front, the Company received EPC contracts for Haliba development project in UAE from Al Dhafra Petroleum Company Limited and other one with Kuwait Oil Company for building 48" Crude Transit Line (TL-5) from North Kuwait to Ahmadi.

Gathering Centre (GC 30) for Kuwait Oil Company

During the year, the Company successfully achieved Mechanical completion of Coke Drum System Package for the Aishwarya project at Haldia Refinery for Indian Oil Corporation Limited and New Gathering Centre, GC-30 in North Kuwait for Kuwait Oil Company.

Construction Services:

The vertical undertakes turnkey construction of process plants for refineries, petrochemicals, chemical plants, fertilizers, gas-gathering stations, crude oil & gas terminals and strategic storage facilities including underground caverns and above-ground facility covering civil works, structural, piping, equipment, electrical & instrumentation erection, heavy lift and execution of cross-country oil & gas pipelines.

The vertical's major capabilities include heavy lift competency, advanced welding technologies, a high levels of automation, management of manpower and material in large volumes at construction sites and Quality / HSE systems conforming to international practices. The Company has also invested in strategic construction equipment, a range of pipeline spread equipment, automatic welding machines and other plant and machinery for electro-mechanical construction works.

The Company has executed projects for major private sector customers like Cairn Energy, Reliance Industries, HPCL Mittal Energy (HMEL) as well as major oil PSUs like BPCL, HPCL, IOCL, ONGC and international customers like ADNOC Gas Processing, ADNOC Refining, ADNOC Onshore, Saudi Aramco, Sadara, Dolphin Energy, etc.

The Company's country-specific entities render construction support to international onshore projects – Larsen & Toubro Electromech LLC in Oman, Larsen & Toubro ATCO Saudia LLC in Saudi Arabia, Larsen & Toubro Kuwait Construction General Contracting WLL in Kuwait. During the year, the Company received an additional order for a new Coal Bed Methane Facility being developed in the central India.

The Company successfully completed composite work of the Low Cost Expansion Project at GGSR Bathinda (Punjab) for HPCL Mittal Energy Limited and laying of Pipeline (12' / 8" x 176 km) and Associated facilities from Dahej to Navsari and Spurline from Dahej to Hazira for Dahej Nagothane Ethane Pipeline Project for Reliance Gas Pipeline Limited.

Mod ar Fabrication Services:

The vertical offers comprehensive modular Engineering, Procurement and Fabrication (EPF) solutions for setting up projects primarily in the offshore and onshore oil & gas segments. World-class modular fabrication facilities at Hazira (India's west coast), Kattupalli (India's east coast) and Sohar (Oman) have a combined annual capacity in excess of 160,000 MT, depending on the product mix, and is equipped to undertake mechanical design of modules including structure, piping, pressure vessels, fabrication and construction engineering. Fabricated

The world's largest ethylene cracker (1.4 MMTPA) – one of multiple systems supplied, installed and pre-commissioned for Reliance's J3 Program, Jamnagar, India. This ethylene cracker is part of ROGC (Refinery Off Gas Cracker), heart of C2 Complex.

modules are tested and pre-commissioned at site for trouble-free and rapid hook-up. The facilities have state-of-the-art equipment to deliver complex modules and structures, duly tested at the facilities and offer competitive and year-round delivery capability with robust QHSE practices.

These facilities are situated on the waterfront with easy access to clients across the globe and have load-out jetties for dispatch of large and heavy modules via ocean going vessels and barges. These facilities are accredited with global certifications including API, ASME and NB and pre-qualifications from major oil & gas customers.

The Company executed a total of 21 challenging projects across Offshore and Onshore landscape for various domestic as well as international majors in the oil & gas sector in FY 18. A significant milestone was successful on-time delivery of Offshore Production Deck Modules (PDMs) Project for Saudi Aramco. The PDMs for this Project will be installed at the Safaniya oilfield – the world's largest offshore oilfield.

During the year, the Company has strategically entered into a new product line and bagged its first Electrical House (E-House/Power house) project. The Company has also received several orders for the supply of static equipment for ongoing refinery projects in Middle East and India.

Engineering Services:

The vertical offers end-to-end engineering solutions covering the entire spectrum of engineering across the oil & gas value chain, covering services from Concept to Commissioning, Troubleshooting, EPCM, PMC, Field Engineering, Asset Integrity Management and Operations & Maintenance.

The Engineering Services vertical has a large resource pool of over 4 million engineering hours. A large portfolio of industry-standard software tools, robust IT infrastructure and in-house R&D facility augment its capabilities. Benchmarked through leading certification and accreditation systems, the engineering work processes ensure consistent product quality and on-time delivery.

During the year, the Company has signed a Memorandum of Agreement with Institute of Chemical Technology (ICT), to build ethanol plants based on fully indigenous technology developed by ICT for producing 2G Ethanol.

The Company secured various engineering contracts from GCPT, KCCEC, HPCL, ISCO, Al Ghanim, IOCL, etc., and EPCM contracts from GACL.

Business Environment:

After a prolonged depressed market, signs of recovery are now visible, with upward movement in crude oil prices due to production cut by OPEC countries and Russia. However, uncertainty with respect to crude oil prices still exists over the medium to long term leading to continued diligence by the oil & gas industry

Modular Fabrication Facility at Hazira, India

in making strategic investment decisions.

This year has also witnessed several consolidations, partnerships and co-investments among EPCI players. Companies are adjusting their business models to a period of recovery. Oil majors are adjusting their portfolios by adding renewables to their energy slate. IOCs and NOCs are looking to diversify risk through co-investment outside their home countries such as Kuwait in Oman, Saudi Arabia in India and China in UAE. Service providers are hedging risks through consolidation.

Localization is increasingly becoming a key differentiator. ADNOC has started implementation of In-Country Value (ICV) program while Saudi Aramco is implementing its In-Kingdom Total Value Add (IKTVA) program with the objective of growing and diversifying the economy and creating opportunities for their nationals in the private sector. The South East Asian region continues to protect the local players under the 'Bumiputra' concept.

Competition remained stiff with some of the competitors exercising subsidized prices for limited market potential and with new entrants achieving pre-qualifications. Regional players are bidding for Indian projects with an intent to load their assets and new competitors have also started bidding for domestic prospects. Commodity prices are firming up and forex rates continue to be volatile.

Significant Initiatives:

The Company has a vision to 'Revolutionize the Hydrocarbon Industry' and a mission of 'Execution Par Excellence'.

During the year, the Company has announced the relaunch of its LAKSHYA 2021, in which strategic imperatives have been identified for each of the business verticals. The Company lays continued emphasis on sharper bidding to enhance its market share and execute the projects well to protect bid margins. The Company embarked upon an Operation Excellence initiative, which is aimed at achieving refined cost structures, alignment for timely project deliveries, and optimizing fund deployment. This initiative has started yielding results for the Company, reflecting in enhanced cost competitiveness in its bids and further improvement in its bottom-line for projects under execution.

The Company's capability-building initiative has made significant progress in terms of building portfolio and project leadership as well as functional group development. This initiative is aimed at building globally-benchmarked project leadership teams for executing large international projects and developing and institutionalizing an international project capability development engine.

Innovation will be a key differentiator for disrupting set norms and the way business is conducted in the Hydrocarbon sector. An Innovation Think Tank has been formed to channelize organizational efforts towards enhancing the Company's capability and capacity to enable sustainable growth and achieve

execution par excellence in every sphere of the enterprise.

The Company has continued to create strong central functions to maximize synergy and to build a platform for easy transition from a vertical to a project-centric regional structure. The centralized supply chain concept was rolled out and operational improvements were being institutionalized.

The Company is enhancing its current practices through Digital / New Age technological advances. It has also launched a digital transformation initiative towards further improving productivity across business functions.

Risk Management: Proactive Risk Management has been identified as a key strategic initiative to ensure sustainable growth. Risk Management is an integral part of the overall governance process to identify, segregate, mitigate, control and monitor various risks at business, prospect and operational levels.

The Company's risk management policy and guidelines have helped to create a consistent set of standard risk-tracking templates and measure risk levels. This enables it to develop the ability to anticipate and respond to the challenges in a timely manner. Each project goes through a structured pre-bid risk review and periodic execution risk reviews, enabling effective monitoring and raising timely alerts. The Company promotes the culture of transparency in flagging the issues as early warning signals to management for timely attention.

Internal Controls: The management has established internal control systems commensurate with the size and complexity of the Company. The internal control manual provides a structured approach for identification, rectification, monitoring and reporting of gaps in the internal control systems and processes. The Group follows well documented Standard Operating Procedures (SOPs) and the operating effectiveness of various controls is periodically tested and deficiencies, if any, are promptly rectified.

Human Resource Development: The Company has implemented several initiatives focused on acquiring and nurturing talent. It firmly believes that people are its greatest asset, and has adopted various policies and initiatives in order to sustain healthy employee relations, growth and development as well as work satisfaction. The Company's commitment to creating a highly engaged work force is demonstrated through deployment of the GENIE: Engagement survey, business specific and managerial level interventions, communication with Senior Management through forums like 'Town Hall', webcast, video conferencing. The 'I-TOO' recognition framework, initiatives like ICONS, Long Service Awards, Team Building Workshops, non-monetary recognition events, etc. are periodically undertaken to enhance employee motivation.

Health, Safety, Environment (HSE) & Sustainability: The Company treats safety as a core value and is committed to achieving HSE excellence at the workplace by ensuring the health and safety of people and protection of the environment. The Company, through its 'Zero Incident Credo' strives for continuous improvement for the protection and development of health, safety, and environmental assets of its employees and stakeholders. HSE Assurance Audits were conducted to ensure the effective implementation of the HSE management system across the Company.

The Company released its Sustainability Report – 'Sustainability Par Excellence' – in January 2018, in line with its mission 'Execution Par Excellence'. The Report covers the initiatives taken across the Company, and highlights the need to enhance performance across all sustainability parameters – safety, energy, water conservation and productivity.

During the year, the Company achieved its best-ever safety performance by 71% reduction in total recordable incident rate (TRIR) and 50% reduction in lost-time injury rate (LTIR), which are comparable to best global industry standards.

The Company received many accolades in FY 2017-2018, notably the KOC - GC30 project received ASSE GCC HSE Excellence Gold Award 2017 from ASSE Kuwait Chapter, MFF Kattupalli received safety awards from the British Safety Council, RoSPA and the Golden Peacock. The Offshore business vertical received an award from the National Safety Council, Maharashtra Chapter for achieving a 'zero accident frequency rate' for three consecutive years.

As a responsible Corporate Citizen, the Company is committed to implementing projects that will contribute to the quality of life, including schools, hospitals, skill training institutes, water supply and distribution and sanitation facilities.

Outlook:

Gradual firming up of the crude oil price is expected to lead to increased project budgeting by IOCs and NOCs. Much of this investment is expected to come from North America and Middle East.

Competitive intensity is expected to remain high till at least 2019 due to resurgence of European competition and emergence of the Chinese competition despite lack of appetite by Korean competitors. Clients are expecting EPC contractors to share the benefit of Value Addition over the tenure of the project. Project schedules are also becoming increasingly tighter.

In the domestic offshore sector, ONGC has reported significant oil & gas discovery in its Mumbai High fields with potential reserves of 29.74 MTOE. Under the Open Acreage Licensing Policy (OALP) policy, EOIs have been received by the Government of India from private players for the shallow water basins. These developments will translate into EPC tendering by 2020-2022. ONGC is progressing with its investment for development of deepwater field KG/98-2 on the east coast of India. This will provide significant opportunities to the Company's offshore and fabrication verticals over the medium term, given its strategically located Kattupalli yard on the east coast and the tie-up with McDermott and GE to develop cost-effective subsea solutions. A number of brownfield and decommissioning projects are expected to come up in the near future. Saudi Aramco is expected to spend USD 3 billion each year on offshore capital projects to maintain production.

India has an ambitious plan to nearly double its refining capacity to about 438 MMTPA by 2030. Gas energy mix is also expected to shift from current level of 6.5% to about 15% by 2022. The demand for petrochemicals is expected to go up by 10 MMTPA by 2020. Over 11,800 km of PNGRD-authorized pipeline projects are pending implementation.

The Indian Public Sector refineries have embarked on capacity expansion plans. Some of these refineries also have investment plans for integrating petrochemical projects along with refinery upgrade. This will offer opportunities to Onshore as well as Construction Services verticals.

The roll-out of comprehensive Urea Policy by the Government has led to the revival of Public Sector urea plants at Gorakhpur, Sindri and Barauni. Energy efficiency improvement projects are being actively pursued in fertilizer units.

The Government is focusing on setting up LNG infrastructure and investments in LNG receiving plants, both land-based terminals as well as Floating Storage Regasification Units (FSRU) are on the anvil.

The GCC will see higher outlays for downstream and petrochemical projects, particularly in Saudi Arabia, UAE and Kuwait. Saudi Aramco plans to spend over USD 300 billion over next 10 years while UAE and Kuwait are planning to spend USD 109 billion and USD 112 billion respectively over next 5 years. Integrated refinery and petrochemical complex model continue to gain momentum.

Towards providing geographical risk diversification, the Company is looking to explore newer markets which offer good long-term business potential. It has undertaken intense pre-qualifications efforts successfully. Algeria, Iraq and Indonesia will see increased levels of activity and will potentially offer differentiated margins.

Shale gas / oil will drive petrochemical and fertilizer investment in the US, which will offer opportunities for high-value engineering and modular fabrication services.

With strong capabilities and capacities built over the years, the business is well-positioned to address the emerging opportunities.

Financial Statements

Independent Auditor's Report

TO THE MEMBERS OF L&T HYDROCARBON ENGINEERING LIMITED

Report on the standalone Ind AS financial statements

We have audited the accompanying standalone Ind AS financial statements of L&T Hydrocarbon Engineering Limited ("the Company"), which comprise the balance sheet as at 31 March 2018, the statement of profit and loss (including other comprehensive income), the cash flow statement and the statement of changes in equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (herein after referred to as "standalone Ind AS financial statements").

Management's responsibility for the standalone Ind AS financial statements

The Company's board of directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards prescribed under section 133 of the Act read with relevant rules issued thereunder.

This responsibility also includes 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 frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS 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 standalone Ind AS financial statements based on our audit.

In conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2018, its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the central government in terms of section 143(11) of the Act, we give in Annexure A a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. As required by section 143(3) of the Act, we report that:

   a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

   b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

   c) the balance sheet, the statement of profit and loss (including other comprehensive income), the cash flow statement and statement of changes in equity dealt with by this report are in agreement with the books of account;

d) in our opinion, the aforesaid standalone Ind AS financial statements comply with the accounting standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Indian Accounting Standards) Rules, 2015 (as amended);

e) on the basis of the written representations received from the directors as on 31 March 2018 taken on record by the board of directors, none of the directors is disqualified as on 31 March 2018 from being appointed as a director in terms of section 164(2) of the Act;

f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure B. Our report expresses an unmodified opinion on the operating adequacy and operating effectiveness of the Company's internal financial controls over financial reporting; and

g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements (refer note 34 and 43(c) to the standalone Ind AS financial statements);

ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts (refer note 20, 24, 33 and 37 to the standalone Ind AS financial statements); and

iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company (refer note 52 to the standalone Ind AS financial statements).

For **SHARP & TANNAN**
Chartered Accountants
Firm's registration No. 109982W

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : 25 April 2018

Annexure 'A' to the Independent Auditor's Report

(Referred to in paragraph 1 under 'Report on other legal and regulatory requirements' section of our report of even date)

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has a program of verification to cover all the items of fixed assets in a phased manner 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. Pursuant to the program, certain fixed assets were physically verified by management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.

(c) According to information and explanations given to us and the records of the Company examined by us and based on the examination of the registered sales deed/ transfer deed/ conveyance deed provided to us, we report that, the title deeds of immovable properties are held in the name of the Company except for the following:

Type of asset	Total no. of cases	Leasehold/ freehold	Gross block as at 31 March 2018 (₹ crore)	Net block as at 31 March 2018 (₹ crore)	Remarks
Land	1	Freehold	1.03	1.03	Title deed in the name of Larsen & Toubro Limited
Building	1	Leasehold	17.54	15.08	Title deed in the name of Larsen & Toubro Limited
Land	2	Leasehold	72.95	70.66	Title deed in the name of Larsen & Toubro Limited

In respect of immovable properties of land and building that have been taken on lease and disclosed as fixed assets in the standalone Ind AS financial statements, the lease agreements are in the name of the Company, where the Company is lessee in the agreement.

(ii) As explained to us, the inventories were physically verified during the year by the management at reasonable intervals and no material discrepancies were noticed on physical verification between the physical stock and the book records.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraphs 3(iii) (a), (b) and (c) of the Order are not applicable to the Company.

(iv) According to information and explanations given to us, in respect of loans, investments, guarantees and securities granted by the Company, provisions of sections 185 and 186 of the Act have been complied with.

(v) In our opinion and according to information and explanation given to us, the Company has not accepted deposits as per the directives issued by the Reserve Bank of India under the provisions of sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.

(vi) The maintenance of cost records has been specified by the central government under section 148(1) of the Act. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the central government under sub-section (1) of section 148 of the Act, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employee state insurance, income tax, sales-tax, service tax, goods and service tax, duty of customs, duty of excise, cess and other material statutory dues applicable to it have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee state insurance, income tax, sales-tax, service tax, goods and service tax, duty of customs, duty of excise, cess and other material statutory dues applicable to it were in arrears as at 31 March 2018 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 on the basis of our examination of records of the Company, the particulars of income tax, value added tax, sales tax, service tax, duty of excise and duty of custom which have not been deposited with the appropriate authorities on account of any dispute as at 31 March 2018 are as under:

Name of the Statute	Nature of the disputed dues	Amount* (₹ crore)	Period to which the amount relates	Forum where dispute is pending
Central sales Tax Act, Local Sales Tax Act, Works Contract Tax Act.	Disallowance of deemed interstate sales and non-submission of forms	0.07	1999-00	Assistant Commissioner (Appeals)
	Disallowance of sales in transit, deemed interstate sales, non-submission of forms and other matters	126.82	1989-90, 1997-98, 1998-99, 2001-02, 2003-04 to 2013-14	Deputy Commissioner (Appeals)
	Classification disputes, disallowance of forms and other matters	96.37	1996-97, 2000-01, 2001-02, 2003-04 to 2005-06 to 2011-12 & 2013-14	Joint Commissioner (Appeals)
	Non-submission of forms	0.14	2005-06,2011-12, 2012-13	Additional Commissioner (Appeals)
	Disallowance of deemed sales in course of imports, classification disputes, non-submission of forms	15.82	1999-00, 2000-01, 2002-03 ,2008-09, 2009-10,2014-15, 2015-16	Sales Tax Tribunal
	Disallowance of deemed sales in course of imports, taxability of sub-contractor's turnover and other matters	29.21	1999-00, 2000-01	High Court
	Classification disputes, disallowance of input tax credit and other matters	105.35	2006-07 to 2011-12	Supreme Court
The Central Excise Act, 1944, Service Tax under Finance Act, 1994	Demand for excise duty on fabrication of tanks, platforms and ladders	0.32	1989-90 to 2011-12	Deputy Commissioner (Central Excise)
	Demand for excise duty on fabrication of tanks, platforms and ladders	0.06	1989-90	CESTAT
	Demand towards disallowed Input credit	5.15	2009-10 & 2010-11	CESTAT
	Demand towards disallowed Input credit	0.13	2016-17	CESTAT
	Excise duty Rebate - On Export - In appeal	12.45	2016-17	Commissioner Excise & Customs Surat - II , Gujarat
Income Tax Act, 1961	Dispute regarding tax not deducted on bank guarantee charges and internet charges	0.00	2011-12	Deputy Commissioner of Income Tax (TDS) - 1(3)
	Difference in rate of tax deducted at source	3.08	2007-08, 2008-09	Director of Income Tax (International Taxation)
Customs Act, 1962	Dispute on software procurement	0.01	2006-07	Commissioner of Customs
	Dispute on classification	0.34	2013-14	Commissioner of Customs
	Dispute on classification	0.30	2015-16	CESTAT

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

(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to bank. The Company has not borrowed any funds from the public financial institutions, government and debenture holders.

(ix) The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the year. Accordingly, paragraph 3(ix) of the Order is not applicable to the Company.

(x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

(xi) According to the information and explanation given to us, the Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V of the Act.

(xii) In our opinion and according to the information and explanation given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable to the Company.

(xiii) According to the information and explanation given to us, transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, for all and details of such transactions with related parties have been disclosed in the financial statements as required by the applicable accounting standards.

(xiv) According to the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable to the Company.

(xv) According to the information and explanation given to us, the Company has not entered into non- cash transactions with directors or persons connected with him and hence provisions of section 192 of the Act are not applicable to the Company.

(xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **SHARP & TANNAN**
Chartered Accountants
Firm's registration No. 109982W

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : 25 April 2018

Annexure 'B' to the Independent Auditor's Report

(Referred to in paragraph 2(f) of our report of even date)

Report on the internal financial controls under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of L&T Hydrocarbon Engineering Limited ("the Company") as of 31 March 2018 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the guidance note on audit of internal financial controls over financial reporting issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the guidance note on audit of internal financial controls over financial reporting and the standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and, both issued by the ICAI. Those standards and the guidance note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of internal financial controls over financial reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls over financial reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the guidance note on audit of internal financial controls over financial reporting issued by the ICAI.

For **SHARP & TANNAN**
Chartered Accountants
Firm's registration No. 109982W

FIRDOSH D. BUCHIA
Partner
Membership No. 38332

Place : Mumbai
Date : 25 April 2018

Balance Sheet
as at March 31, 2018

	Note	As at March 31, 2018 ₹ crore	₹ crore	*As at March 31, 2017 ₹ crore*	*₹ crore*
ASSETS					
Non- current assets					
Property, plant and equipment	3		723.47		*777.10*
Capital-work-in-progress	3		1.16		*3.68*
Intangible assets	3		2.03		*2.12*
Financial assets					
Investments	4	168.60		*168.24*	
Trade receivables	5	3.74		*49.27*	
Loans	6	189.15		*2.49*	
Other financial assets	7	43.61		*41.06*	
			405.10		*261.06*
Deferred tax assets (net)			142.83		*259.18*
Other non-current assets	8		329.88		*273.75*
			1,604.47		*1,576.89*
Current assets					
Inventories	9		47.86		*77.74*
Financial assets					
Investments	10	1,202.00		*1,400.63*	
Trade receivables	11	1,915.20		*1,075.35*	
Cash and cash equivalent	12	1,256.96		*296.39*	
Other bank balances	13	0.10		*5.74*	
Loans	14	474.01		*11.57*	
Other financial assets	15	406.80		*509.35*	
			5,255.07		*3,299.03*
Other current assets	16		1,968.50		*1,523.26*
			7,271.43		*4,900.03*
TOTAL ASSETS			8,875.90		*6,476.92*
EQUITY AND LIABILITIES:					
EQUITY					
Equity share capital	17	1,000.05		*1,000.05*	
Instruments entirely equity in nature	18	760.00		*760.00*	
Other equity	19	249.80		*(214.38)*	
			2,009.85		*1,545.67*
LIABILITIES:					
Non- current liabilities					
Financial liabilities					
Other financial liabilities	20	3.96		*10.02*	
			3.96		*10.02*
Provisions	21		15.30		*13.72*
			19.26		*23.74*
Current liabilities					
Financial liabilities					
Borrowings	22	–		*43.65*	
Trade payables	23	3,493.25		*1,689.23*	
Other financial liabilities	24	220.72		*299.48*	
			3,713.97		*2,032.36*
Other current liabilities	25		2,981.87		*2,676.99*
Provisions	26		150.95		*151.34*
Current tax liabilities (net)	27		–		*46.82*
			6,846.79		*4,907.51*
TOTAL EQUITY AND LIABILITIES			8,875.90		*6,476.92*
NOTES FORMING PART OF FINANCIAL STATEMENTS	1-54				

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's Registration No.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No.38332
Place : Mumbai
Date : April 25, 2018

For and on behalf of the Board

K. S. BALASUBRAMANYAM
Chief Financial Officer

ALPANA KHALE
Company Secretary
M. No. A40675

SUBRAMANIAN SARMA
CEO & Managing Director
DIN: 00554221

T. CHINNAPPA
Whole-time Director
DIN: 05219775

Place : Mumbai
Date : April 25, 2018

Statement of Profit and Loss for the year ended March 31, 2018

	Note	2017-18 (₹ crore)	2017-18 (₹ crore)	2016-17 (₹ crore)	2016-17 (₹ crore)
INCOME					
Revenue from operations	28		11,044.35		8,786.61
Other income	29		133.32		58.32
TOTAL INCOME			11,177.67		8,844.93
EXPENSES					
Manufacturing, construction and operating expense	30				
Cost of raw materials and components consumed		4,202.65		3,368.12	
Excise duty		11.42		3.67	
Construction materials		604.72		91.29	
Sub-contracting charges		3,284.28		2,623.95	
Changes in inventories of work-in-progress and stock-in-trade		(10.10)		16.65	
Other manufacturing, construction and operating expenses		1,169.20		892.89	
			9,262.17		6,996.57
Employee benefits expense	31		715.29		696.44
Finance costs	32		8.41		28.01
Depreciation, amortisation and obsolescence			90.23		94.28
Other expenses	33		460.22		326.27
TOTAL EXPENSES			10,536.32		8,141.57
Profit before tax			641.35		703.36
Tax expenses:					
Current tax / MAT		277.39		128.45	
Less: MAT credit entitlement		–		128.45	
Current tax		277.39		–	
Deferred tax		(41.66)		267.04	
			235.73		267.04
Profit after tax			405.62		436.32
Other comprehensive income					
A. Items that will not be reclassified to profit or loss					
Remeasurements of the net defined benefit plans		6.08		(0.14)	
Income tax relating to remeasurements of the net defined benefit plans		(2.10)	3.98	(0.01)	(0.15)
B. Items that will be reclassified to profit or loss					
Gains and losses on hedging instruments in cash flow hedges		196.57		(101.66)	
Income tax relating to gains and losses on hedging instruments in cash flow hedges		(68.69)	127.88	35.18	(66.48)
Total comprehensive income			537.48		369.69
Basic earnings per equity share (₹)			3.32		4.36
Diluted earnings per equity share (₹)			2.30		2.48
Face value per equity share (₹)			10		10

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's Registration No.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No.38332
Place : Mumbai
Date : April 25, 2018

For and on behalf of the Board

K. S. BALASUBRAMANYAM
Chief Financial Officer

ALPANA KHALE
Company Secretary
M. No. A40675

SUBRAMANIAN SARMA
CEO & Managing Director
DIN: 00554221

T. CHINNAPPA
Whole-time Director
DIN: 05219775

Place : Mumbai
Date : April 25, 2018

Cash Flow Statement
for the year ended March 31, 2018

		2017-18 (₹ crore)	*2016-17 (₹ crore)*
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit before tax	**641.35**	*703.36*
	Adjustments for:		
	Depreciation, amortisation and obsolescence	**90.23**	*94.28*
	(Profit) / loss on fair value of Investments	**(1.37)**	*(0.63)*
	(Profit) / loss on sale of current investments	**(3.43)**	*(1.57)*
	Exchange difference on items grouped under financing / investing activities	**0.00**	*(1.83)*
	Interest expense	**8.41**	*28.01*
	Interest income	**(119.24)**	*(45.09)*
	(Profit) on sale of fixed assets (net)	**(0.48)**	*(1.87)*
	Operating profit before working capital changes	**615.47**	*774.66*
	Adjustments for:		
	(Increase)/decrease in trade and other receivables	**(1,024.58)**	*312.69*
	(Increase)/decrease in inventories	**29.88**	*31.56*
	Increase/(decrease) in trade payables and customer advances	**2,018.95**	*1,140.48*
	Cash (used in)/generated from operations	**1,639.72**	*2,259.39*
	Direct taxes refund/(paid) - net	**(203.01)**	*(81.63)*
	Net cash (used in)/from operating activities	**1,436.71**	*2,177.76*
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets	**(36.70)**	*(90.14)*
	Sale of fixed assets (including advance received)	**3.19**	*20.03*
	Purchase of non-current investments	**(0.36)**	*(0.00)*
	(Purchase)/Sale of current investments (net)	**203.43**	*(1,398.08)*
	Inter-corporate deposit with holding and subsidiary companies (net of repayments)	**(464.74)**	–
	Inter-corporate deposit with joint venture (net of repayments)	**(192.88)**	–
	Interest received	**119.24**	*45.09*
	Net cash (used in)/ from investing activities	**(368.82)**	*(1,423.10)*

Cash Flow Statement for the year ended March 31, 2018 *(contd.)*

	2017-18 (₹ crore)	*2016-17 (₹ crore)*
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interim dividend on preference shares	**(60.90)**	
Inter-corporate borrowing from Holding Company (net of repayments)	**–**	*(505.67)*
(Repayments)/proceeds from other borrowings (net)	**(43.65)**	*(75.10)*
Interest paid	**(8.41)**	*(27.99)*
Net cash (used in)/ from financing activities	**(112.96)**	*(608.76)*
Net (decrease) / increase in cash and cash equivalents (A + B + C)	**954.93**	*145.90*
Add: Cash and cash equivalents of transferred undertaking received as part of Scheme	**–**	*36.56*
Cash and cash equivalents at beginning of the period	**302.13**	*119.67*
Cash and cash equivalents at end of the period	**1,257.06**	*302.13*

Notes:

1. Cash flow statement has been prepared under the indirect method as set out in the Indian Accounting Standard (Ind AS) 7: "Statement of cash flows" as specified in the Companies (Indian Accounting Standards) Rules, 2015.
2. Purchase of fixed assets includes movement of capital work-in-progress during the year
3. Cash and cash equivalents at the end of the year represent cash and bank balances and include unrealised gain of ₹ 15.56 crore (previous year gain: ₹ 10.84 crore) on account of translation of foreign currency bank balances.
4. Cash and cash equivalents are reflected in the balance sheet as follows:

	2017-18	2016-17
(a) Cash and cash equivalents disclosed under current financial assets [Note 12]	**1,256.96**	*296.39*
(b) Cash and cash equivalents disclosed under current financial assets [Note 13]	**0.10**	*5.74*
	1,257.06	*302.13*

5. Effective April 1, 2017, the Company adopted the amendment to IndAS7, which require the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities,including both changes arising from cashflows and non-cash changes,suggesting inclusion of a reconciliation between the opening and closing balances in the Balance Sheet for liabilities arising from financing activities,to meet the disclosure requirement. The adoption of amendment did not have any material impact on the financial statements.
6. Previous year's figures have been regrouped/reclassified wherever applicable.

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's Registration No.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No.38332
Place : Mumbai
Date : April 25, 2018

For and on behalf of the Board

K. S. BALASUBRAMANYAM	**ALPANA KHALE**	**SUBRAMANIAN SARMA**	**T. CHINNAPPA**
Chief Financial Officer	*Company Secretary*	*CEO & Managing Director*	*Whole-time Director*
	M. No. A40675	*DIN: 00554221*	*DIN: 05219775*

Place : Mumbai
Date : April 25, 2018

Statement of Changes in Equity

EQUITY SHARE CAPITAL

(₹ crore)

	Balance as at 01-04-2016	Changes during the year 2016-17	Balance as at 31-03-2017	Changes during the year17-18	Balance as at 31-03-2018
Equity shares of ₹ 10 each	1,000.05	–	1,000.05	–	1,000.05
	1,000.05	**–**	**1,000.05**	**–**	**1,000.05**

INSTRUMENTS ENTIRELY EQUITY IN NATURE

(₹ crore)

	Balance as at 01-04-2016	Changes during the year 2016-17	Balance as at 31-03-2017	Changes during the year 17-18	Balance as at 31-03-2018
Preference shares of ₹ 10 each	760.00	–	760.00	–	760.00
	760.00	**–**	**760.00**	**–**	**760.00**

OTHER EQUITY

(₹ crore)

	Reserves and surplus					Items of other comprehensive income	Total other equity
	Capital reserve	Capital reserve on business combination	Capital redemption reserve	General reserve	Retained earnings	Hedging reserve	
Balance as at 01-04-2016	**0.02**	**–**	**–**	**–**	**(583.61)**	**(11.28)**	**(594.87)**
Profit for the year	–	–	–	–	436.32	–	436.32
Other comprehensive income	–	–	–	–	(0.15)	(66.48)	(66.63)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**436.17**	**(66.48)**	**369.69**
Capital Reserve on business combination	–	(59.33)	–	–	–	–	(59.33)
Reserves transferred under scheme of arrangement	0.30	–	0.13	1.21	68.49	–	70.13
Balance as at 31-03-2017	**0.32**	**(59.33)**	**0.13**	**1.21**	**(78.95)**	**(77.76)**	**(214.38)**
Balance as at 01-04-2017	0.32	(59.33)	0.13	1.21	(78.95)	(77.76)	(214.38)
Profit for FY 2017-18	–	–	–	–	405.62	–	405.62
Other comprehensive income	**–**	**–**	**–**	**–**	3.98	127.88	131.86
Total comprehensive income for the year	–	–	–	–	409.60	127.88	537.48
Dividend (including tax on dividend ₹ 12.40 crore)					(73.30)		(73.30)
Balance as at 31-03-2018	**0.32**	**(59.33)**	**0.13**	**1.21**	**257.35**	**50.12**	**249.80**

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's Registration No.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No.38332
Place : Mumbai
Date : April 25, 2018

For and on behalf of the Board

K. S. BALASUBRAMANYAM
Chief Financial Officer

ALPANA KHALE
Company Secretary
M. No. A40675

SUBRAMANIAN SARMA
CEO & Managing Director
DIN: 00554221

T. CHINNAPPA
Whole-time Director
DIN: 05219775

Place : Mumbai
Date : April 25, 2018

Notes forming part of the accounts

NOTE 1 : GENERAL INFORMATION:

L&T Hydrocarbon Engineering Limited ("the Company") is a public limited company incorporated in India. It is a wholly owned subsidiary of Larsen & Toubro Limited ("L&T").

The Company was formed by transfer of Hydrocarbon division of Larsen & Toubro Limited as a going concern to 100% owned subsidiary of L&T, L&T Technologies Limited re-named as L&T Hydrocarbon Engineering Limited. This transfer was in pursuance to scheme of arrangement under the provisions of section 391 read with section 394 of the Companies Act, 1956. The scheme was approved by the Hon'ble High Court of Mumbai vide its order dated December 20, 2013 and filed with Registrar of Companies on January 16, 2014, with the appointed date as April 1, 2013.

The registered office of the Company is at L&T House, N. M. Marg, Ballard Estate, Mumbai - 400 001.

The Company is principally engaged in engineering, procurement, fabrication, construction and project management activity providing integrated 'design to build' solutions to large and complex offshore and onshore hydrocarbon projects worldwide.

NOTE 2 : SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance:

The Company's financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 issued by Ministry of Corporate Affairs in respect of sections 133 read with sub-section (1) of Section 210A of the Companies Act, 1956 (1 of 1956). In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied except where compliance with other statutory promulgations require a different treatment. The financial statements for the year ended March 31, 2017 of the Company are the first financial statements prepared in compliance with Ind AS. The date of transition to Ind AS is April 1, 2015.

These financials statements have been approved for issue by the Board of Directors at their meeting held on April 25, 2018.

2.2. Basis of accounting:

The Company maintains accounts on accrual basis following the historical cost convention, except for certain financial instruments that are measured at fair value in accordance with Ind AS.

Fair value measurements under Ind AS are categorised as below based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date;
- Level 2 inputs are inputs, other than quoted prices included in level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the valuation of assets/liabilities

2.3. Key sources of estimation:

The preparation of financial statements in conformity with Ind AS 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 on the date of the financial statements. Examples of such estimates include the useful lives of tangible and intangible fixed assets, deferred tax assets, allowance for doubtful debts/advances, future obligations in respect of retirement benefit plans, etc. Differences, if any, between the actual results and estimates are recognised in the period in which the results are known.

2.4. Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule III to the Companies Act, 2013 ("the Act"). The statement of cash flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash flows". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of the financial statements along with the other notes required to be disclosed under the notified Accounting Standards.

Notes forming part of the accounts *(contd.)*

Amounts in the financial statements are presented in Indian Rupees in crore [1 crore = 10 million] rounded off to two decimal places as permitted by Schedule III to the Companies Act, 2013. Per share data are presented in Indian Rupees to two decimals places.

2.5. Operating cycle for current and non-current classification

Any asset or liability is classified as current if it satisfies any of the following conditions:

i. the asset/liability is expected to be realized/settled in the Company's normal operating cycle;

ii. the asset is intended for sale or consumption;

iii. the asset/liability is held primarily for the purpose of trading;

iv. the asset/liability is expected to be realized/settled within twelve months after the reporting period;

v. the asset is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date;

vi. in the case of a liability, the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

All other assets and liabilities are classified as non-current.

Operating cycle for the business activities of the Company covers the duration of the specific project/contract/service including the defect liability period, wherever applicable and extends up to the realisation of receivables (including retention monies) within the agreed credit period.

2.6. Revenue recognition

Revenue is recognised based on nature of activity when consideration can be reasonably measured and recovered with reasonable certainty. Revenue is measured at the fair value of the consideration received or receivable and is reduced for estimated customer returns, rebates and other similar allowances.

A. Revenue from operations

a. Sales and service

i. Sales and service include excise duty and adjustments made towards liquidated damages and price variation, wherever applicable. Escalation and other claims, which are not ascertainable / acknowledged by customers, are not taken into account.

ii. Revenue from sale of manufactured goods is recognised when the substantial risks and rewards of ownership are transferred to the buyer under the terms of the contract.

iii. Revenue from construction/project related activity and contracts for supply/commissioning of complex plant and equipment is recognised as follows:

a. Cost plus contracts: Contract revenue is determined by adding the aggregate cost plus proportionate margin as agreed with the customer.

b. Fixed price contracts: Contract revenue is recognized only to the extent of cost incurred till such time the outcome of the job cannot be ascertained reliably. When the outcome of the contract is ascertained reliably, contract revenue is recognized at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs.

The estimated outcome of a contract is considered reliable when all the following conditions are satisfied:

i. the amount of revenue can be measured reliably;

ii. it is probable that the economic benefits associated with the contract will flow to the Company;

iii. the stage of completion of the contract at the end of the reporting period can be measured reliably; and

iv. the costs incurred or to be incurred in respect of the contract can be measured reliably.

Expected loss, if any, on the construction/project related activity is recognized as an expense in the period in which it is foreseen, irrespective of the stage of completion of the contract.

Notes forming part of the accounts *(contd.)*

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the balance sheet under trade receivables. The amount of retention money held by the customers is disclosed as part of other current assets and is reclassified as trade receivables when it becomes due for payment.

iv. Revenue from contracts for the rendering of services which are directly related to the construction of an asset is recognised on similar basis as stated in (iii) above.

v. Revenue from construction/project related activity and contracts executed in joint ventures under work-sharing arrangement [being jointly controlled operations, in terms of Ind AS 28 "Investments in associates and joint ventures"], are recognised on the same basis as similar contracts independently executed by the Company.

vi. Revenue from service related activities is recognised using the proportionate completion method.

vii. Revenue from engineering and service fees is recognised as per the terms of the contract.

b. Other operational revenue

Other operational revenue represents income earned from the activities incidental to the business and is recognised when the right to receive the income is established as per the terms of the contract.

B. Other income

i. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

ii. Dividend income is accounted in the period in which the right to receive the same is established.

iii. Other items of income are accounted as and when the right to receive arises and it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

2.7. Exceptional Items

An item of income or expense which by its size, type or incidence requires disclosure in order to improve an understanding of the performance of the Company is treated as an exceptional item and the same is disclosed in the notes to accounts.

2.8. Property, plant and equipment (PPE)

PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment, if any. Property, plant and equipment acquired on hire purchase basis are recognised at their cash values. Cost includes professional fees related to the acquisition of PPE and for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy.

Own manufactured PPE is capitalised at cost including an appropriate share of overheads. Administrative and other general overhead expenses that are specifically attributable to construction or acquisition of PPE or bringing the PPE to working condition are allocated and capitalised as a part of the cost of the PPE.

PPE not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work-in-progress". (Also refer to policies on leases, borrowing costs, impairment of assets and foreign currency transactions infra).

Depreciation is recognised using straight line method so as to write off the cost of the assets (other than freehold land and properties under construction) less their residual values over their useful lives as follows:

Sr. No	Category of assets	Minimum useful life (in years)	Maximum useful life (in years)
1.	Buildings	5	60
2.	Plant and equipment	8	30

Sr. No	Category of assets	Minimum useful life (in years)	Maximum useful life (in years)
3.	Computers	3	6
4.	Office equipment	4	30
5.	Furniture and fixtures	2	10
6.	Vehicles	5	10
7.	Leasehold land	97	97

The Company, based on technical assessment made by technical expert and management estimate, depreciates certain items of fixed assets over estimated useful lives which are different from the useful life prescribed in schedule II to the Companies Act, 2013. Management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

Depreciation method is reviewed at each financial year end to reflect the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end and the effect of any change in the estimates of useful life/residual value is accounted on prospective basis.

Where cost of a part of the asset ("asset component") is significant to total cost of the asset and useful life of that part is different from the useful life of the remaining asset, useful life of that significant part is determined separately and such asset component is depreciated over its separate useful life.

Depreciation on additions to/deductions from, owned assets is calculated pro rata to the period of use. Extra shift depreciation is provided on a location basis.

Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life. Assets acquired under finance leases are depreciated on a straight line basis over the lease term. Where there is reasonable certainty that the Company shall obtain ownership of the assets at the end of the lease term, such assets are depreciated based on the useful life prescribed under Schedule II to Companies Act, 2013 or based on the useful life adopted by the Company for similar assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

All other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

2.9. Intangible assets and amortization

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/duty credits availed, if any, less accumulated amortisation and cumulative impairment. Administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets are amortised as follows:

a. Specialised software: over a period of six years.

b. Technical know-how: over a period of six years in case of foreign technology and three years in the case of indigenous technology.

Research and development expenditure on new products:

(i) Expenditure on research is expensed under respective heads of account in the period in which it is incurred.

Notes forming part of the accounts *(contd.)*

(ii) Development expenditure on new products is capitalised as intangible asset, if all of the following can be demonstrated:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale;

b. the Company has intention to complete the intangible asset and use or sell it;

c. the Company has ability to use or sell the intangible asset;

d. the manner in which the probable future economic benefits will be generated including the existence of a market for output of the intangible asset or intangible asset itself or if it is to be used internally, the usefulness of intangible assets;

e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f. the Company has ability to reliably measure the expenditure attributable to the intangible asset during its development.

Development expenditure that does not meet the above criteria is expensed in the period in which it is incurred.

Intangible assets not ready for the intended use on the date of the balance sheet are disclosed as "Intangible assets under development".

Intangible assets are amortised on straight line basis over the estimated useful life. The method of amortisation and useful life is reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis.

Amortisation on impaired assets is provided by adjusting the amortisation charges in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2.10. Impairment of assets

i. Impairment of financial assets

The Company recognises impairment loss on trade receivables using expected credit loss model, which involves use of a provision matrix prepared on the basis of historical credit loss experience for the past 5 years (current year 4 years) adjusted for current observable data to reflect the effects of the current conditions and its forecasts of future conditions that did not affect the period on which the historical data is based as permitted under Ind AS 109 as follows:

ii. Impairment of non financial assets

As at the end of each accounting year, the Company reviews the carrying amounts of its PPE, investment property, intangible assets and investments in subsidiary, associate and joint venture companies to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the said assets are tested for impairment so as to determine the impairment loss, if any.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is determined:

(i) in the case of an individual asset, at the higher of the net selling price and the value in use; and

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

The amount of value in use is determined as the present value of estimated future cash flows from the continuing use of an asset and from its disposal at the end of its useful life. For this purpose, the discount rate (pre-tax) is determined based on the weighted average cost of capital of the Company suitably adjusted for risks specified to the estimated cash flows of the asset.

For this purpose, a cash generating unit is ascertained as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss is recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit and Loss.

2.11. Employee benefits

a. Short term employee benefits:

Employee benefits such as salaries, wages, short term compensated absences, expected cost of bonus, ex-gratia and performance-linked rewards falling due wholly within twelve months of rendering the service are classified as short term employee benefits and are expensed in the period in which the employee renders the related service.

b. Post-employment benefits:

i. Defined contribution plans: The Company's superannuation scheme, state governed provident fund scheme, employee state insurance scheme and employee pension scheme are defined contribution plans. The contribution paid/payable under the schemes is recognised during the period in which the employee renders the related service.

ii. Defined benefit plans: The employees' gratuity fund schemes and employee provident fund schemes managed by board of trustees established by the Company, the post-retirement medical care plan and the company pension plan represent defined benefit plans. The present value of the obligation under such defined benefit plans is determined based on actuarial valuation using the Projected Unit Credit Method.

The obligation is measured at the present value of the estimated future cash flows using a discount rate based on the market yield on government securities of a maturity period equivalent to the weighted average maturity profile of the related obligations at the balance sheet date.

Remeasurement, comprising actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) and any change in the effect of asset ceiling (wherever applicable) is recognized in other comprehensive income and is reflected in retained earnings and the same is not eligible to be reclassified to profit or loss.

Defined benefit employee costs comprising current service cost, past service cost and gains or losses on settlements are recognised in the Statement of Profit and Loss as employee benefits expense. Interest cost implicit in defined benefit employee cost is recognised in the Statement of Profit and Loss under finance cost. Gains or losses on settlement of any defined benefit plan are recognised in profit or loss when such settlement occurs. Past service cost is recognised as expense at the earlier of the plan amendment or curtailment and when the Company recognises related restructuring costs or termination benefits.

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

In case of employees deputed overseas, the provision for end of service benefits is made as per the local laws of the respective countries.

c. Long term employee benefits:

The obligation for long term employee benefits such as long term compensated absences, post retirement medical benefit etc. is measured at present value of estimated future cash flows expected to be made by the Company and is recognised in a similar manner as in the case of defined benefit plans vide (b)(ii) above.

Long term employee benefit costs comprising current service cost and gains or losses on curtailments and settlements, remeasurements including actuarial gains and losses are recognised in the Statement of Profit and Loss as employee benefit expenses. Interest cost implicit in long term employee benefit cost is recognised in the Statement of Profit and Loss under finance cost.

Notes forming part of the accounts *(contd.)*

d. Termination benefits:

Termination benefits such as compensation under employee separation schemes are recognised as expense in the period in which they are incurred.

2.12. Leases

The determination of whether an agreement is, or contains, a lease is based on the substance of the agreement at the date of inception.

a. Finance leases:

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

ii. Assets given under lease where the Company has transferred substantially all the risks and rewards of ownership to lessee, are classified as finance leases. Assets given under a finance lease are recognised as a receivable at an amount equal to the net investment in the lease. Lease income is recognised over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

b. Operating leases:

i) Assets acquired on lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals on such assets are charged to the statement of profit and loss on a straight line basis over the term of the relevant lease.

ii) Assets leased out under operating lease are capitalised. Rental income is recognised on a straight line basis over the term of the relevant lease.

(Also refer to policy on depreciation).

2.13. Financial instruments

2.13.1 Initial recognition

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, that are not at fair value through profit or loss, are added to the fair value on initial recognition. Regular way purchase and sale of financial assets are accounted for at trade date.

2.13.2 Subsequent measurement

a. Non derivative financial instruments

(i) Financial assets carried at amortised cost:

A financial asset is subsequently measured at amortized cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets at fair value through other comprehensive income:

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company has made an irrevocable election for its investments which are classified as equity instruments to present the subsequent changes in fair value in other comprehensive income based on its business model. Further, in cases where the Company has made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

(iii) Financial assets at fair value through profit or loss:

A financial asset which is not classified in any of the above categories are subsequently fair valued through profit or loss.

(iv) Financial liabilities:

Financial liabilities are subsequently carried at amortized cost using the effective interest method, except for contingent consideration recognized in a business combination which is subsequently measured at fair value through profit or loss. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

(v) Investment in subsidiaries:

Investment in subsidiaries is carried at cost in the separate financial statements.

b. Derivative financial instruments

The Company holds derivative financial instruments such as foreign exchange forward contracts to mitigate the risk of changes in exchange rates on foreign currency exposures. The counterparty for these contracts is generally a bank.

(i) Financial assets or financial liabilities, at fair value through profit or loss:

This category has derivative financial assets or liabilities which are not designated as hedges.

Although the Company believes that these derivatives constitute hedges from an economic perspective, they may not qualify for hedge accounting under Ind AS 109, Financial Instruments. Any derivative that is either not designated as hedge, or is so designated but is ineffective as per Ind AS 109, is categorized as a financial asset or financial liability, at fair value through profit or loss.

Derivatives not designated as hedges are recognized initially at fair value and attributable transaction costs are recognized in net profit in the Statement of Profit and Loss when incurred. Subsequent to initial recognition, these derivatives are measured at fair value through profit or loss and the resulting exchange gains or losses are included in other income. Assets/ liabilities in this category are presented as current assets/current liabilities if they are either held for trading or are expected to be realized within 12 months after the Balance Sheet date.

(ii) Cash flow hedge:

The Company designates certain foreign exchange forward and options contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on highly probable forecast cash transactions.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the net profit in the Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the

hedging instrument recognized in cash flow hedging reserve till the period the hedge was effective remains in cash flow hedging reserve until the forecasted transaction occurs. The cumulative gain or loss previously recognized in the cash flow hedging reserve is transferred to the net profit in the Statement of Profit and Loss upon the occurrence of the related forecasted transaction. If the forecasted transaction is no longer expected to occur, then the amount accumulated in cash flow hedging reserve is reclassified to net profit in the Statement of Profit and Loss.

c. Share capital

Ordinary shares:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and buy back of ordinary shares are recognized as a deduction from equity, net of any tax effects.

2.13.3 Derecognition of financial instruments

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition under Ind AS 109. A financial liability (or a part of a financial liability) is derecognized from the Company's Balance Sheet when the obligation specified in the contract is discharged or cancelled or expires.

2.13.4 Fair value of financial instruments

In determining the fair value of its financial instruments, the Company uses a variety of methods and assumptions

Notes forming part of the accounts *(contd.)*

that are based on market conditions and risks existing at each reporting date. The methods used to determine fair value include discounted cash flow analysis, available quoted market prices and dealer quotes. All methods of assessing fair value result in general approximation of value, and such value may never actually be realized.

2.13.5 Impairment

The Company recognizes loss allowances using the expected credit loss (ECL) model for the financial assets which are not fair valued through profit or loss. Loss allowance for trade receivables with no significant financing component is measured at an amount equal to lifetime ECL. For all other financial assets, expected credit losses are measured at an amount equal to the 12-month ECL, unless there has been a significant increase in credit risk from initial recognition in which case those are measured at lifetime ECL. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized is recognized as an impairment gain or loss in the statement of profit or loss.

2.14. Inventories

Inventories are valued after providing for obsolescence, as under:

a. Raw materials, components, construction materials, stores, spares and loose tools at lower of weighted average cost or net realisable value. However, these items are considered to be realisable at cost if the finished products in which they will be used, are expected to be sold at or above cost.

b. Manufacturing work-in-progress at lower of weighted average cost including related overheads or net realisable value. In some cases, manufacturing work-in-progress are valued at lower of specifically identifiable cost or net realisable value. In the case of qualifying assets, cost also includes applicable borrowing costs vide policy relating to borrowing costs.

c. Finished goods and stock in trade (in respect of goods acquired for trading) at lower of weighted average cost or net realisable value. Cost includes related overheads and excise duty paid/payable on such goods.

2.15. Cash and bank balances

Cash and bank balances include fixed deposits, margin money deposits, earmarked balances with banks and other bank balances which have restrictions on repatriation. Short term and liquid investments being not free from more than insignificant risk of change in value, are not included as part of cash and cash equivalents.

2.16. Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of assets acquired on finance lease and exchange differences arising from foreign currency borrowings, to the extent they are regarded as an adjustment to interest costs.

Borrowing costs net of any investment income from the temporary investment of related borrowings, that are attributable to the acquisition, construction or production of a qualifying asset are capitalised/ inventorised as part of cost of such asset till such time the asset is ready for its intended use or sale. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.17. Employee stock option schemes of holding company

The Employees Stock Option Scheme (the Scheme) provides for grant of equity shares of Larsen & Toubro Limited (the holding company) to employees of the Company. The Scheme provides that employees are granted an option to subscribe to equity share of the holding company that vest in a graded manner. The options may be exercised within specified period. The holding company follows the fair value method to account for its stock based employee compensation plans. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

2.18. Foreign currencies

i. The functional currency and presentation currency of the Company is Indian Rupee.

ii. Transactions in currencies other than the Company's functional currency are recorded on initial recognition using the exchange rate at the transaction date.

iii. At each Balance Sheet date, foreign currency monetary items are reported using the closing rate. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

iv. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in profit or loss in the period in which they arise except for:
   a. exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and
   b. exchange differences on transactions entered into in order to hedge certain foreign currency risks.

v. Financial statements of foreign operations whose functional currency is different than Indian Rupee are translated into Indian Rupees as follows:
   a. assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet
   b. income and expenses for each income statement are translated at average exchange rates; and
   c. all resulting exchange differences are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve for subsequent reclassification to profit or loss on disposal of such foreign operations.

2.19. Taxes on income

Current tax

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

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and quantified using the tax rates and laws enacted or substantively enacted as on the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable temporary differences except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are generally recognised for all taxable temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets relating to unabsorbed depreciation/business losses/losses under the head "capital gains" are recognised and carried forward to the extent of available taxable temporary differences or where there is convincing other evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Presentation of current and deferred tax:

Current and deferred tax are recognized as income or an expense in the Statement of Profit and Loss, except when they relate to items that are recognized in Other Comprehensive Income, in which case, the current and deferred tax income/ expense are recognized in Other Comprehensive Income.

The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In case of deferred tax assets and deferred tax liabilities, the same are offset if the Company has a legally enforceable right to set off corresponding current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the Company.

Notes forming part of the accounts *(contd.)*

2.20. Interests in Joint operations

The Company as a joint operator recognises in relation to its interest in a joint operation, its share in the assets/ liabilities held/ incurred jointly with the other parties of the joint arrangement. Revenue is recognised for its share of revenue from the sale of output by the joint venture. Expenses are recognised for its share of expenses incurred jointly with other parties as part of the joint arrangement.

2.21. Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:

i. the Company has a present obligation (legal or constructive) as a result of a past event;

ii. it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

iii. a reliable estimate can be made of the amount of the obligation.

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

i. a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and

ii. a present obligation arising from past events, when no reliable estimate is possible.

Contingent assets are disclosed where an inflow of economic benefits is probable.

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

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

2.22. Commitments

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

i. Estimated amount of contracts remaining to be executed on capital account and not provided for;

ii. Uncalled liability on shares and other investments partly paid;

iii. Funding related commitment to subsidiary, associate and joint venture companies; and

iv. Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

Other commitments related to sales/procurements made in the normal course of business are not disclosed (except for related parties) to avoid excessive details.

2.23. Exceptional Items

On certain occasions, the size, type or incidence of an item of income or expense, pertaining to the ordinary activities of the Company, is such that its disclosure improves an understanding of the performance of the Company. Such income or expense is classified as an exceptional item and accordingly disclosed in the notes to accounts.

2.24. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. However, business combinations involving entities or businesses under common control are accounted using the pooling of interest method.

The difference between, the amount of Investment in transferor company, as appearing in books of transferee company, and share capital of the transferor company is transferred to capital reserve and presented separately from other capital reserves.

2.25. Statement of Cash flow

Cash flow statement is prepared segregating the cash flows from operating, investing and financing activities. Cash flow from operating activities is reported using indirect method,adjusting the net profits for the effects of:

i. transactions of a non-cash nature;

ii. any deferrals or accruals of past or future operating cash receipts or payments; and

iii. items of income or expense associated with investing or financing cash flows

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

2.26. Earnings per equity share

Basic earnings per equity share are computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share computed by dividing the net profit attributable to the equity holders of the Company by the weighted average number of equity shares considered for deriving basic earnings per equity share and also the weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

2.27. Unbilled revenue

Unbilled revenue (work-in-progress) represents value of services performed in accordance with the contract terms but not billed. Unbilled revenue is valued at net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.28. Events after Reporting date

Where events occurring after the Balance Sheet date provide evidence of conditions that existed at the end of the reporting period, the impact of such events is adjusted within the financial statements. Otherwise, events after the Balance Sheet date only of material size or nature are disclosed

2.29. Recent Accounting pronouncements

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind AS which the Company has not applied as they are effective for annual periods beginning on or after April 1, 2018:

Ind AS 115 - Revenue from Contracts with Customers

The core principle of the new standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Further the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective approach- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach)

The effective date for adoption of Ind AS 115 is financial periods beginning on or after April 1, 2018.

The Company will adopt the standard on April 1, 2018 by using the modified retrospective approach and accordingly comparatives for the year ending or ended March 31, 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.

Notes forming part of the accounts *(contd.)*

Appendix B to Ind AS 21 - Foreign currency transactions and advance consideration

Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency.

The amendment will come into force from April 1, 2018.

The Company has evaluated the effect of this on the financial statements and the impact is not material

NOTE 3 (I) : PROPERTY, PLANT AND EQUIPMENT

(₹ crore)

	COST				DEPRECIATION/AMORTISATION				NET BOOK VALUE	
	As at 01-04-2017	Additions	Disposal of assets	**As at 31-03-2018**	As at 01-04-2017	Additions	Disposal of assets	**As at 31-03-2018**	**As at 31-03-2018**	As at 01-04-2017
Land										
Free Hold	1.03	–	–	**1.03**	–	–	–	**–**	**1.03**	1.03
Lease Hold	92.44	–	–	**92.44**	1.92	1.01	–	**2.93**	**89.51**	90.52
Sub total - land	**93.47**	**–**	**–**	**93.47**	**1.92**	**1.01**	**–**	**2.93**	**90.54**	**91.55**
Buildings	164.46	2.04		**166.50**	17.77	6.44	–	**24.21**	**142.29**	146.69
Plant and equipment	634.15	18.98	2.72	**650.41**	140.77	66.38	0.71	**206.44**	**443.97**	493.38
Furniture and fixtures	7.02	1.23	0.34	**7.91**	0.26	1.29	0.12	**1.43**	**6.48**	6.76
Vehicles	27.96	1.98	0.93	**29.01**	7.98	4.89	0.60	**12.27**	**16.74**	19.98
Office equipments	10.19	4.32	0.27	**14.24**	4.30	2.56	0.16	**6.70**	**7.54**	5.89
Computers	21.60	10.00	0.96	**30.64**	8.75	6.84	0.86	**14.73**	**15.91**	12.85
Total	**958.85**	**38.55**	**5.22**	**992.18**	**181.75**	**89.41**	**2.45**	**268.71**	**723.47**	**777.10**
Add: Capital work in progress									**1.16**	3.68
Total - Tangible assets									**724.63**	780.78

NOTE 3 (II) : INTANGIBLE ASSETS

(₹ crore)

	COST				DEPRECIATION/AMORTISATION				NET BOOK VALUE	
	As at 01-04-2017	Additions	Disposal of assets	**As at 31-03-2018**	As at 01-04-2017	Additions	Disposal of assets	**As at 31-03-2018**	**As at 31-03-2018**	As at 01-04-2017
Computer software	19.63	0.68	–	**20.31**	17.51	0.77	–	**18.28**	**2.03**	2.12
Total- Computer software	**19.63**	**0.68**	**–**	**20.31**	**17.51**	**0.77**	**–**	**18.28**	**2.03**	**2.12**
Total - Intangible assets									**2.03**	2.12

Note:(i) a. Cost / valuation of freehold land includes ₹ 1.03 crore for which conveyance is yet to be completed.

b. Cost / valuation of leasehold land includes ₹ 70.66 crore for which agreement is yet to be executed.

(ii) Cost / valuation of buildings includes ₹ 15.08 crore for jetty for which the lease agreement is yet to be executed.

(iii) Depreciation, amortisation and obsolescence for the year on property, plant and equipment includes ₹ 0.05 crore (previous year: ₹ 0.36 crore) on account of obsolescence.

	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*
NOTE 4 : NON-CURRENT FINANCIAL ASSETS : INVESTMENTS		
Investments in equity instruments (at amortised cost)		
Investment in subsidiary companies		
Fully paid equity shares in subsidiary companies		
Larsen Toubro Arabia LLC (7,500 equity shares of SAR 1,000 each fully paid) (₹ 65)	**0.00**	*0.00*
L&T Atco Saudi LLC (1000 equity shares of SAR 1,000 each fully paid) (₹ 65)	**0.00**	–
L&T Modular Fabrication Yard LLC (20,19,230 shares of OMR 1 each) (₹ 172)	**0.00**	–
L&T Electromech LLC (2,10,000 shares of OMR 1 each) (₹ 172)	**0.00**	–
Investment in joint ventures and associates		
Fully paid equity shares in joint ventures and associate companies		
L&T Chiyoda Limited (45,00,000 equity shares of ₹ 10 each fully paid)	**52.93**	*52.93*
L&T Sapura Shipping Private Limited (9,53,11,850 equity shares of ₹ 10 each fully paid)	**104.51**	*104.51*
L&T Sapura Offshore Private Limited (6,000 equity shares of ₹ 10 each fully paid)	**0.01**	*0.01*
L&T Gulf Private Limited (40,00,016 equity shares of ₹ 10 each fully paid)	**10.79**	*10.79*
L&T Hydrocarbon Caspian LLC (9250 shares of AZM 10 each)	**0.36**	
Total Non-current Investments	**168.60**	*168.24*

Note:

Aggregate value of unquoted investments - Book value - ₹ 168.60 crore (PY ₹ 168.24 crore)

NOTE 5 : NON-CURRENT FINANCIAL ASSETS : TRADE RECEIVABLES

	As at March 31, 2018		*As at March 31, 2017*	
Particulars	**₹ crore**	**₹ crore**	*₹ crore*	*₹ crore*
Unsecured:				
Considered good	**3.74**		*49.27*	
Considered doubtful	**14.39**		*62.61*	
		18.13		*111.88*
Less: Allowance for doubtful debts		**14.39**		*62.61*
		3.74		*49.27*

Notes forming part of the accounts *(contd.)*

Particulars	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*
NOTE 6 : NON-CURRENT FINANCIAL ASSETS : LOANS		
Security deposits - Unsecured considered good		
Security deposits	**2.85**	*2.46*
Loans to related parties- Unsecured considered good		
Joint venture	**186.30**	
Others - Unsecured considered good		
Housing loan	**–**	*0.03*
	189.15	*2.49*
NOTE 7 : NON-CURRENT OTHER FINANCIAL ASSETS		
Fixed deposits with banks (maturity more than 12 months)		
Balance with scheduled banks fixed deposit with maturity more than 12 months (₹ 25,000)	**–**	*–*
Forward contract receivable	**38.57**	*30.32*
Embedded derivative receivable	**5.04**	*10.74*
	43.61	*41.06*

NOTE 8 : NON-CURRENT ASSETS : OTHER

Particulars	As at March 31, 2018 ₹ crore	₹ crore	*As at March 31, 2017 ₹ crore*	*₹ crore*
Capital advances		**0.32**		*–*
Other than capital advances				
Others				
Prepaid expenses	**–**		*0.61*	
Sales tax recoverable	**0.23**		*0.21*	
VAT recoverable	**22.56**		*22.54*	
Service tax recoverable	**0.26**		*–*	
Sales tax advance payment	**116.07**		*23.18*	
Income tax receivable net of provision for tax - prior years	**173.54**		*216.41*	
Current tax assets	**16.90**			
Balance with Customs	**–**	**329.56**	*10.80*	*273.75*
		329.88		*273.75*

Particulars	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*
NOTE 9 : CURRENT FINANCIAL ASSETS : INVENTORIES (at cost or net realisable value whichever is lower)		
Components	**0.59**	*0.52*
Construction materials (including materials in transit of ₹ 11.16 crore)	**11.16**	*0.18*
Work -in- progress	**34.06**	*74.90*
Stores and spares	**2.05**	*2.14*
	47.86	*77.74*

Particulars	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*
NOTE 10 : CURRENT FINANCIAL ASSETS : INVESTMENTS		
Investment in Mutual fund (quoted) carried at fair value through profit and loss	**1,202.00**	*1,400.63*
(Plan: CY: SBI Premier Liquid Fund - Direct Plan - Growth Unit balance: 31.03.2018 - 43,38,525.115)		
L&T Liquid Fund Direct Plan - Growth Unit Balance: 31.03.2018 - 84,030.277)		
PY: L&T Liquid Fund Direct Plan - Growth Unit balance: 31.03.2017 - 62,80,728)		
Market value of the above quoted investments is ₹ 1,202 Cr. (P.Y. ₹ 1400.63 Cr.)		
	1,202.00	*1,400.63*

NOTE 11 : CURRENT FINANCIAL ASSETS : TRADE RECEIVABLES

Particulars	As at March 31, 2018 ₹ crore	₹ crore	*As at March 31, 2017 ₹ crore*	*₹ crore*
Unsecured:				
Considered good	**1,915.20**		*1,075.35*	
Considered doubtful	**429.19**		*147.59*	
		2,344.39		*1,222.94*
Less: Allowance for doubtful debts		**429.19**		*147.59*
		1,915.20		*1,075.35*

Particulars	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*
NOTE 12 : CURRENT FINANCIAL ASSETS : CASH AND CASH EQUIVALENTS		
Balances with banks	**92.05**	*122.13*
Remittance in transit	**264.48**	*131.30*
Cash on hand	**0.16**	*0.25*
Fixed deposits with banks (maturity less than 3 months)	**900.27**	*42.71*
	1,256.96	*296.39*
NOTE 13 : CURRENT FINANCIAL ASSETS : OTHER BANK BALANCES		
Fixed deposit with banks including interest accrued thereon		
Maturity more than 3 months and less than 12 months	**0.10**	*4.32*
Margin money as security against borrowings and guarantees	**–**	*1.42*
	0.10	*5.74*
NOTE 14 : CURRENT FINANCIAL ASSETS : LOANS		
Security deposits - Unsecured considered good		
Security deposits	**3.39**	*5.78*
Earnest Money Deposit	**0.05**	*0.07*
Loans to related parties- Unsecured considered good		
Parent, subsidiary and fellow subsidiary companies	**470.26**	*5.52*
Other loans - current - Unsecured considered good		
Advances recoverable in cash or in kind	**0.31**	*0.20*
	474.01	*11.57*

Notes forming part of the accounts *(contd.)*

NOTE 15 : CURRENT FINANCIAL ASSETS : OTHERS

Particulars	As at March 31, 2018 ₹ crore	As at March 31, 2018 ₹ crore	*As at March 31, 2017 ₹ crore*	*As at March 31, 2017 ₹ crore*
Advances to related parties				
Parent, subsidiary and fellow subsidiary companies				
Current account balances		**258.79**		*201.32*
Joint ventures				
Current account balances		**15.94**		*65.46*
Advances recoverable in cash or in kind				
Forward contract receivable		**94.79**		*115.43*
Other loans and advances		**9.28**		*11.50*
Embedded derivative receivable		**28.00**		*115.64*
Doubtful other loan and advances	**34.57**		*39.01*	
Less: Allowance for doubtful loan and advances	**(34.57)**		*(39.01)*	
		–		*–*
		406.80		*509.35*

NOTE 16 : CURRENT ASSETS : OTHERS

Particulars	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*
Due from customers (construction and project related activity)	**893.90**	*582.85*
Retentions	**651.82**	*443.28*
Balances with customs, port trust etc.	**0.17**	*0.17*
Advance recoverable other than in cash	**422.49**	*496.88*
Current assets - others	**0.12**	*0.08*
	1,968.50	*1,523.26*

NOTE 17 : EQUITY SHARE CAPITAL

Note 17(i) : Authorised, issued, subscribed and paid up:

Particulars	As at March 31, 2018 Number of shares	As at March 31, 2018 ₹ crore	*As at March 31, 2017 Number of shares*	*As at March 31, 2017 ₹ crore*
Authorised:				
Equity shares of ₹ 10 each	**2,00,20,00,000**	**2,002.00**	*2,002,000,000*	*2,002.00*
Issued, subscribed and paid up:				
Equity shares of ₹ 10 each	**1,00,00,50,000**	**1,000.05**	*1,000,050,000*	*1,000.05*
		1,000.05		*1,000.05*

During P.Y. authorised share capital was increased to 2,00,20,00,000 shares of ₹ 10 each pursuant to the merger of its subsidiary, L&T Valdel Engineering Limited vide the order dated September 29, 2016 of the High Court, Bombay and order dated March 31, 2017 of the National Company Law Tribunal, Bengaluru Bench.

Notes forming part of the accounts *(contd.)*

Note 17(ii) : Reconciliation of the number of equity shares and share capital:

Particulars	As at March 31, 2018 Number of shares	As at March 31, 2018 ₹ crore	*As at March 31, 2017 Number of shares*	*As at March 31, 2017 ₹ crore*
Issued, subscribed and fully paid up equity shares outstanding at the beginning of the year:				
Equity shares of ₹ 10 each	**1,000,050,000**	**1,000.05**	*1,000,050,000*	*1,000.05*
Issued, subscribed and fully paid up equity shares outstanding at the end of the year:				
Equity shares of ₹ 10 each	**1,000,050,000**	**1,000.05**	*1,000,050,000*	*1,000.05*

Note 17(iii) : Terms/rights attached to equity shares

Equity shares of the Company are issued at a par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share.

17(iv) : Shareholders holding more than 5% of equity share as at the end of the quarter:

Particulars	As at March 31, 2018 Number of shares	As at March 31, 2018 Shareholding %	*As at March 31, 2017 Number of shares*	*As at March 31, 2017 Shareholding %*
Larsen & Toubro Limited:				
Equity shares of ₹ 10 each	**1,000,050,000**	**100%**	*1,000,050,000*	*100%*

Note 17(v) : In the period of five years immediately preceding March 31, 2018:

There are no shares allotted pursuant to contract without payment being received in cash.

There are no shares allotted by way of bonus shares.

There are no shares bought back.

Particulars	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*
NOTE 18 :		
Note 18(i) : Instruments entirely equity in nature		
Preference share capital	**760.00**	*760.00*
	760.00	*760.00*

Notes forming part of the accounts *(contd.)*

Note 18(ii) : Reconciliation of the number of preference shares and preference share capital:

Particulars	As at March 31, 2018 Number of shares	As at March 31, 2018 ₹ crore	*As at March 31, 2017 Number of shares*	*As at March 31, 2017 ₹ crore*
Issued, subscribed and fully paid up preference shares outstanding at the beginning of the year:				
10% Preference shares of ₹ 10 each	**500,000,000**	**500.00**	*500,000,000*	*500.00*
12% Preference shares of ₹ 10 each	**260,000,000**	**260.00**	*260,000,000*	*260.00*
Issued, subscribed and fully paid up preference shares outstanding at the end of the year:				
10% Preference shares of ₹ 10 each	**500,000,000**	**500.00**	*500,000,000*	*500.00*
12% Preference shares of ₹ 10 each	**260,000,000**	**260.00**	*260,000,000*	*260.00*

Note 18(iii) : Preference dividend during the year

During the year ended March 31, 2018, the company paid the interim dividend of ₹ 60.90 Cr. and dividend distribution tax of ₹12.40 Cr.

Note 18(iv) : Terms/rights attached to preference shares

Existing 10% and 12% convertible preference shares are with rights and privileges as provided below:

1. Dividend payable is non-cumulative
2. Preference shares are convertible at the option of issuer in the following ratio: 1 preference share of ₹ 10 will be convertible into 1 equity share of ₹ 10 at par.
3. Tenure of preference shares will be 15 years.
4. Company has the option to redeem preference shares at any time.
5. There is no restriction on distribution of dividend and repayment of capital.

Note 18(iv) : Shareholders holding more than 5% of preference shares as at the end of the year:

Particulars	As at March 31, 2018 Number of shares	As at March 31, 2018 Shareholding %	*As at March 31, 2017 Number of shares*	*As at March 31, 2017 Shareholding %*
Larsen & Toubro Limited:				
10% Preference shares of ₹ 10 each	**500,000,000**	**100%**	*500,000,000*	*100%*
12% Preference shares of ₹ 10 each	**260,000,000**	**100%**	*260,000,000*	*100%*

Particulars	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*

NOTE 19 : OTHER EQUITY

Capital reserve	**0.32**	*0.32*
Capital reserve on business combination	**(59.33)**	*(59.33)*
Capital redemption reserve	**0.13**	*0.13*
General reserve	**1.21**	*1.21*
Hedging reserve (net of tax)	**50.13**	*(77.76)*
Retained earnings	**257.34**	*(78.95)*
	249.80	*(214.38)*

NOTE 20 : NON CURRENT FINANCIAL LIABILITIES : OTHERS

Forward contract payable	**0.36**	–
Embedded derivatives payable	**3.60**	*10.02*
	3.96	*10.02*

NOTE 21 : NON CURRENT PROVISIONS

Provision for employee benefits		
Post-retirement medical benefits plan	**15.30**	*13.72*
	15.30	*13.72*

NOTE 22 : CURRENT FINANCIAL LIABILITIES : BORROWINGS

	As at March 31, 2018			*As at March 31, 2017*		
Particulars	**Secured ₹ crore**	**Unsecured ₹ crore**	**Total ₹ crore**	*Secured ₹ crore*	*Unsecured ₹ crore*	*Total ₹ crore*
Loans repayable on demand from banks	–	–	–	*0.39*	–	*0.39*
Short term loans and advances from banks	–	–	–	*13.01*	*28.02*	*41.03*
Loans from related parties	–	–	–	–	*2.23*	*2.23*
(Inter corporate borrowing from Holding Company)						
	–	–	–	*13.40*	*30.25*	*43.65*

Note:

Loans guaranteed by directors ₹ Nil (previous year ₹ Nil).

P.Y. Loans repayable on demand from banks include fund based working capital facilities viz. cash credits and demand loans. Working capital facilities and

other non-fund based facilities viz. bank guarantees and letters of credit, are secured by hypothecation of inventories, book debts and receivables.

Notes forming part of the accounts *(contd.)*

Particulars	As at 31-03-2018 ₹ crore	*As at 31-03-2017 ₹ crore*
NOTE 23 : CURRENT FINANCIAL LIABILITIES : TRADE PAYABLE		
Total outstanding dues of micro, small and medium enterprises	**24.97**	*8.47*
Total outstanding dues of creditors other than micro small and medium enterprises		
Due to related parties:		
Holding Company	**98.40**	*82.65*
Subsidiary and fellow subsidiary companies	**427.61**	*60.16*
Joint venture companies	**136.96**	*71.38*
Acceptances	**21.35**	*1.13*
Due to others	**2,783.96**	*1,465.44*
	3,493.25	*1,689.23*
NOTE 24 : CURRENT FINANCIAL LIABILITIES : OTHERS		
Forward contracts payable	**17.22**	*112.91*
Embedded derivative payable	**70.50**	*73.47*
Due to creditors for capital goods/ services	**7.76**	*9.80*
Other payable	**125.24**	*103.30*
	220.72	*299.48*
NOTE 25 : CURRENT LIABILITIES : OTHERS		
Due to customers (construction related activity)	**2,636.71**	*1,680.41*
Advances from customers	**219.03**	*599.44*
Other payable (including sales tax, service tax and GST)	**126.13**	*397.14*
	2,981.87	*2,676.99*

Particulars	As at March 31, 2018 ₹ crore	₹ crore	*As at March 31, 2017 ₹ crore*	*₹ crore*
NOTE 26 : CURRENT LIABILITIES : PROVISIONS				
Provision for employee benefits				
Gratuity	**10.95**		*20.06*	
Compensated absences	**69.52**		*68.82*	
Post-retirement medical benefits plan	**0.04**		*0.02*	
Bonus provision	**1.00**		*0.90*	
		81.51		*89.80*
Tax on dividend		**12.40**		
Others:				
Other provisions	**57.04**		*61.54*	
		57.04		*61.54*
		150.95		*151.34*

Particulars	As at March 31, 2018 ₹ crore	₹ crore	*As at March 31, 2017 ₹ crore*	*₹ crore*
NOTE 27 : CURRENT TAX LIABILITIES (NET)				
Provision for current year tax		–		*128.45*
Less: Tax deducted at source		–		*81.63*
		–		*46.82*

Particulars	2017-18 ₹ crore	₹ crore	*2016-17 ₹ crore*	*₹ crore*
NOTE 28 : REVENUE FROM OPERATIONS				
Sale of products				
Manufacturing activity		**327.48**		*394.92*
Sale of services				
Construction and project related activity	**10,540.54**		*8,081.46*	
Servicing fees	**9.14**			
Commission	–		*(0.74)*	
Engineering and service fees	**87.85**		*55.36*	
		10,637.53		*8,136.08*
Other operating revenue				
Income from hire of plant and equipment	**27.60**		*20.73*	
Technical fees	**3.94**		*4.57*	
Income from services to Group companies	**18.36**		*11.04*	
Premium earned (net) on related forward exchange contract	**0.14**		*(0.44)*	
Insurance claim recoveries	–		*212.49*	
Miscellaneous income	**29.30**		*7.22*	
		79.34		*255.61*
		11,044.35		*8,786.61*

Particulars	2017-18 ₹ crore	*2016-17 ₹ crore*
NOTE 29 : OTHER INCOME		
Interest income - Group companies	**109.25**	*40.13*
Interest income - others	**16.57**	*4.96*
Profit/(loss) on sale of current investments (net)	**3.43**	*1.57*
Profit/(loss) on fair valuation of investments designated at fair value through Profit & Loss (net)	**1.37**	*0.63*
Profit/(loss) on sale of fixed assets (net)	**0.48**	*1.87*
Miscellaneous income	**2.22**	*9.16*
	133.32	*58.32*

Notes forming part of the accounts *(contd.)*

Particulars	2017-18 ₹ crore	₹ crore	2016-17 ₹ crore	₹ crore
NOTE 30 : MANUFACTURING, CONSTRUCTION AND OPERATING EXPENSES				
Materials consumed				
Raw materials and components [Note Q(22)(b)]	**4,239.99**		*3,392.51*	
Less: scrap sales	**37.34**		*24.39*	
		4,202.65		*3,368.12*
Excise duty		**11.42**		*3.67*
Construction materials		**604.72**		*91.29*
Sub-contracting charges		**3,284.28**		*2,623.95*
Changes in inventories of work-in-progress and stock-in-trade:				
Closing stock:				
Work-in-progress	**116.38**		*106.28*	
Less: opening stock:				
Work-in-progress	**106.28**		*122.93*	
		(10.10)		*16.65*
Other manufacturing, construction and operating expenses:				
Stores,spares and tools consumed	**41.31**		*51.41*	
Power and fuel	**104.99**		*60.68*	
Packing and forwarding	**12.28**		*5.48*	
Hire charges - plant and equipment and others	**224.94**		*185.09*	
Engineering, technical and consultancy fees	**478.34**		*285.58*	
Insurance	**35.89**		*12.66*	
Rent	**62.81**		*51.88*	
Rates and taxes	**11.45**		*8.12*	
Travelling and conveyance	**93.58**		*89.47*	
Repairs to plant and equipment	**5.78**		*5.37*	
Repairs to buildings	–		*5.42*	
General repairs and maintenance	**41.33**		*55.55*	
Bank guarantee charges	**19.93**		*25.33*	
Miscellaneous expenses	**36.57**		*50.85*	
		1,169.20		*892.89*
		9,262.17		*6,996.57*

Notes forming part of the accounts *(contd.)*

Particulars	2017-18 ₹ crore	₹ crore	*2016-17* *₹ crore*	*₹ crore*
NOTE 31 : EMPLOYEE BENEFITS EXPENSE				
Salaries, wages and bonus		**627.72**		*610.03*
Contribution to and provision for:				
Provident funds and pension fund	**14.99**		*15.34*	
Superannuation/ employee pension schemes	**0.09**		*0.13*	
Gratuity provision	**5.74**		*5.99*	
		20.82		*21.46*
Expenses on Employee Stock Option Schemes of holding company		**3.69**		*7.96*
Insurance expenses-medical and others		**11.83**		*9.83*
Staff welfare expenses		**51.23**		*47.16*
		715.29		*696.44*
NOTE 32 : FINANCE COSTS				
Interest expenses		**3.37**		*21.73*
Interest cost - Ind AS 19		**5.04**		*4.45*
Exchange loss (attributable to finance costs)		**–**		*1.83*
		8.41		*28.01*
NOTE 33 : OTHER EXPENSES				
Power and fuel		**3.28**		*3.47*
Packing and forwarding		**9.96**		*4.00*
Professional fees		**52.79**		*33.05*
Payment to auditor		**0.52**		*0.63*
Insurance		**2.20**		*3.12*
Rent		**6.22**		*5.20*
Rates and taxes		**2.22**		*2.28*
Travelling and conveyance		**15.00**		*13.49*
Repairs to buildings		**1.28**		*1.16*
General repairs and maintenance		**15.98**		*13.59*
Directors' fees		**0.12**		*0.24*
Telephone, postage and telegrams		**8.73**		*7.08*
Advertising and publicity		**0.70**		*1.12*
Stationery and printing		**5.03**		*5.37*
Commission		**0.04**		*0.01*
Bank charges		**8.47**		*5.72*
Overheads charged by Holding Company		**123.67**		*88.18*
Corporate social responsibility		**6.98**		*4.01*
Miscellaneous expenses		**27.84**		*16.04*
Bad debts and advances written off	**13.41**		*47.38*	
Less: Allowance for doubtful debts and advances written back	**(9.81)**		*(37.96)*	
		3.60		*9.42*
Allowance for doubtful debts and advances (net)		**243.18**		*30.16*
Provision / (reversal)for foreseeable losses on construction contracts		**(59.04)**		*18.17*
Exchange (gain) /loss (net)		**(14.05)**		*49.08*
Other provisions		**(4.50)**		*11.68*
		460.22		*326.27*

Notes forming part of the accounts *(contd.)*

NOTE 34 : CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent liabilities

(₹ crore)

Particulars	As at 31-03-2018	*As at 31-03-2017*
Claims against the company not acknowledged as debt		
(a) Sales-tax liability that may arise in respect of matters in appeal	**30.27**	*16.10*
(b) Excise duty/service tax liability that may arise in respect of matters in appeal/challenged by the Company	**6.37**	*6.74*
(c) Income-tax liability (including penalty) that may arise in respect of which the Company is in appeal	**3.08**	*24.76*

Notes:

1. The Company does not expect any reimbursements in respect of the above contingent liabilities.
2. It is not practicable to estimate the timing of cash outflows, if any, in respect of matters at (a) to (c) above pending resolution of the appellate proceedings.

B. Commitments

(₹ crore)

Particulars	As at 31-03-2018	*As at 31-03-2017*
Pending capital orders	**11.15**	*15.81*
Less: Capital provisions	**(2.64)**	*(2.64)*
Less: Capital advance	**–**	*(0.43)*
Pending capital orders tangible assets	**0.03**	*–*
Pending capital orders intangible assets	**–**	*0.31*
	8.54	*13.05*

NOTE 35 :
DISCLOSURE PURSUANT TO SECTION 186 OF THE COMPANIES ACT, 2013:

Sr no	Nature of the transaction and name of the related party	Purpose for which the loan is proposed to be utilized by the recipient	31.3.2018	*31.3.2017*
A	**Loans:**			
1	Parent company:			
	Larsen & Toubro Limited	Working capital	**129.91**	*5.52*
2	Subsidiary company:			
	Larsen Toubro Arabia LLC	Working capital and project funding	**340.35**	*–*
3	Joint venture:			
	L&T Sapura Shipping Pvt Ltd	Repayment of bank term loan	**186.30**	*–*
	Total			*–*
B	**Investments:**			
1	Non-current investment in fully paid equity instruments (Note 4)		**168.60**	*168.24*
2	Current investments (Note 10)		**20.01**	*1,400.63*

Note: Subsidiary classification is in accordance with the Companies Act, 2013.

NOTE 36 :

DISCLOSURES PURSUANT TO INDIAN ACCOUNTING STANDARD (IND AS) 1 "PRESENTATION OF FINANCIAL STATEMENTS"

Current assets and current liabilities expected to be realized/settled after 12 months from the reporting date

(₹ crore)

	Particulars	Note	As at 31.3.2018			*As at 31.3.2017*		
			Within twelve months	**After twelve months**	**Total**	*Within twelve months*	*After twelve months*	*Total*
	Current assets							
1	Inventories	9	47.86	–	47.86	*77.74*	*–*	*77.74*
2	Investments	10	1,202.00	–	1,202.00	*1,400.63*	*–*	*1,400.63*
3	Trade receivables	11	1,915.20	–	1,915.20	*1,075.35*	*–*	*1,075.35*
4	Loans	14	471.17	2.83	474.01	*7.47*	*4.10*	*11.57*
5	Other financial assets	15	406.80	–	406.80	*509.35*	*–*	*509.35*
6	Other current assets	16	1,500.41	468.09	1,968.50	*1,095.20*	*428.06*	*1,523.26*
	Current liabilities							
1	Borrowings	22	–	–	–	*43.65*	*–*	*43.65*
2	Trade payables	23	3,425.70	67.55	3,493.25	*1,524.10*	*165.13*	*1,689.23*
3	Other financial liabilities	24	220.72	–	220.72	*297.42*	*2.06*	*299.48*
4	Other current liabilities	25	2,941.72	40.15	2,981.87	*2,553.48*	*123.51*	*2,676.99*
5	Provisions	26	135.80	15.15	150.95	*142.31*	*9.03*	*151.34*

NOTE 37

Disclosures pursuant to Indian Accounting Standard (Ind AS) 11 "Construction Contracts":

(₹ crore)

	Particulars	31.3.2018	*31.3.2017*
i)	Contract revenue recognized for the financial year [Note 28]	**10,540.54**	*8,081.46*
ii)	Aggregate amount of contract costs incurred and recognized profits (less recognized losses*) as at the end of the financial year for all contracts in progress as at that date	**32,341.02**	*25,179.65*
iii)	Amount of customer advances outstanding for contracts in progress as at the end of the financial year	**199.39**	*544.14*
iv)	Retention amounts by customers for contracts in progress as at the end of the financial year	**644.30**	*443.07*

* Includes provision for foreseeable losses ₹ 45.99 crore (previous year ₹ 105.03 crore)

Notes forming part of the accounts *(contd.)*

NOTE 38

Disclosures pursuant to Indian Accounting Standard (Ind AS) 12 "Income Taxes":

a) Major components of net deferred tax assets and liabilities for the year ended March 31, 2018 are as follows:

(₹ crore)

Particulars	Deferred tax liabilities/ (assets) as at 31-3-2017	Charge/ (credit) to statement of profit and loss	MAT utilized during the year against provision	Charge/ (credit) to other comprehensive income	Deferred tax liabilities/ (assets) as at 31-3-2018
Deferred tax liabilities:					
Difference between book and tax depreciation	*57.97*	28.32			86.29
Disputed statutory liabilities paid and claimed as deduction for tax purposes but not debited to the Statement of Profit and Loss	*1.63*	0.01			1.64
Other items giving rise to timing differences	–	0.48			0.48
Total	**59.60**	**28.81**			**88.41**
Deferred tax (assets):					
Provision for doubtful debts and advances debited to the Statement of Profit and Loss	*(86.16)*	(80.87)			(167.03)
Loss on derivative transactions to be claimed for tax purposes in the year of transfer to the Statement of Profit and Loss	*(41.15)*			68.08	26.93
Unpaid statutory liabilities/provision for compensated absences debited to the Statement of Profit and Loss	*(18.05)*	(5.74)			(23.79)
Accumulated losses	*(11.65)*	11.65			–
Unabsorbed depreciation	*(36.78)*	36.78			–
ICDS adjustments	*22.59*	(48.91)			(26.32)
Total	*(171.19)*	(87.10)		68.08	(190.21)
Net deferred tax liability/(assets)	*(111.59)*	(58.29)		68.08	(101.80)
MAT credit entitlement	*(147.59)*	16.63	89.93		(41.03)
Total deferred tax liability/(assets)	*(259.18)*	(41.66)	89.93	68.08	(142.83)

(₹ crore)

Particulars	Deferred tax liabilities/ (assets) as at 31-3-2016	Charge/ (credit) to statement of profit and loss	Charge/ (credit) to other comprehensive income	Deferred tax liabilities/ (assets) as at 31-3-2017
Deferred tax liabilities:				
Difference between book and tax depreciation	57.42	0.55		57.97
Disputed statutory liabilities paid and claimed as deduction for tax purposes but not debited to the statement of profit and loss	1.63			1.63

(₹ crore)

Particulars	Deferred tax liabilities/ (assets) as at 31-3-2016	Charge/ (credit) to statement of profit and loss	Charge/ (credit) to other comprehensive income	Deferred tax liabilities/ (assets) as at 31-3-2017
Total	59.05	0.55	–	59.60
Deferred tax (assets):				
Provision for doubtful debts and advances	(88.86)	2.70		(86.16)
Loss on derivative transactions to be claimed for tax purposes in the year of transfer to the statement of profit and loss	(5.97)		(35.18)	(41.15)
Unpaid statutory liabilities/provision for compensated absences	(15.11)	(2.94)		(18.05)
Accumulated losses	(221.17)	209.53		(11.65)
Unabsorbed depreciation	(36.22)	(0.56)		(36.78)
ICDS adjustments	(35.18)	57.77		22.59
Total	**(402.51)**	**266.50**	**(35.18)**	**(171.19)**
Net deferred tax liability/(assets)	**(343.46)**	**267.05**	**(35.18)**	**(111.59)**
MAT credit entitlement	**(19.14)**	**(128.45)**	**–**	**(147.59)**
Total deferred tax liability/(assets)	**(362.60)**	**138.60**	**(35.18)**	**(259.18)**

b) The major components of tax expense for the year ended March 31, 2018 and March 31, 2017:

(₹ crore)

Sr. No.	Particulars	31-3-2018	*31-3-2017*
(a)	Profit or Loss section		
	Current Income tax :		
	Current income tax charge	**276.36**	
	Effect of prior period adjustments	**1.03**	
	Deferred tax:		
	Relating to origination and reversal of temporary differences	**(53.31)**	*57.52*
	Effect of previously unrecognised tax losses and tax offsets used during the current year to reduce deferred tax expense	**11.65**	*209.52*
	Income tax expense reported in the statement of profit or loss	**235.73**	*267.04*
(b)	Other comprehensive income (OCI):		
	Current tax:		
	Net loss/ (gain) on remeasurement of defined benefit plans	**2.10**	*0.01*
	Income tax expense reported in OCI	**2.10**	*0.01*

Notes forming part of the accounts *(contd.)*

c) Reconciliation of Income tax expense and rate

(₹ crore)

		2017-18		*2016-17*	
	Profit before tax		**641.35**		*703.36*
	Corporate income tax rate as per Income-tax Act, 1961		**34.61%**		*34.61%*
	Expected income tax on accounting profit		**221.97**		*243.43*
	Tax effect of adjustment to reconcile expected income tax expense to reported income tax expense:				
1	Income exempt from tax - SEZ exemption	**(5.95)**		*(5.96)*	
2	Weighted deduction on R&D expenditure	**(3.48)**		*(5.09)*	
3	Payment to Gratuity trust on approval of fund	**(2.34)**		*–*	
4	Tax on expenses not tax deductible	**2.82**		*1.48*	
5	Accounting adjustments for deferred tax	**23.97**		*14.47*	
6	Effect of change in corporate income tax rate - increase in cess by 1%	**(1.09)**		*–*	
7	Tax effect on various other items	**(0.17)**		*0.59*	
8	Opening Ind AS adjustments	**–**		*18.12*	
	Tax effect of adjustments		**13.76**		*23.61*
	Tax expense as per statement of profit and loss:				
1	Current Tax	**277.39**		*–*	
2	Deferred Tax	**(41.66)**		*267.04*	
	Tax expense recognized during the year		**235.73**		*267.04*
	Effective tax rate		**36.76%**		*37.97%*

NOTE 39

Disclosure in respect of leases pursuant to Ind AS 17 "Leases":

Where the Company is a lessee:

Operating leases:

i) The Company has taken various commercial premises and plant and equipment under cancellable operating leases. These lease agreements are normally renewed on expiry.

i) [a] The Company has taken certain assets on non-cancellable operating leases, the future minimum lease payments in respect of which are as follows:

(₹ crore)

Particulars	31-03-2018	*31-03-2017*
1. Payable not later than 1 year	**3.30**	*4.38*
2. Payable later than 1 year and not later than 5 years	**12.75**	*11.87*
3. Payable later than 5 years		*–*
Total	**16.05**	*16.25*

[b] The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period. There are no exceptional / restrictive covenants in the lease agreements.

ii) Lease rental expense in respect of operating leases: ₹ 22.05 crore (previous year: ₹ 33.41 crore)

iii) Contingent rent recognised in the statement of profit and loss: Nil (previous year: Nil)

NOTE 40

Disclosure pursuant to Indian Accounting Standard (Ind AS) 19 "Employee Benefits"

1. Defined contribution plans: [Note 2.11] Amount of ₹ 6.03 crore (previous year ₹ 6.81 crore) is recognised as an expense.

2. Defined benefit plans: [Note 2.11]

a) Defined benefit plans:

(₹ crore)

Particulars	Gratuity plan		Post-retirement medical benefit plan		Company pension plan		Trust-managed provident fund plan	
	As at 31.03.18	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*
A) Present value of defined benefit obligation								
- Wholly funded	**35.88**	*26.66*	**–**	*–*	**–**	*–*	**280.75**	*238.82*
- Wholly non-funded	**10.95**	*20.35*	**15.34**	*13.74*	**2.98**	*4.65*	**–**	*–*
Less: Fair value of plan assets	**35.88**	*26.66*	**–**	*–*	**–**	*–*	**283.12**	*240.29*
Amount to be recognised as liability or (asset)	**10.95**	*20.35*	**15.34**	*13.74*	**2.98**	*4.65*	**(2.37)**	*(1.47)*
B) Amounts reflected in the balance sheet								
-Liabilities	**10.95**	*20.35*	**15.34**	*13.74*	**2.98**	*4.65*	**2.65**	*2.31*
-Assets								
Net liability/(asset)	**10.95**	*20.35*	**15.34**	*13.74*	**2.98**	*4.65*	**2.65**	*2.31*
Net liability/(asset) - current	**10.95**	*20.35*	**0.04**	*0.02*	**0.06**	*0.21*	**2.65**	*2.11*
Net liability/(asset) - Non current	**–**	*–*	**15.30**	*13.72*	**2.92**	*4.44*	**–**	*0.20*

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

(₹ crore)

Particulars	Gratuity plan		Post-retirement medical benefit plan		Company pension plan		Trust-managed provident fund plan	
	As at 31.03.18	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*
1. Current service cost	**5.70**	*5.98*	**1.28**	*1.09*	**0.15**	*0.01*	**9.49**	*8.92*
2. Interest cost	**2.47**	*2.31*	**0.99**	*0.88*	**0.33**	*0.33*	**21.20**	*18.83*
3. Interest income on plan assets	**(1.87)**	*(1.90)*	**–**	*–*	**–**	*–*	**(21.20)**	*(18.83)*
4. Actuarial losses/(gains)	**(3.25)**	*(0.26)*	**(0.67)**	*0.39*	**(2.15)**	*0.01*	**(1.54)**	*(2.11)*
5. Actuarial gain/(loss) not recognised in books	**–**	*–*	**–**	*–*	**–**	*–*	**1.54**	*2.11*
Total (1 to 5)	**3.05**	*6.13*	**1.60**	*2.36*	**(1.67)**	*0.35*	**9.49**	*8.92*
i. Amount included in "employee benefits expense"	**5.70**	*5.98*	**1.28**	*1.09*	**0.15**	*0.01*	**9.49**	*8.92*

Notes forming part of the accounts *(contd.)*

(₹ crore)

Particulars	Gratuity plan		Post-retirement medical benefit plan		Company pension plan		Trust-managed provident fund plan	
	As at 31.03.18	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*
ii. Amount included as part of "finance cost"	**0.60**	*0.41*	**0.99**	*0.88*	**0.33**	*0.33*	**–**	*–*
iii. Amount included as part of "Other comprehensive income"	**(3.25)**	*(0.26)*	**(0.67)**	*0.39*	**(2.15)**	*0.01*	**–**	*–*
Total (i+ii+iii)	**3.05**	*6.13*	**1.60**	*2.36*	**(1.67)**	*0.35*	**9.49**	*8.92*
Actual return on plan assets	**2.20**	*3.26*	**–**	*–*	**–**	*–*	**22.74**	*20.94*

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

(₹ crore)

Particulars	Gratuity plan		Post-retirement medical benefit plan		Company pension plan		Trust-managed provident fund plan	
	As at 31.03.18	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*
Opening balance of the present value of defined benefit obligation	**47.01**	*39.57*	**13.74**	*11.38*	**4.65**	*4.31*	**238.82**	*220.55*
Add: Current service cost	**5.70**	*5.98*	**1.28**	*1.09*	**0.15**	*0.01*	**9.49**	*8.92*
Add: Interest cost	**2.47**	*2.31*	**0.99**	*0.88*	**0.33**	*0.33*	**21.20**	*18.83*
Add: Contribution by plan participants								
i) Employer								
ii) Employee							**22.09**	*20.73*
iii) Transfer-in/(out)							**(0.97)**	*(2.71)*
Add/(less): Actuarial losses/(gains)								
ii) Actuarial (gains)/losses arising from changes in financial assumptions	**(1.60)**	*2.17*	**(1.61)**	*1.62*	**(2.15)**	*0.63*		
iii) Actuarial (gains)/losses arising from changes in experience adjustments	**(1.33)**	*(1.04)*	**0.94**	*(1.23)*		*(0.62)*		
Less: Benefits paid	**(5.46)**	*(4.91)*					**(26.45)**	*(28.86)*
Add: Liabilities assumed on transfer of employees	**–**						**16.57**	*1.37*
Add: Business combination	**–**	*2.93*						
Closing balance of the present value of defined benefit obligation	**46.83**	*47.01*	**15.34**	*13.74*	**2.98**	*4.65*	**280.75**	*238.82*

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

(₹ crore)

Particulars	Gratuity plan		Trust-managed provident fund plan	
	As at 31.03.18	*As at 31.03.17*	**As at 31.03.18**	*As at 31.03.17*
Opening balance of the fair value of the plan assets	**26.67**	*25.34*	**240.29**	*221.12*
Add: Interest income on plan assets*	**1.87**	*1.90*	**21.20**	*18.83*
Add/(Less): Actuarial gains/(losses)				
(a) Difference between actual return on plan assets and interest income	**0.33**	*1.36*	**1.54**	*2.11*
(b) Others				
Add: Contribution by the employer	**9.86**	*0.60*	**9.41**	*10.32*
Add/(less) : Transfer in/(out)			**15.60**	*(2.71)*
Add: Contribution by plan participants			**21.53**	*19.47*
Add: Liabilities assumed on transfer of employees				
Add: Business combination		*2.39*		
Less: Benefits paid	**(2.85)**	*(4.91)*	**(26.45)**	*(28.86)*
Add: Adjustment for earlier years				
Less: Settlements				
Closing balance of the plan assets	**35.88**	*26.67*	**283.12**	*240.29*

* Basis used to determine interest income on plan assets:

The trust formed by the holding company manages the investments of provident fund. Investments of gratuity fund is managed by the trust formed by the Company. Interest income on plan assets is determined by multiplying the fair value of the plan assets by the discount rate stated in (f) (i) below both determined at the start of the annual reporting period.

e) The major categories of plan assets are as follows:

(₹ crore)

Particulars	Gratuity plan					
	Quoted	**Unquoted**	**Total**	*Quoted*	*Unquoted*	*Total*
	As at 31.03.18			*As at 31.03.17*		
Cash and cash equivalents					*0.43%*	*0.43%*
Equity instruments					*2.45%*	*2.45%*
Debt instruments - Corporate Bonds	**13.00%**		**13.00%**		*34.25%*	*34.25%*
Debt instruments - Central government Bonds	**78.00%**		**78.00%**		*21.84%*	*21.84%*
Debt instruments - State government Bonds					*20.58%*	*20.58%*
Debt instruments - PSU Bonds					*9.95%*	*9.95%*
Mutual funds - Equity					*10.09%*	*10.09%*
Mutual funds - Debt					*0.06%*	*0.06%*
Mutual funds - Others					*0.00%*	*0.00%*
Fixed Deposits					*0.21%*	*0.21%*
Special Deposit Scheme					*0.14%*	*0.14%*
Insurer managed funds		**8.00%**	**8.00%**			
Others		**1.00%**	**1.00%**			

(₹ crore)

Notes forming part of the accounts *(contd.)*

Particulars	Trust-managed provident fund plan			*Trust-managed provident fund plan*		
	Quoted	**Unquoted**	**Total**	*Quoted*	*Unquoted*	*Total*
	As at 31.03.18			*As at 31.03.17*		
Cash and cash equivalents		**0.18%**	**0.18%**			*0*
Equity instruments			**0**			*0*
Debt instruments - Corporate Bonds	**15.05%**	**3.00%**	**18.05%**		*14.50%*	*14.50%*
Debt instruments - Central government Bonds	**23.32%**		**23.32%**		*20.45%*	*20.45%*
Debt instruments - State government Bonds	**20.32%**		**20.32%**		*21.19%*	*21.19%*
Debt instruments - PSU Bonds	**12.97%**	**16.57%**	**29.54%**		*32.84%*	*32.84%*
Mutual funds - Equity	**2.42%**	**0.43%**	**2.85%**			*0*
Mutual funds - Debt			**0**			*0*
Mutual funds - Others	**0.01%**	**0.14%**	**0.15%**		*2.64%*	*2.64%*
Fixed Deposits			**0**			*0*
Others		**(0.56%)**	**(0.56%)**			
Special Deposit Scheme		**6.13%**	**6.13%**		*8.38%*	*8.38%*

f) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

(₹ crore)

	Particulars	31.3.2018	*31.3.2017*
1.	Discount rate:		
a)	Gratuity plan	**7.67%**	*7.19%*
b)	Company pension plan	**7.67%**	*7.19%*
c)	Post-retirement medical benefit plan	**7.67%**	*7.19%*
2.	Annual increase in healthcare costs (see note below)		
3.	Salary Growth rate:		
a)	Gratuity plan	**5.00%**	*5.00%*
b)	Company pension plan	**5.00%**	*5.00%*

4. Attrition rate:

   a) For post-retirement medical benefit plan and the company pension plan, the attrition rate varies from 2% to 8% (previous year: 2% to 8%) for various age groups.

   b) For gratuity plan the attrition rate varies from 1% to 6% (previous year: 1% to 6%) for various age groups.

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

6. The interest payment obligation of trust-managed provident fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognised immediately in the statement of profit and loss.

7. The obligation of the Company under the post-retirement medical benefit plan is limited to the overall ceiling limits. At present, healthcare cost, as indicated in the principal actuarial assumption given above, has been assumed to increase at 5% p.a.

8. (a) A one percentage point change in actuarial assumptions would have the following effects on the defined benefit obligation of gratuity plan:

Particulars	Effect of 1% increase	Effect of 1% decrease
Impact of change in salary growth rate	9.56%	(8.28%)
Impact of change in discount rate	(8.02%)	9.40%

(b) A one percentage point change in actuarial assumptions would have the following effects on the defined benefit obligation of company pension plan:

Particulars	Effect of 1% increase	Effect of 1% decrease
Impact of change in discount rate	(9.42%)	11.18%
Impact of change in life expectancy	0.86%	(0.92%)

(c) A one percentage point change in actuarial assumptions would have the following effects on the defined benefit obligation of post-retirement medical benefit plan:

Particulars	Effect of 1% increase	Effect of 1% decrease
Impact of change in health care cost	17.43%	(13.96%)
Impact of change in discount rate	(18.08%)	23.56%
Impact of change in life expectancy	0.66%	(0.69%)

g) Characteristics of defined benefit plans and associated risks:

1. Gratuity plan:

The Company operates gratuity plan through a trust wherein every employee of the Company is entitled to the benefit equivalent to fifteen days last salary drawn for each completed year of service. The approval for trust under the Income-tax Act, 1961 was obtained with effect from October 27, 2016 and the trust was formed in the current financial year. Gratuity is payable on termination of service or retirement whichever is earlier. The benefit vests after completion of five years of continuous service. The Company's scheme is more favourable as compared to the obligation under Payment of Gratuity Act, 1972. The defined benefit plan for gratuity of the Company is administered by separate gratuity funds that are legally separate from the Company. The trustees nominated by the Company are responsible for the administration of the plan. There are no minimum funding requirements of these plans. The funding of these plans are based on gratuity funds actuarial measurement framework set out in the funding policies of the plan. A small part of the gratuity plan, which is not material, is unfunded and managed by the Company. Here, in case of employees deputed overseas, the provision for end of service benefits is made as per the local laws of the respective countries. Employees do not contribute to any of these plans.

2. Post-retirement medical care plan:

The post-retirement medical benefit plan provides for reimbursement of health care costs to certain categories of employees post their retirement. The reimbursement is subject to an overall ceiling sanctioned based on cadre of the employee at the time of retirement. The plan is unfunded. Employees do not contribute to the plan.

3. Company's pension plan:

In addition to contribution to state-managed pension plan (EPS scheme), the holding company operates a post retirement pension scheme, which is discretionary in nature for certain cadres of employees. The quantum of pension depends on the cadre of the employee at the time of retirement. The plan is unfunded. Employees do not contribute to the plan.

4. Trust managed provident fund plan:

The Company's provident fund plan is managed by the provident fund trust established by the holding company under the Provident Fund and Miscellaneous Provisions Act, 1952. The plan mandates contribution by employer at a fixed percentage of employee's salary. Employees also contribute to the plan at a fixed percentage of their salary as a minimum contribution and additional sums at their discretion. The plan guarantees interest at the rate notified by the provident fund authority. The contribution by employer

Notes forming part of the accounts *(contd.)*

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.

The interest payment obligation of trust-managed provident fund is assumed to be adequately covered by the interest income on long term investments of the fund. Any shortfall in the interest income over the interest obligation is recognized immediately in the statement of profit and loss as actuarial loss. Any loss/gain arising out of the investment risk and actuarial risk associated with the plan is also recognized as expense or income in the period in which such loss/gain occurs.

All the above defined benefit plans expose the Company to general actuarial risks such as interest rate risk and market (investment) risk.

NOTE 41

Disclosure of related parties/related party transactions pursuant to Indian Accounting Standard (Ind AS) 24 ''Related Party Disclosures":

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

Holding company:	
1	Larsen & Toubro Limited

Subsidiary companies over which control exists:	
1	Larsen Toubro Arabia LLC
2	Larsen & Toubro ATCO Saudi LLC (acquired 25% in June 2017 and 75% on March 31, 2018)
3	L&T Modular Fabrication Yard LLC (acquired on March 31, 2018)
4	Larsen & Toubro Electromech LLC (acquired on March 31, 2018)

Fellow subsidiary companies:			
1	Nabha Power Limited	2	L&T Thales Technology Services Private Limited
3	Larsen & Toubro Kuwait Construction General Contracting Company, WLL	4	L&T Valves Limited
5	L&T Electrical and Automation FZE	6	L&T Technology Services Limited
7	L&T Infrastructure Finance Company Limited	8	EWAC Alloys Limited (up to November 16, 2017)
9	L&T Geostructure LLP	10	L&T Shipbuilding Limited
11	L&T Infrastructure Engineering Limited	12	Larsen & Toubro Infotech Limited
13	PT TAMCO Indonesia	14	Tamco Switchgear (Malaysia) SDN BHD
15	L&T Hydrocarbon International LLC	16	Kana Controls General Trading and Contracting Co
17	L&T Heavy Engineering LLC	18	Larsen and Toubro (East Asia) SDN.BHD
19	L&T International FZE	20	L&T Readymix and Asphalt Concrete Industries LLC (Up to September 28, 2017)

Joint ventures and Associates:			
1	L&T Hydrocarbon Caspian LLC	2	L&T Gulf Private Limited
3	L&T Sapura Shipping Private Limited	4	L&T Sapura Offshore Private Limited
5	L&T Infrastructure Development Projects Limited*	6	L&T MHPS Boilers Private Limited*
7	L&T Special Steels and Heavy Forgings Private Limited*	8	L&T Sargent and Lundy Limited*
9	L&T Howden Private Limited*	10	L&T Chiyoda Limited

*Joint ventures of holding company and other group entities

Post-employment benefit plans:			
Provident Fund Trust			
1	The Larsen & Toubro Limited Provident Fund of 1952	2	The Larsen & Toubro Officers & Supervisory Staff Provident Fund
Gratuity Trust			
1	L&T Hydrocarbon Engineering Ltd Group Gratuity Scheme		

Key management personnel			
1	Mr. Subramanian S. Sarma (CEO & Managing Director)	2	Mr. K. Ravindranath (Whole-time Director)*
3	Mr. R. Venkatesh (Chief Financial Officer)**	4	Mr. K. S. Balasubramanyam (Chief Financial Officer)***
5	Mr. T. Chinnappa(Whole time director)	6.	Ms. Alpana Khale (Company Secretary)

* Retired w.e.f. Oct 01, 2017.

** Resigned w.e.f Apr 27, 2017

***Appointed w.e.f. Apr 28,2017.

b) Disclosure of related party transactions:

(₹ crore)

Sr. No	Nature of transaction/relationship/major parties	2017-18 Amount	2017-18 Amounts for major parties	*2016-17 Amount*	*2016-17 Amounts for major parties*
1	**Purchase of goods and services (including commission paid)**				
	Holding company	**127.58**		*38.30*	
	Subsidiaries, including:	**971.97**		*(0.29)*	
	L&T Modular Fabrication Yard LLC		**687.13**		
	Larsen & Toubro Electromech LLC		**284.84**		
	Larsen Toubro Arabia LLC				*(0.29)*
	Fellow subsidiaries, including:	**67.11**		*280.92*	
	Larsen & Toubro Kuwait Construction General Contracting Company WLL		**2.11**		
	L&T Valves Limited		**52.83**		*152.71*
	L&T Electrical and Automation FZE		**6.25**		*1.32*
	Larsen & Toubro Infotech Limited		**0.92**		*0.75*
	Tamco Switchgear (Malaysia) SDN BHD		**0.32**		*18.22*
	L&T Technology Services Limited		**4.00**		*0.19*
	Kana Controls General Trading and Contracting Co		**0.68**		*22.15*
	L&T Infrastructure Engineering Limited				*0.31*
	L&T ATCO Saudi LLC				*3.01*
	L&T Modular Fabrication Yard LLC				*72.33*
	EWAC Alloys Limited				*8.51*
	L&T Shipbuilding Limited				*0.02*
	L&T Readymix and Asphalt Concrete Industries LLC				*1.40*
	Associates and joint ventures, including:	**269.74**		*65.29*	
	L&T Chiyoda Limited		**149.28**		*51.14*
	L&T Gulf Private Limited		**19.48**		*14.15*

Notes forming part of the accounts *(contd.)*

(₹ crore)

Sr. No	Nature of transaction/relationship/major parties	2017-18 Amount	2017-18 Amounts for major parties	*2016-17 Amount*	*2016-17 Amounts for major parties*
	L&T Sapura Shipping Private Limited		**100.98**		
	L&T Sapura Offshore Private Limited				
	Joint ventures of holding company and other group entities, including:	**54.71**		*26.15*	
	L&T Sargent and Lundy Limited		**0.45**		
	L&T Special Steels and Heavy Forgings Private Limited		**3.63**		
	L&T Infrastructure Development Projects Limited				*0.05*
	Larsen & Toubro Electromech LLC		**50.63**		*26.10*
	Total	**1491.11**		*410.37*	
2	**Sale of goods/contract revenue and services**				
	Holding company	**11.00**		*2.55*	
	Subsidiaries, including:	**22.15**		*2.45*	
	L&T Modular Fabrication Yard LLC		**22.16**		
	Larsen & Toubro Electromech LLC		**(0.01)**		
	Larsen Toubro Arabia LLC				*2.45*
	Fellow subsidiaries, including:	**10.62**		*12.71*	
	L&T Technology Services Limited		**10.62**		*12.55*
	L&T Heavy Engineering LLC				*0.16*
	Associates and joint ventures, including:	**0.04**		*0.36*	
	L&T Chiyoda Limited		**0.04**		*0.28*
	L&T Gulf Private Limited				*0.06*
	L&T Sapura Shipping Private Limited				*0.02*
	Joint ventures of holding company and other group entities, including:	**0.95**		*1.72*	
	L&T MHPS Boilers Private Limited		**0.10**		*0.01*
	L&T Special Steels and Heavy Forgings Private Limited		**0.83**		*1.41*
	Larsen & Toubro Electromech LLC				*0.30*
	Besix -L&T Joint Venture		**0.02**		
	Total	**44.76**		*19.79*	
3	**Purchase/lease of fixed assets**				
	Holding company	**0.52**		*2.44*	
	Subsidiaries, including:	**0.00**		*0.02*	
	Larsen Toubro Arabia LLC		**0.00**		*0.02*
	Fellow subsidiaries, including:	**0.47**			
	Larsen & Toubro Infotech Limited		**0.47**		
	L&T Shipbuilding Limited				*0.01*
	L&T Modular Fabrication Yard LLC				*0.02*
	Joint ventures of holding company and other group entities, including:			*0.14*	
	Larsen & Toubro Electromech LLC				*0.14*
	Total	**0.99**		*2.60*	

(₹ crore)

Sr. No	Nature of transaction/relationship/major parties	2017-18		*2016-17*	
		Amount	Amounts for major parties	*Amount*	*Amounts for major parties*
4	**Sale of fixed assets**				
	Holding company			*13.59*	
	Subsidiaries, including:			*0.01*	
	Larsen Toubro Arabia LLC				*0.01*
	Fellow subsidiaries, including:			*0.80*	
	L&T Geostructure LLP				*0.80*
	Total			*14.43*	
5	**Purchase of investment in subsidiary and associate companies**				
	Holding company			*0.00*	
	Fellow subsidiaries, including:	**0.00**			
	Larsen & Toubro International FZE		**0.00**		
	Total	**0.00**		*0.00*	
6	**Receiving of services/overheads charged by related parties**				
	Holding company	**127.74**		*88.17*	
	Subsidiaries, including:	**0.25**			
	Larsen Toubro Arabia LLC		**0.11**		
	Larsen & Toubro Electromech LLC		**0.14**		
	Fellow subsidiaries, including:	**6.81**		*6.02*	
	Larsen and Toubro Infotech Limited		**6.81**		*6.02*
	L&T Kuwait Construction General Contracting Company, WLL				
	Associates and joint ventures, including:	**4.92**		**7.24**	
	L&T Chiyoda Limited		**2.37**		**4.81**
	L&T Gulf Private Limited		**0.30**		*2.43*
	L&T Sapura Shipping Private Limited		**2.25**		
	Joint ventures of holding company and other group entities, including:			**0.34**	
	Larsen & Toubro Electromech LLC				*0.34*
	Total	**139.72**		*101.77*	
7	**Rent paid, including lease rentals under leasing/ hire purchase arrangements including loss sharing on equipment finance**				
	Holding company			*3.46*	
	Total			*3.46*	
8	**Charges for deputation of employees to related parties**				
	Fellow subsidiaries, including:	**2.10**			
	L&T Technology Services Limited		**2.10**		
	Associates and joint ventures, including:	**5.28**		*5.60*	
	L&T Sapura Shipping Private Limited		**5.28**		*5.60*
	Total	**7.38**		*5.60*	

Notes forming part of the accounts *(contd.)*

(₹ crore)

Sr. No	Nature of transaction/relationship/major parties	2017-18		*2016-17*	
		Amount	Amounts for major parties	*Amount*	*Amounts for major parties*
9	**Commission received, including those under agency arrangement**				
	Fellow subsidiaries, including:			*(0.74)*	
	L&T Modular Fabrication Yard LLC				*(0.74)*
	Total			*(0.74)*	
10	**Rent received, overhead recovered and miscellaneous income**				
	Holding company	**5.22**		*7.05*	
	Subsidiaries, including:	**30.61**		*14.90*	
	Larsen Toubro Arabia LLC		**25.32**		*14.90*
	L&T ATCO Saudi LLC		**2.08**		
	L&T Modular Fabrication Yard LLC		**0.00**		
	Larsen & Toubro Electromech LLC		**3.21**		
	Fellow subsidiaries, including	**0.35**		*1.50*	
	L&T Valves Limited		**0.15**		*0.11*
	L&T Shipbuilding Limited		**0.04**		*0.03*
	Nabha Power Limited		**0.03**		
	L&T Thales Technology Services Private Limited		**0.02**		
	L&T Technology Services Limited		**0.11**		
	L&T Modular Fabrication Yard LLC				*0.58*
	L&T ATCO Saudi LLC				*0.79*
	Associates and joint ventures, including:	**7.43**		*3.67*	
	L&T Chiyoda Limited		**5.75**		*2.46*
	L&T Gulf Private Limited		**1.06**		*0.71*
	L&T Sapura Shipping Private Limited		**0.62**		*0.50*
	Joint ventures of holding company and other group entities, including:	**1.24**		*3.62*	
	L&T MHPS Boilers Private Limited		**0.13**		
	L&T Special Steels and Heavy Forgings Private Limited		**0.02**		
	L&T MHPS Turbine Generators Private Limited		**0.01**		
	L&T Sargent and Lundy Limited		**0.03**		
	L&T Howden Private Limited		**0.03**		
	Larsen & Toubro Electromech LLC		**1.02**		*3.62*
	Total	**44.85**		*30.74*	
11	**Interest received**				
	Holding company	**98.16**		*40.04*	
	Subsidiaries, including:	**6.85**			
	Larsen Toubro Arabia LLC		**6.85**		
	Associates and joint ventures, including:	**4.08**			
	L&T Sapura Shipping Private Limited		**4.08**		
	Total	**109.09**		**40.04**	

Notes forming part of the accounts *(contd.)*

(₹ crore)

Sr. No	Nature of transaction/relationship/major parties	2017-18		*2016-17*	
		Amount	Amounts for major parties	*Amount*	*Amounts for major parties*
12	**Interest paid**				
	Holding company	**0.00**		*4.08*	
	Total	**0.00**		*4.08*	
13	**Employer' contribution towards trust managed employees provident fund**	**9.41**		*10.32*	
14	**Employer' contribution towards trust managed employees gratuity fund**	**9.86**			

c) Amount due to/from related parties :

(₹ crore)

Sr. No	Category of balance/relationship/major parties	31.3.2018		*31.3.2017*	
		Amount	Amounts for major parties	*Amount*	*Amounts for major parties*
1	**Accounts receivable**				
	Holding company	**15.82**		*7.53*	
	Subsidiaries, including:			*5.94*	
	Larsen Toubro Arabia LLC				*5.94*
	Fellow subsidiaries, including:	**1.68**		*1.3*	
	L&T Technology Services Limited		**1.64**		*1.15*
	L&T Heavy Engineering LLC		**0.04**		*0.15*
	L&T Kuwait Construction General Contracting Company, WLL		**0.00**		
	Larsen Toubro Arabia LLC				
	Associates and joint ventures, including:	**0.03**		*0.18*	
	L&T Gulf Private Limited		**0.03**		*0.18*
	Total	**17.53**		*14.95*	
2	**Accounts payable (including acceptance & interest accrued)**				
	Holding company	**100.40**		*79.69*	
	Subsidiaries, including:	**380.35**		*0.65*	
	Larsen Toubro Arabia LLC		**1.18**		*0.65*
	L&T Modular Fabrication Yard LLC		**225.30**		
	L&T ATCO Saudi LLC		**0.43**		
	Larsen & Toubro Electromech LLC		**153.44**		
	Fellow subsidiaries, including:	**34.11**		*62.43*	
	L&T Valves Limited		**18.17**		*28.76*
	Larsen and Toubro (East Asia) SDN.BHD		**0.12**		*0.08*
	L&T Electrical and Automation FZE		**4.92**		*2.25*
	L&T Technology Services Limited		**2.25**		
	Larsen & Toubro Infotech Limited		**1.88**		*1.19*
	L&T Kuwait Construction General Contracting Company, WLL		**0.01**		*0.97*

Notes forming part of the accounts *(contd.)*

(₹ crore)

Sr. No	Category of balance/relationship/major parties	31.3.2018		*31.3.2017*	
		Amount	**Amounts for major parties**	*Amount*	*Amounts for major parties*
	L&T Shipbuilding Limited		**2.15**		*2.63*
	TAMCO Switchgear (Malaysia) SDN BHD		**2.32**		*2.39*
	Kana Controls General Trading and Contracting Co		**2.29**		*6.12*
	L&T Modular Fabrication Yard LLC				*16.47*
	L&T ATCO Saudi LLC				*0.44*
	L&T Infrastructure Engineering Limited				*0.08*
	L&T International FZE				*0.13*
	EWAC Alloys Limited				*0.35*
	L&T Geostructure LLP				*0.02*
	L&T Readymix and Asphalt Concrete Industries LLC				*0.45*
	L&T Saudi Arabia LLC				*0.01*
	L&T Heavy Engineering LLC				*0.09*
	Associates and joint ventures, including:	**136.83**		*15.68*	
	L&T Gulf Private Limited		**7.60**		*5.50*
	L&T Chiyoda Limited		**15.28**		*10.18*
	L&T Sapura Shipping Private Limited		**113.95**		
	Joint ventures of holding company and other group entities, including:	**0.61**		*55.7*	
	L&T Sargent and Lundy Limited		**0.42**		
	L&T Special Steels and Heavy Forgings Private Limited		**0.19**		
	L&T Infrastructure Development Projects Limited				*0.04*
	Larsen & Toubro Electromech LLC				*55.66*
	Total	**652.30**		*214.15*	
3	**Loans and advances recoverable (including interest accrued)**				
	Holding company	**57.90**		*57.47*	
	Subsidiaries, including:	**164.01**		*68.33*	
	Larsen & Toubro ATCO Saudi LLC		**53.32**		
	Larsen & Toubro Electromech LLC		**3.78**		
	L&T Modular Fabrication Yard LLC		**6.75**		
	Larsen Toubro Arabia LLC		**100.16**		*68.33*
	Fellow subsidiaries, including:	**40.29**		*75.51*	
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL		**18.37**		*17.87*
	L&T Electrical & Automation Saudi Arabia Company Limited		**1.46**		
	Larsen & Toubro Infotech Limited		**0.00**		
	L&T Electrical and Automation FZE		**1.45**		
	L&T Hydrocarbon International Limited LLC		**4.50**		*4.48*
	L&T Infrastructure Finance Company Limited		**0.02**		*0.02*
	L&T Heavy Engineering LLC		**4.54**		*0.08*
	L&T Shipbuilding Limited		**1.43**		*2.15*
	L&T Technology Services Limited		**6.45**		*0.35*

(₹ crore)

Sr. No	Category of balance/relationship/major parties	31.3.2018		*31.3.2017*	
		Amount	**Amounts for major parties**	*Amount*	*Amounts for major parties*
	Nabha Power Limited		**0.03**		
	L&T Thales Technology Services Private Limited		**0.02**		
	Larsen & Toubro ATCO Saudi LLC				*50.49*
	L&T Valves Limited		**2.02**		*0.07*
	Associates and joint ventures, including:	**16.98**		*45.27*	
	L&T Chiyoda Limited		**5.46**		*3.92*
	L&T Sapura Shipping Private Limited		**5.21**		*32.49*
	L&T Sapura Offshore Private Limited		**5.22**		*7.87*
	L&T Gulf Private Limited		**1.09**		*0.99*
	Joint ventures of holding company and other group entities, including:	**0.64**		*21.87*	
	L&T Special Steels and Heavy Forgings Private Limited		**0.42**		*0.57*
	L&T MHPS Turbine Generators Private Limited		**0.01**		
	L&T Sargent and Lundy Limited		**0.03**		
	L&T MHPS Boilers Private Limited		**0.15**		
	L&T Howden Private Limited		**0.03**		
	Larsen & Toubro Electromech LLC				*21.30*
	Total	**279.82**		*268.45*	
4	**Inter corporate deposits**				
	Holding company	**129.91**		**5.52**	
	Subsidiaries, including:	**340.35**			
	Larsen Toubro Arabia LLC		**340.35**		
	Associates and joint ventures, including:	**186.30**			
	L&T Sapura Shipping Private Limited		**186.30**		
	Total	**656.56**		**5.52**	
5	**Inter corporate borrowings**				
	Holding company			*2.23*	
	Total			*2.23*	

d) Related Party-Commitment:

(₹ crore)

Sr. No	Nature of transaction/relationship/major parties	2017-18		*2016-17*	
		Amount	**Amounts for major parties**	*Amount*	*Amounts for major parties*
1	**Capital commitment**				
	Holding company			*0.49*	
	Fellow subsidiaries, including:	**0.03**			
	L&T Shipbuilding Limited		**0.03**		
	Total	**0.03**		*0.49*	

Notes forming part of the accounts *(contd.)*

(₹ crore)

Sr. No	Nature of transaction/relationship/major parties	2017-18 Amount	2017-18 Amounts for major parties	*2016-17 Amount*	*2016-17 Amounts for major parties*
2	**Revenue commitment**				
	Holding company	**209.57**		*72.23*	
	Fellow subsidiaries, including:	**1064.98**		*2,104.30*	
	L&T Valves Limited		**14.23**		*19.71*
	Larsen & Toubro Kuwait Construction General Contracting Company, WLL				*48.50*
	L&T Modular Fabrication Yard LLC		**999.81**		*2,029.19*
	L&T Electrical and Automation FZE		**14.25**		*0.25*
	Larsen & Toubro Infotech Limited		**0.27**		*1.95*
	L&T Shipbuilding Limited		**0.31**		
	L&T Technology Services Limited		**2.12**		*4.54*
	L&T Infrastructure Engineering Limited		**1.90**		*0.09*
	TAMCO Switchgear (Malaysia) SDN BHD				*0.07*
	Larsen & Toubro Heavy Engineering LLC		**20.95**		
	KANA Controls General Trading and Contracting Company WLL		**1.53**		
	Associates and joint ventures, including:	**141.46**		*33.61*	
	L&T Chiyoda Limited		**109.37**		*20.84*
	L&T Gulf Private Limited		**14.88**		*12.77*
	L&T Sapura Shipping Private Limited		**17.21**		
	Joint ventures of holding company and other group entities, including:	**0.39**		*4.20*	
	L&T Special Steels and Heavy Forgings Private Limited		**0.24**		*4.17*
	L&T Infrastructure Development Projects Limited		**0.01**		*0.01*
	L&T Sargent and Lundy Limited		**0.14**		*0.02*
	Total	**1416.40**		*2,214.34*	

e) Remuneration of Directors and Key Managerial Personnel:

A. Payment of salaries:

(₹ crore)

Key Managerial Personnel	2017-18 Short term employee benefits	2017-18 Post-employment benefits	2017-18 Other long term benefits	2017-18 Total	*2016-17 Short term employee benefits*	*2016-17 Post-employment benefits*	*2016-17 Other long term 4benefits*	*2016-17 Total*
Mr. Subramanian S. Sarma	**16.33**	**0.26**	**0.40**	**16.99**	*15.39*	–	–	*15.39*
Mr. K. Ravindranath	**1.07**	**0.93**	**0.40**	**2.40**	*1.18*	*0.05*	*0.03*	*1.26*
Mr. T. Chinnappa	**0.84**	**0.02**	**0.02**	**0.89**	–	–	–	–
Mr. R. Venkatesh	**0.14**	–	–	**0.14**	*1.59*	*0.01*	*0.03*	*1.63*
Ms. Alpana S. Khale	**0.07**	–	**0.00**	**0.07**	*0.39*		*0.00*	*0.39*
Mr. K. S. Balasubramanyam	**0.42**	–	–	**0.42**	–	–	–	–

B. Fee for attending Board/Committee meetings

(₹ crore)

Sr. No.	Particulars	FY 2017-18	*FY 2016-17*
1	Mr. K. Venkataramanan	**0.02**	*0.04*
2	Mr. Vikram Singh Mehta	**0.02**	*0.03*
3	Mr. Sarthak Behuria	**0.03**	*0.05*
4	Dr. A. K. Balyan (up to October 24, 2017)	**0.03**	*0.06*
5	Mrs. Bhagyam Ramani	**0.03**	*0.06*

f) Disclosure pursuant to Ind AS 27 "Separate Financial Statements"

Investment in following subsidiary companies and joint venture companies is accounted at cost.

Sr no	Name of the company	Principal place of business	As at 31-3-2018		*As at 31-3-2017*	
			Effective proportion of ownership interest (%)	Effective proportion of voting power held (%)	*Effective proportion of ownership interest (%)*	*Effective proportion of voting power held (%)*
	Subsidiaries					
1	Larsen Toubro Arabia LLC	Kingdom of Saudi Arabia	**75%**	**99.99%**	*75%*	*75%*
2	Larsen & Toubro ATCO Saudi LLC	Kingdom of Saudi Arabia	**100%**	**100%**	–	–
3	L&T Modular Fabrication Yard LLC	Sultanate of Oman	**70%**	**99.99%**	–	–
4	L&T Electromech LLC	Sultanate of Oman	**70%**	**99.99%**	–	–
	Joint Ventures and Associates					
1	L&T Sapura Shipping Private Limited	India	**60%**	**60%**	*60%*	*60%*
2	L&T Sapura Offshore Private Limited	India	**60%**	**60%**	*60%*	*60%*
3	L&T Gulf Private Limited	India	**50.0002%**	**50.0002%**	*50.0002%*	*50.0002%*
4	L&T Chiyoda Private Limited	India	**50%**	**50%**	*50%*	*50%*

NOTE 42

Basic and Diluted earnings per share [EPS] computed in accordance with Indian Accounting Standard (Ind AS) 33 "Earnings per Share":

(₹ crore)

Particulars		2017-18	*2016-17*
Basic			
Profit after tax as per accounts (₹ crore)		**405.62**	*436.32*
Less: Dividend on preference shares		**60.90**	
Less: Dividend distribution tax on Preference dividend		**12.40**	
Profit available to equity shareholders	A	**332.32**	*436.32*
Weighted average number of equity shares outstanding	B	**1,00,00,50,000**	*1,00,00,50,000*
Basic EPS (₹)	A/B	**3.32**	*4.36*
Diluted		**5.00%**	
Profit after tax as per accounts (₹ crore)	A	**405.62**	*436.32*
Weighted average number of equity shares outstanding	B	**1,00,00,50,000**	*1,00,00,50,000*
Add: Weighted average number of potential equity shares on account of convertible preference shares	C	**76,00,00,000**	*76,00,00,000*
Weighted average number of shares outstanding for diluted EPS	D=B+C	**1,76,00,50,000**	*1,76,00,50,000*
Diluted EPS (₹)	A/D	**2.30**	*2.48*
Face value per equity share (₹)		**10**	*10*

Notes forming part of the accounts *(contd.)*

NOTE 43

Disclosures pursuant to Indian Accounting Standard (Ind AS) 37 "Provisions, Contingent Liabilities and Contingent Assets":

a) Movement in provisions:

(₹ crore)

Sr. No.	Particulars	Expected tax liability in respect of indirect taxes	Litigation related obligations	Contractual rectification cost-Construction contracts	Others	Total
1	**Balance as at 01.04.2017**	24.18	0.44	26.92	10.00	61.54
2	Additional provision during the year	7.57	–	13.27	–	20.84
3	Provision used/ reversed during the year	–	–	15.34	10.00	25.34
4	**Balance as at 31.03.2018**	**31.75**	**0.44**	**24.85**	**–**	**57.04**

b) Nature of provisions:

1. Expected tax liability in respect of indirect taxes represents mainly the differential sales tax liability on account of non-collection of declaration forms for the period prior to five years.
2. Provision for litigation related obligations represents liabilities that are expected to materialize in respect of matters in appeal.
3. Contractual rectification cost represents the estimated cost the Company is likely to incur during defect liability period as per the contract obligations in respect of completed construction contracts accounted under Indian Accounting Standard (Ind AS) 11 "Construction Contracts".

c) Disclosures in respect of contingent liabilities are given as part of note 34 to the balance sheet.

NOTE 44

Disclosures pursuant to Indian Accounting Standard (Ind AS) 103 "Business Combinations":

a) During the previous year L&T-Valdel Engineering Limited (LTV), a wholly owned subsidiary, merged with the Company under a scheme of arrangement. LTV provides engineering services for oil and gas projects spanning diverse lines of business like well-head and process platforms, FPSO topsides, pipeline systems and drilling rigs.

b) Merger was effective from appointed date, i.e April 01, 2016

c) LTV being wholly owned subsidiary of the Company no equity shares were issued to effect the business combination. Further, as per Appendix C of Ind AS 103 - Business combinations of entities under common control, the merger is accounted using pooling of interest method, i.e.,

1. The assets and liabilities of LTV are reflected at their carrying amounts
2. The balance of the retained earnings appearing in the financial statements of the LTV is aggregated with the corresponding balance appearing in the financial statements of the Company
3. The identity of all other reserves is preserved and is appearing in the financial statement of the Company; and
4. The difference between the amount of investment by the Company and share capital of LTV is transferred to capital reserve and presented separately from other capital reserves.

NOTE 45

Disclosure pursuant to Indian Accounting Standard (Ind AS) 107 "Financial Instruments"

The carrying value and fair value of financial instruments by categories as of March 31, 2018 were as follows:

a) Financial assets:

(₹ crore)

Sr. No.	Particulars	As at 31.3.2018	*As at 31.3.2017*
1	**Measured at fair value through profit and loss (FVTPL)**		
	Investments		
(a)	Mutual funds	**1,202.00**	*1,400.63*
	Derivative financial assets		
(b)	Derivative Instruments not designated as cash flow hedges	**17.75**	*26.51*
(c)	Embedded derivatives not designated as cash flow hedges	**26.27**	*126.39*
2	**Measured at amortised cost**		
(a)	Loans given	**663.16**	*79.44*
(b)	Trade receivables	**1,918.94**	*1,124.62*
(c)	Cash and cash equivalents	**1,257.06**	*302.13*
(d)	Other financial assets	**284.01**	*212.89*
3	**Measured at fair value through OCI (FVTOCI)**		
	Derivative financial assets		
(a)	Derivative financial instruments designated as cash flow hedges	**115.60**	*119.24*
(b)	Embedded derivative financial instruments designated as cash flow hedges	**6.77**	*–*
	Total financial assets	**5,491.56**	*3,391.85*

b) Financial liabilities:

(₹ crore)

Sr. No.	Particulars	As at 31.3.2018	*As at 31.3.2017*
1	**Measured at fair value through profit and loss (FVTPL)**		
	Derivative financial liabilities		
(a)	Derivative instruments not designated as cash flow hedges	**3.74**	*54.22*
(b)	Embedded derivatives not designated as cash flow hedges	**31.32**	*49.95*
2	**Measured at amortised cost**		
(a)	Borrowings	**–**	*43.65*
(b)	Trade payables	**3,493.25**	*1,689.23*
(c)	Other financial liabilities	**134.00**	*120.86*
3	**Financial liabilities at fair value through OCI**		
	Derivative financial liabilities		
(a)	Derivative Instruments designated as cash flow hedges	**13.84**	*58.69*
(b)	Embedded derivatives designated as cash flow hedges	**42.78**	*33.54*
	Total financial liabilities	**3,718.93**	*2,050.14*

Notes forming part of the accounts *(contd.)*

c) Items of income, expense, gains or losses

(₹ crore)

Particulars	As at 31.03.2018	*As at 31.03.2017*
Net gain/(losses) on financial assets and financial liabilities:		
Financial assets measured at amortised cost		
Exchange differences gain/loss on revaluation or settlement of items denominated in foreign currency (debtors, loan given etc)	**(48.07)**	*69.61*
Allowance/(reversal) for expected credit loss during the year	**(41.31)**	*(33.72)*
Provision for doubtful debts (other than expected credit loss)(net)	**284.50**	*29.10*
Bad debts written off (net)	**3.60**	*9.42*
Financial assets measured at fair value through OCI		
Gain (loss) on fair valuation or settlement of forward contracts designated as cash flow hedge	**231.22**	*(64.74)*
Gain (loss) on fair valuation or settlement of embedded derivative designated as cash flow hedge	**(3.08)**	*(66.03)*
On forward contracts upon underlying hedged item affecting the P&L or related assets or liability	**57.93**	*(104.28)*
On embedded derivative upon underlying hedged item affecting the P&L or related assets or liability	**(87.70)**	*33.56*
Designated as fair value through profit and loss		
Gain (loss) on fair valuation or settlement of forward contracts not designated as cash flow hedge	**(6.13)**	*(43.89)*
Gain (loss) on fair valuation or settlement of embedded derivative not designated as cash flow hedge	**4.69**	*52.07*
Financial liabilities measured at amortised cost		
Exchange differences gain / loss on re-valuation or settlement of items denominated in foreign currency (creditors, borrowing availed etc)	**(7.16)**	*(0.10)*
Unclaimed credit balances written back	**10.37**	*2.17*
Mandatorily measured at fair value through profit and loss		
Gain/(loss) on fair valuation or sale of investment in mutual fund units/equity	**4.80**	*2.19*
Interest revenue		
Financial assets measured at amortised cost		
From banks	**0.26**	*1.43*
From ICD	**109.09**	*40.04*
Others	**16.32**	*3.52*
Interest expenses		
Financial liabilities measured at amortised cost	**3.37**	*21.72*

d) Fair value hierarchy

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(₹ crore)

Financial assets and liabilities measured at fair value - recurring fair value measurements	Notes	Level 1	Level 2	Level 3	Total
At March 31, 2018					
Financial assets					
Financial Investments at FVTPL					
– Mutual fund units	**10**	**1,202.00**			**1,202.00**
– Derivative instruments not designated as cash flow hedges	**7 , 15**	**–**	**17.75**	**–**	**17.75**
– Embedded derivative Instruments not designated as cash flow hedges	**7 , 15**	**–**	**26.27**	**–**	**26.27**
Financial Investments at FVOCI					
– Derivative financial instruments designated as cash flow hedges	**7 , 15**	**–**	**115.60**	**–**	**115.60**
– Embedded derivative financial instruments designated as cash flow hedges	**7 , 15**	**–**	**6.77**	**–**	**6.77**
Total financial assets		**1,202.00**	**166.38**	**–**	**1,368.38**
Financial liabilities					
Financial liabilities at FVPL					
– Designated as at FVPL					
a) Derivative instruments not designated as cash flow hedges	**20 , 24**	**–**	**3.74**	**–**	**3.74**
b) Embedded derivative Instruments not designated as cash flow hedges	**20 , 24**	**–**	**31.32**	**–**	**31.32**
– Designated as at FVOCI					
a) Derivative financial instruments designated as cash flow hedges	**20 , 24**	**–**	**13.84**	**–**	**13.84**
b) Embedded derivative financial instruments designated as cash flow hedges	**20 , 24**	**–**	**42.78**	**–**	**42.78**
Total financial liabilities			**91.68**		**91.68**

(₹ crore)

Financial assets and liabilities measured at fair value - recurring fair value measurements	Notes	Level 1	Level 2	Level 3	Total
As at March 31, 2017					
Financial assets					
Financial Investments at FVTPL					
– Mutual fund units	10	1,400.63	–	–	1,400.63
– Derivative instruments not designated as cash flow hedges	7 , 15	–	26.51	–	26.51
– Embedded derivative Instruments not designated as cash flow hedges	7 , 15	–	126.39	–	126.39
Financial Investments at FVOCI					
– Derivative financial instruments designated as cash flow hedges	7 , 15	–	119.24	–	119.24
– Embedded derivative financial instruments designated as cash flow hedges	7 , 15	–	–	–	–
Total financial assets		**1,400.63**	**272.14**		**1,672.77**
Financial Liabilities					
Financial liabilities at FVPL					
– Designated as at FVPL					
a) Derivative instruments not designated as cash flow hedges	20 , 24	–	54.22	–	54.22

Notes forming part of the accounts *(contd.)*

(₹ crore)

Financial assets and liabilities measured at fair value - recurring fair value measurements	Notes	Level 1	Level 2	Level 3	Total
b) Embedded derivative Instruments not designated as cash flow hedges	20 , 24	–	49.95	–	49.95
– Designated as at FVOCI					
a) Derivative financial instruments designated as cash flow hedges	20 , 24	–	58.69	–	58.69
b) Embedded derivative financial instruments designated as cash flow hedges	20 , 24	–	33.54	–	33.54
Total financial liabilities		**–**	**196.40**	**–**	**196.40**

e) Financial assets and liabilities measured at amortised cost:

The carrying amount of financial assets like trade receivables & cash and cash equivalents and financial liabilities like trade and other payables are considered to be same as their fair values due to their short term nature.

f) Maturity profile of financial liabilities:

(₹ crore)

Particulars	Note	As at 31-3-2018			*As at 31-3-2017*		
		Within 12 months	After 12 months	Total	*Within 12 months*	*After 12 months*	*Total*
A. Non-derivative liabilities							
Borrowings		**–**	**–**	**–**	*43.65*	*–*	*43.65*
Trade payables		**3,425.70**	**67.55**	**3,493.25**	*1524.10*	*165.13*	*1689.23*
Other financial liabilities		**133.00**	**–**	**133.00**	*118.79*	*2.06*	*120.85*
Total		**3,558.70**	**67.55**	**3,626.25**	*1686.54*	*167.19*	*1853.73*
B. Derivative liabilities							
Forward contracts		**18.91**	**0.40**	**19.31**	*112.91*	*–*	*112.91*
Embedded derivatives		**73.14**	**3.93**	**77.07**	*73.47*	*10.02*	*83.50*
Total		**92.05**	**4.33**	**96.38**	*186.39*	*10.02*	*196.41*

Contracts with maturity not later than twelve months include certain contracts that can be rolled over to subsequent periods in line with underlying exposures.

g) Currency forward contracts outstanding as on 31.3.2018:

(₹ crore)

Particulars	Nominal Amount	Average Rate	Timing	
			Upto 12 months	More than 12 months
Cash flow hedge				
Foreign currency forward covers				
Payable hedges				
USD including USD pegged currency	2,232.72	65.58	2,109.47	123.25
EUR	1,808.83	81.05	1,808.83	–
JPY	28.89	0.56	28.89	–
KWD	748.68	219.17	748.68	–
GBP	22.65	89.03	22.65	–

(₹ crore)

Particulars	Nominal Amount	Average Rate	Timing	
			Upto 12 months	More than 12 months
Receivable hedges				
USD including USD pegged currency	4,199.14	67.94	2,834.39	1,364.75
EUR	34.06	81.05	34.06	–
KWD	1,426.25	221.52	1,255.46	170.79

Currency forward contracts outstanding as on 31.3.2017:

(₹ crore)

Particulars	Nominal Amount	Average Rate	Timing	
			Upto 12 months	More than 12 months
Cash flow hedge				
Foreign currency forward covers				
Payable hedges				
USD including USD pegged currency	1,371.93	67.43	1,371.93	–
EUR	1,762.68	74.71	1,762.68	–
JPY	17.75	0.60	17.75	–
KWD	781.92	220.22	781.92	–
GBP	20.22	84.87	20.22	–
Receivable hedges				
USD including USD pegged currency	2,681.69	66.62	2,236.74	444.95
EUR	22.59	70.58	22.59	–
KWD	1,237.09	225.22	1,237.09	–

h) Carrying value of hedge instruments:

Particulars	Currency exposure	
	31.03.2018	*31.03.2017*
Forward contract		
Current		
Asset - Other financial assets	**83.75**	*89.90*
Liability - Other financial liabilities	**52.89**	*127.25*
Non-current		
Asset - Other financial assets	**38.62**	*29.93*
Liability - Other financial liabilities	**3.72**	*5.00*

i) Breakup of hedge reserve balance:

(₹ crore)

Particulars	31.3.2018	*31.3.2017*
Balance towards continuing hedges	**66.22**	*(77.76)*
Balance for covers cancelled but underlying yet to be on balance sheet	**(16.09)**	–
Total	**50.12**	*(77.76)*
Hedging reserve fund	**49.78**	*(77.76)*
Cost of hedge reserve	**0.34**	

Notes forming part of the accounts *(contd.)*

j) Movement of hedging reserve:

(₹ crore)

Hedging reserve	31.3.2018	*31.3.2017*
I. Cash flow hedge reserve		
Opening balance	**(77.76)**	*(11.28)*
Add: Spot to spot movement in forward contracts	**0.88**	*–*
Add: Forward-to-forward movement in forward contracts	**227.35**	*(130.78)*
Less: Amount reclassified to profit or loss	**(32.48)**	*29.12*
Less: Amount included in non-financial asset/ liability	**0.30**	*–*
Less: Deferred tax related to above	**(68.51)**	*35.18*
Closing balance	**49.78**	*(77.76)*
II. Cost of hedge reserve		
Opening balance	**–**	*–*
Add: Forward-to-forward movement in forward contracts	**0.52**	*–*
Less: Deferred tax related to above	**(0.18)**	*–*
Closing balance	**0.34**	*–*

k) Reclassification of hedge reserve to profit and loss

(₹ crore)

	Hedging reserve	
Particulars	**31.3.2018**	*31.3.2017*
Future cash flows are no longer expected		
Other expenses	**(82.49)**	*1.21*
Hedged item becoming on balance sheet		
Progress Billing	**264.45**	*95.12*
Revenue line item	**0.01**	*2.40*
Manufacturing, construction and operating expense line item	**(149.49)**	*(127.85)*
Total	**32.48**	*(29.12)*

l) Financial risk management

The Company is exposed to credit/counter-party risk, liquidity risk, currency risk and interest rate risk.

The Company's risk management policy (including financial risk) is recommended by the audit committee (dissolved on October 17, 2017) and approved by the board of directors.

The Company's risk management committee is responsible for the implementation of the risk management policy.

l-i) Credit/counter-party risk

The principal credit risk that the Company is exposed to is non-collection of trade receivables and late collection of receivables leading to credit loss. The risk is mitigated by reviewing creditworthiness of the prospective customers by the risk management committee prior to entering into contract and, post receipt of contract through continuous monitoring of collections by the project team and the accounts team.

The Company makes adequate provision for non-collection of trade receivables. Further, the Company has not suffered significant payment defaults by its customers.

The Company has made provision for expected credit loss (ECL) based on revised model of historical provisioning data of the Company and discounting rate based on credit risk of the Company's customers, while earlier it was based on holding company data. Accordingly, as on March 31, 2018, provision for default was ranging from 1% to 19% (PY 3% to 60%) and provision for delay was made using discount rate of 9% (PY 10%). No provision has been made on trade receivable in not due category. The provision for ECL is based on external and internal credit risk factors such as the Company's historical experience for customers, type of customer i.e. public sector and private sector.

Notes forming part of the accounts *(contd.)*

Allowances for non-collection of receivables and ECL on delay / default in collection, on a combined basis, were ₹ 443.58 as on March 31, 2018 and ₹ 210.20 crores as on March 31, 2017. The movement in allowances for doubtful accounts comprising provision for both non-collection of receivables and delay in collection is as follows:

(₹ crore)

Particulars	**2017-18**	*2016-17*
Opening balance of allowances for doubtful accounts	**210.20**	*214.82*
Allowances recognized (reversed)	**(45.37)**	*(38.44)*
Additional provision	**288.56**	*46.54*
Amounts written off during the year	**(9.81)**	*(12.73)*
Closing balance of allowances for doubtful accounts	**443.58**	*210.20*

The percentage of revenue from its top five customers is 75.86% for 2017-18 (82.71% for 2016-17).

The counter-party risk that the Company is exposed to is principally for financial instruments taken to hedge its foreign currency risks (see below). The counter-parties are mainly banks and the Company has entered into contracts with the counterparties for all its hedge instruments and in addition, entered into suitable credit support agreements to cap counter-party risk where necessary.

The Company invests its surplus funds in bank deposits and liquid investments and mitigates the risk of counter-party failure by investing with institutions having good credit rating.

I-ii) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash and marketable securities and by having access to funding through an adequate amount of committed credit lines. The Company maintains flexibility in funding by maintaining availability under committed credit lines to meet obligations when due. Management regularly monitors the position of cash and cash equivalents vis-à-vis projections. Assessment of maturity profiles of financial assets and financial liabilities including debt financing plans and maintenance of balance sheet liquidity ratios are considered while reviewing the liquidity position.

The Company has no project related borrowings as at March 31, 2018 but has credit facilities (both fund based and non-fund based) with banks that will help it to generate funds and other financial facilities for the business, if required. In addition, the Company has borrowings in the form of preference shares from the holding company aggregating to ₹ 760 crores (₹ 760 crores as at March 31, 2017). The preference shares carry a coupon rate of 10% for ₹ 500 crores and 12% for ₹ 260 crores. The preference shares are convertible at the option of the Company and are wholly accounted for as equity component of preference shares (refer note 18 - Instrument entirely equity in nature).

I-iii) Currency risk

Foreign exchange risk is a significant financial risk for the Company.

The Company uses derivative financial instruments to mitigate foreign exchange related exposures. Specialist treasury teams that have the appropriate skills and experience take decisions for risk management purposes.

The Company does not enter into hedge transactions for either trading or speculative purposes.

The Company has operations abroad and also has other transactions in foreign currencies and the maximum exposure is in US dollars.

Notes forming part of the accounts *(contd.)*

Currency wise exposure of the Company is as below (majorly traded currencies only):

(₹ crore)

Particulars	31.3.2018		*31.3.2017*	
	USD	EUR	*USD*	*EUR*
Financial assets				
Investments			*–*	*–*
Trade receivable	**1,353.49**	**91.52**	*801.72*	*12.38*
Loan and advances	**746.01**	**0.00**	*63.28*	*69.94*
Cash and cash equivalents	**258.58**	**0.08**	*170.14*	*2.84*
Other financial assets	**141.94**	**0.00**	*0.5*	*–*
Derivatives taken to hedge - on balance sheet assets	**(1,156.97)**	**(48.49)**	*(193.82)*	*(11.08)*
Net exposure to foreign currency risk (assets)	**1,343.06**	**43.11**	*841.14*	*74.08*
Derivatives taken to hedge - off balance sheet assets	**4,482.21**	**19.64**	*576.79*	*–*
Financial liabilities				
Borrowings	**–**	**–**	*0.85*	*–*
Trade payable	**1,365.03**	**756.32**	*844.49*	*503.04*
Other financial liabilities	**109.83**	**330.21**		
Derivatives taken to hedge - on balance sheet liabilities	**(237.03)**	**(948.58)**	*(2.27)*	*(0.94)*
Net exposure to foreign currency risk (liabilities)	**1,237.83**	**137.96**	*843.07*	*502.1*
Derivatives taken to hedge - off balance sheet liabilities	**1,974.42**	**877.21**	*799.46*	*239.77*

The board of directors has approved the Company's financial risk management policy covering management of foreign currency exposures. The Company's treasury department monitors the foreign currency exposures and takes appropriate forward covers to mitigate its risk. The Company hedges its exposure both on cash flow basis as well as on net basis (i.e. net expected outcome of the project). These hedges are cash flow hedges.

The outstanding hedge instruments at the year-end, their maturity profile and the value at risk are as under:

Foreign currency exposure of contracts not designated as cash flow hedge:

(₹ crore)

Particulars	2017-18		*2016-17*	
	USD	EUR	*USD*	*EUR*
Forward contracts not designated as cash flow hedges:				
Sold	**1,683.92**	**42.27**	*1372.24*	*11.09*
Purchase	**13.55**	**217.29**	*397.29*	*114.77*
Embedded derivatives not designated as cash flow hedges:				
Sold	**44.89**	**96.99**	*2.69*	*499.98*
Purchase	**2,194.19**	**154.08**	*1624.76*	*646.16*

k-iv) Value at risk:

To provide a meaningful assessment of the foreign currency risk associated with the Company's foreign currency derivative positions against off-balance sheet exposures and unhedged portion of on-balance sheet financial assets and liabilities, the Company uses a multi-currency correlated value-at-risk ("VAR") model. The VAR model uses a Monte Carlo simulation to generate thousands of random market price paths for foreign currencies against Indian Rupee taking into account the correlations between them. The VAR is the expected loss in value of the exposures due to overnight movement in spot exchange rates, at 95% confidence interval. The VAR model is not intended to represent actual losses but is used as a risk estimation tool. The model assumes normal market conditions and is a historical best fit model. Because the Company uses foreign currency instruments for hedging purposes, the loss in fair value incurred on those instruments are generally offset by increase in the fair value of the underlying exposures for on balance sheet exposures. The overnight VAR for the Company at 95% confidence level is ₹ 28.80 crore as at March 31, 2018 and ₹ 23.22 crore as at March 31, 2017.

Actual future gains and losses associated with the Company's investment portfolio and derivative positions may differ materially from the sensitivity analysis performed as at March 31, 2018 due to the inherent limitations associated with predicting the timing and amount of changes in foreign currency exchange rates and the Company's actual exposures and position.

k-v) Interest rate risk:

The Company's exposure to the risk for changes in market rates relate primarily to the Company's project specific borrowing for international projects carrying floating interest rate.

Such project-specific borrowings were nil at the end of the reporting period.

Carrying amount of collateral given

(₹ crore)

Particulars	As at 31.03.2018	*As at 31.03.2017*
Trade receivables	**1,915.20**	*1,124.62*
Cash and cash equivalents (including other bank balances)	**1,257.06**	*302.14*
Current investments	**1,202.00**	*1,400.63*
Other current assets	**880.81**	*520.91*
Total current financial assets	**5,255.07**	*3,348.30*

The above assets have been given as collateral against various funded and non-funded facilities availed by the Company.

NOTE 46

Disclosure pursuant to Indian Accounting Standard (Ind AS) 108 "Operating Segments"

i. The Company is engaged mainly in the business of engineering, procurement, fabrication, construction and project management activity providing integrated 'design to build' solutions for large and complex offshore and onshore hydrocarbon projects. In the context of Ind AS 108 on Segment Reporting though the Company has operating model defined based on business verticals, the reportable segment is one considering common customers, investments by clients linked to oil price movement, similar risk profile and common infrastructure facilities and resources. Also, the Company's chief operating decision maker (i.e. CEO & Managing Director) reviews the results project-wise rather than reviewing results of the verticals.

ii. Geographical Information

(₹ crore)

Sr. No.	Particulars	Revenue		Non-current assets	
		As at 31.03.2018	*As at 31.03.2017*	As at 31.03.2018	*As at 31.03.2017*
1	India (a)	**4,983.96**	*4,940.10*	**906.05**	*883.63*
	Foreign countries:				
2	United States of America	**86.99**	*36.25*		*–*
3	Kingdom of Saudi Arabia	**2,831.41**	*391.18*	**51.23**	*47.13*
4	Sultanate of Oman	**1,268.68**	*670.25*	**5.79**	*12.97*
5	United Arab Emirates	**138.42**	*108.46*	**23.31**	*38.32*
6	Kuwait	**1,592.92**	*2,595.93*	**47.13**	*41.21*
7	Other countries	**141.97**	*44.44*	**23.03**	*33.41*
	Total other countries (b)	**6,060.39**	*3,846.51*	**150.49**	*173.04*
	Total (a+b)	**11,044.35**	*8,786.61*	**1,056.54**	*1,056.67*

Notes forming part of the accounts *(contd.)*

iii. Major customers: Information

Top three customers contribute to 55.35% (PY 70.40%) of the total revenue (individually more than 10% of the Company's total revenue).

(₹ crore)

Customer	Revenue	
	2017-18	*2016-17*
Customer 1	**2,624.55**	*2,364.21*
Customer 2	**2,078.91**	*2,234.48*
Customer 3	**1,409.98**	*1,630.45*

iv. Product wise revenue information

Product category	Revenue from major product and services	
	2017-18	*2016-17*
(i) Construction and project related activity :		
Items for oil and gas, chemical industries etc.	**10,540.54**	*8,081.46*
(ii) Manufacturing and trading activity :		
Items for oil and gas, chemical industries	**327.48**	*394.92*
(iii) Engineering service fees	**87.85**	*55.36*
(iv) Commission	**–**	*(0.74)*
(v) Others	**88.48**	*255.61*
Total revenue	**11,044.35**	*8,786.61*

NOTE 47

Disclosures in respect of Employees Stock Options Scheme

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 ₹ 38.13 crore (P.Y. ₹ 36.84 crore). The same is being recovered over the period of vesting by the holding company. Accordingly, cost of ₹ 33.57 crore (P.Y. ₹ 28.91 crore) has been recovered by the holding company up to current year, out of which, ₹ 4.66 crore (P.Y. ₹ 7.86 crore) was recovered during the year. Balance ₹ 4.56 crore will be recovered in future periods.

Computation of total cost-

(₹ crore)

Particulars	31-3-2018	*31-3-2017*
Cost recovered in past	**28.91**	*21.05*
Cost recovered during the year (Total of debit notes for ESOP Staff Cost -2017-18)	**4.66**	*7.86*
Cost to be recovered in future	**4.56**	*7.93*
Total cost incurred by the holding company, in respect of ESOP	**38.13**	*36.84*
Cost recovered up to the current year	**33.57**	*28.91*

Notes forming part of the accounts *(contd.)*

NOTE 48

Disclosure pursuant to Auditor's remuneration

Auditor's remuneration (excluding tax) and expenses charges to the accounts:

(₹ crore)

Particulars	2017-18	*2016-17*
Audit fees	**0.22**	*0.19*
Certification work	**0.11**	*0.27*
Tax audit	**0.11**	*0.10*
Other services	**0.08**	*0.07*
Expenses reimbursed	**0.00**	*0.00*

NOTE 49

Disclosure pursuant to amounts due to suppliers under The Micro, Small and Medium Enterprises Development Act, 2006, [MSMED Act]

The disclosure pursuant to the said Act is as under:

(₹ crore)

Particulars	As at 31-03-2018	*As at 31-03-2017*
Principal amount due	**24.97**	*8.47*
Interest accrued and due on above amount	–	*0.00*
Payment made to suppliers (other than interest) beyond appointed day during the year	**0.75**	*0.03*
Interest paid (other than section 16)	–	–
Interest paid (section 16)	–	*0.00*
Interest due and payable towards supplier for payments already made beyond appointed day	**0.00**	–
Interest accrued and remaining unpaid at the end of the year	**0.00**	*0.00*
Amount of further interest remaining due and payable even in the succeeding year	–	–

NOTE 50

The expenditure on research and development activities recognised as expense in the statement of profit and loss is ₹ 20.05 crore (previous year: ₹ 14.72 crore)

Expense for the current year includes ₹ 5 crore paid to Institute of Chemical Tehcnology towards research and development and generation, protection and deployment of innovation and technologies in the field of Cellulosic Ethanol Technology and its scale up.

Capital expenditure is as follows:

a) on property, plant and equipment ₹ 0.06 crore (previous year: ₹ 0.06 crore)

b) on intangible assets being expenditure on new product development Nil (previous year: Nil)

c) on other intangible assets Nil (previous year: Nil)

Notes forming part of the accounts *(contd.)*

NOTE 51

Expenditure incurred on corporate social responsibility activities:

As per section 135 of the Companies Act, 2013 ('the Act'), a company, meeting the applicability threshold, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility (CSR) activities. A CSR committee has been formed by the Company as per the Act.

b. Gross amount required to be spent by the Company during the year is ₹ 6.92 crore (previous year ₹ 9.77 crore)

c. Amount spent during the year:

(₹ crore)

Sr no	Particulars	Note	2017-18			*2016-17*		
			In cash	Yet to be paid in cash	Total	*In cash*	*Yet to be paid in cash*	*Total*
1	Construction/acquisition of any asset		–	–	–	–	–	–
2	Other revenue expenses	31	**5.86**	**1.12**	**6.98**	*3.75*	*0.26*	*4.01*
	Total		**5.86**	**1.12**	**6.98**	*3.75*	*0.26*	*4.01*

There are no related party transactions in CSR.

NOTE 52

There are no amounts due and outstanding to be credited to Investor Education & Protection Fund as at March 31, 2018.

NOTE 53

Contribution to political parties during the year 2017-18 is ₹ Nil (previous year ₹ Nil).

NOTE 54

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

As per our report attached

SHARP & TANNAN
Chartered Accountants
Firm's Registration No.109982W
by the hand of

FIRDOSH D. BUCHIA
Partner
Membership No.38332
Place : Mumbai
Date : April 25, 2018

For and on behalf of the Board

K. S. BALASUBRAMANYAM
Chief Financial Officer

ALPANA KHALE
Company Secretary
M. No. A40675

SUBRAMANIAN SARMA
CEO & Managing Director
DIN: 00554221

T. CHINNAPPA
Whole-time Director
DIN: 05219775

Place : Mumbai
Date : April 25, 2018

Employee Engagement

CEO & MD, Mr. S. Sarma, addressing the employees at the Townhall

Immense Contribution Of Noteworthy Significance (ICONS) Award ceremony – a Company initiative

Christmas celebration

Cricket tournament

Landmark Projects

PTA Plant for JBF Industries, Mangalore, India

Four Production Deck Modules for Saudi Aramco ready for despatch from Modular Fabrication Facility, Hazira to Safaniya Field, Saudi Arabia

Two tie-in platforms, 7500 MT each, under fabrication at Modular Fabrication Yard, Oman, for Saudi Aramco's Hasbah II Gas Increment Project. The USD 1.6 billion project also includes six gas production deck modules, two six-legged jackets, pipelines, composite cables, umbilical and onshore valve stations.

Group Gathering Station-11 for RIL's Coal Bed Methane Field Development Project, Shahdol, Madhya Pradesh

Gas processing facilities for Saudi Aramco near Tabuk in Saudi Arabia, with a capacity to treat 75 MMSCFD of gas and 4500 BPD of condensate, and the laying of over 90 km of gas and condensate product pipelines

The world's largest refinery complex at Jamnagar, constructed by L&T for Reliance

Asia's largest and the world's deepest cavern for storing LPG (190m below ground, Capacity: 60,000MT) at Visakhapatnam in South India

Lube-base oil project for PETRONAS Penapisan's Refinery at Melaka, Malaysia

ONGC's jack-up rig 'Sagar Uday' (BMC Class 300) involving major lay-up and repair

Modular Fabrication Facility at Kattupalli, India

CBMC/DP/082018

L&T Hydrocarbon Engineering

A wholly owned subsidiary of Larsen & Toubro Limited

Registered Office:
L&T Hydrocarbon Engineering Limited
L&T House, N. M. Marg, Ballard Estate, Mumbai 400 001, INDIA.
www.Lnthydrocarbon.com   CIN : U11200MH2009PLC191426

VSTS Corporation