

- ii) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
- iii) in the case of the cash flow statement, of the cash flows for the year ended on that date.

As required by the Companies (Auditor's Report) Order, 2003 issued by the central government under section 227(4A) of the Companies Act, 1956, we report as under:

- 1 (a) The Company is maintaining proper records to show full particulars including quantitative details and situation of all fixed assets.

(b) The assets were physically verified by management during the year. In our opinion, the frequency of such verification is reasonable. We were informed that no material discrepancies were noticed on such verification.

(c) Fixed assets disposed off during the year are not substantial in relation to the Company and do not affect the going concern.
- 2 There are no loans either granted to or taken from companies, firms or other parties that are covered in the register maintained under section 301 of the Companies Act, 1956.
- 3 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal controls.
- 4 According to the information and explanations given to us, there are no transactions that need to be entered into the register to be maintained under section 301 of the Companies Act, 1956.
- 5 The Company has not accepted any deposits in terms of provisions of sections 58A and 58AA of the Companies Act, 1956.
- 6 We are of the opinion that the Company has an internal audit system commensurate with the size and the nature of its business.
- 7 We are informed by management that cost records are not required to be maintained by the Company.

for

- 8 (a) According to the information and explanations given to us and as per the records of the Company, the Company has been regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, income tax, sales tax, wealth tax, custom duty, excise duty and other statutory dues with the appropriate authorities. According to the information and explanations given to us, there were no undisputed amounts payable in respect of provident fund, investor education and protection fund, sales tax, income tax, custom duty, wealth tax excise duty and other statutory dues were outstanding as at 31 March 2004 for a period of more than six months from the date they became payable. We were informed by management that there are no dues payable under the Employees State Insurance Act.
- (b) According to the information and explanations given to us and according to the records of the Company, there are no dues of sales tax, income tax, custom duty, wealth tax, and excise duty that have not been deposited with the appropriate authorities on account of any dispute.
- 9 There are no accumulated losses at the end of the financial year and the Company has not incurred cash losses in the current financial year or in the immediately preceding financial year.
- 10 Based on our audit procedures and the information and explanations given by management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holder.
- 11 The Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
- 12 The Company is not dealing in shares, securities, debentures and other investments.
- 13 According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- 14 To the best of our knowledge and belief and according to the information and explanations given by management, we are of the opinion that the Company has applied term loans for the purpose for which the loans were obtained.
- 15 Based on our examination and the information and explanations given by management, we are of the opinion that the funds raised by the Company on short term basis are not used for long term investment and vice-versa.



- 16 Based on our audit procedures and the information and explanations given by management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.
- 17 Clauses (ii)(a), (ii)(b), (ii)(c), (xiii), (xviii), (xix), and (xx) of paragraph 4 of the Order are not applicable to the Company in the current year.

Sharp & Tannan
Chartered Accountants

By the hand of



R.D. Kare
Partner

(Membership no. 8820)

Place: Mumbai

Date: 22 May 2004



LARSEN & TOUBRO INFOTECH LIMITED			
BALANCE SHEET AS AT MARCH 31, 2004			
	Schedules	As at 31-3-2004 Rupees	As at 31-3-2003 Rupees
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	A	150,000,000	150,000,000
Reserves and surplus	B	812,148,742	689,718,801
		962,148,742	839,718,801
LOAN FUNDS			
Secured loans	C	791,719,697	707,657,729
Unsecured loans	D	91,067,394	176,076,735
		882,787,091	883,734,464
Deferred tax liability (net) (see schedule P, note 11)		722,301	4,252,943
TOTAL		1,845,658,134	1,727,706,208
APPLICATION OF FUNDS			
Tangible Assets			
	E1		
Gross Block		932,530,788	895,687,017
Less : Depreciation		496,940,784	414,549,041
Net Block		435,590,004	481,137,976
Capital work-in-progress		106,225,822	102,644,599
		541,815,826	583,782,575
Intangible Assets			
	E2		
Gross Block		424,972,753	328,388,005
Less : Amortisation		200,353,997	97,658,852
Net Block		224,618,756	230,729,153
Capital work-in-progress		26,699,757	59,728,632
		251,318,513	290,457,785
Investments	F	1,140,650	4,640,650
Current assets, loans and advances			
Sundry debtors	G	790,211,992	719,124,109
Cash and bank balances	H	44,013,684	47,961,222
Loans and advances	I	546,244,475	344,925,000
		1,380,470,151	1,112,010,331
Less : Current liabilities and provisions	J		
Current liabilities		302,362,108	289,732,935
Provisions		37,853,248	25,170,280
		340,215,356	314,903,215
Net current assets		1,040,254,795	797,107,116
Deferred revenue expenditure (To the extent not written off or adjusted)	K	11,128,350	51,718,082
TOTAL		1,845,658,134	1,727,706,208
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS			
As per our report attached			
SHARP & TANNAN	V K MAGAPU		A M NAIK
Chartered Accountants	Manager		
by the hand of			
R D KARE	S S PRABHUDESAI		Y M DEOSTHALEE
Partner	Secretary		Directors
Mumbai			Mumbai
Date 22 May, 2004			Date 22 nd May, 2004

LARSEN & TOUBRO INFOTECH LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2004

	Schedules	2003-04 Rupees	2002-03 Rupees
INCOME			
Software development services and products			
Overseas		3,339,060,442	2,246,851,380
Domestic		306,968,458	264,961,901
Other income	L	16,573,426	14,770,084
		3,662,602,326	2,526,583,365
EXPENDITURE			
Software development expenses	M	2,222,187,802	1,420,732,954
Sales, administration and other expenses	N	1,017,851,603	742,315,030
		3,240,039,405	2,163,047,984
Operating profit (PBIDT)		422,562,921	363,535,380
Interest	O	30,993,709	33,103,489
Depreciation on tangible assets		125,161,222	107,134,423
Amortisation of intangible assets		102,695,144	54,630,591
Amortisation of deferred revenue expenditure		40,589,732	29,461,375
Profit before tax (PBT)		123,123,114	139,205,502
Provision for taxes (including Rs 200,000 for wealth tax; previous year Rs. 400,000)		4,223,815	10,448,280
(Write back)/further provision for tax earlier years (net)		-	(5,099,820)
Deferred tax		(3,530,642)	1,311,289
Profit after tax (PAT)		122,429,941	132,545,753
Add : Balance brought forward from previous year		169,718,801	133,725,169
Profit available for appropriation		292,148,742	266,270,922
Less: Transfer to general reserve		-	21,552,121
Profit available for distribution		292,148,742	244,718,801
Interim dividend		-	75,000,000
Balance to be carried forward		292,148,742	169,718,801
Basic and diluted earnings per share (EPS)		4.08	4.42
Equivalent number of shares of Rs.5 each		30,000,000	30,000,000

SIGNIFICANT ACCOUNTING POLICIES
AND NOTES ON ACCOUNTS

P

As per our report attached
SHARP & TANNAN
Chartered Accountants

V K Magapu
V K MAGAPU
Manager

A M NAIK
A M NAIK

by the hand of

R D KARE
R D KARE
Partner

S S Prabhudesai
S S PRABHUDESAI
Secretary

Y M Deosthalee
Y M DEOSTHALEE
Directors

Mumbai

Mumbai

Date 22 May 2004.

Date 22nd May 2004

LARSEN & TOUBRO INFOTECH LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2004

	2003-04 Rs	2002-03 Rs
A Cash flow from operating activities :		
Net profit before tax	123,123,114	139,205,502
Adjustments for :		
Depreciation and amortisation	227,856,366	161,765,014
Interest paid	31,377,153	42,436,417
Unrealised foreign exchange difference	18,763,058	5,571,338
Dividend received from subsidiary company	-	(11,966,602)
Income from other investments	(151,468)	(438,100)
Deferred revenue expenditure amortised	40,589,732	29,461,375
Cost of long term projects amortised	6,285,538	-
Deferred revenue expenditure	-	(81,179,457)
Cost of long term projects	(41,878,192)	-
(Profit)/loss on sale of fixed assets	2,311,593	122,541
Operating profit before working capital changes	408,276,894	284,978,028
Changes in working capital		
(Increase)/decrease in trade receivables	(71,087,884)	(154,317,557)
(Increase)/decrease in other receivables	(177,833,388)	(111,257,340)
Increase/(decrease) in trade payables	15,761,341	106,467,990
(Increase)/decrease in working capital	(233,159,931)	(159,106,907)
Cash generated from operations	175,116,963	125,871,121
Direct taxes paid	(4,266,335)	(299,557)
Net cash from operating activities	170,850,628	125,571,564
B Cash flow from investing activities :		
Purchase of fixed assets	(217,585,132)	(467,185,809)
Sale of fixed assets	68,523,192	2,962,586
Investments	3,500,000	(3,500,000)
Interest received	383,444	9,332,928
Dividend received from subsidiary	-	26,883,602
Dividend received from other investments	151,468	403,558
Net cash from investing activities	(145,027,028)	(431,103,135)
C Cash flow from financing activities :		
Proceeds from other borrowings (net)	91,052,626	296,174,464
Inter corporate borrowings	(92,000,000)	170,000,000
Financial expenses	(28,823,764)	(53,161,922)
Dividend paid	-	(112,500,000)
Dividend tax paid	-	(9,945,000)
Net cash from financing activities	(29,771,138)	290,567,542
Net (decrease)/increase in cash and cash equivalents (A+B+C)	(3,947,538)	(14,964,029)
Cash and cash equivalents at the beginning of the year	47,961,222	62,925,251
Cash and cash equivalents at the end of the year	44,013,684	47,961,222

Notes:

- 1 Cash flow has been prepared under the indirect method as set out in the Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
- 2 Purchase of fixed assets includes movements of capital work-in-progress between the beginning and end of the year
- 3 Previous year's figures have been regrouped /reclassified wherever applicable

SHARP & TANNAN
Chartered Accountants

by the hand of

R D KARE
Partner

V K MAGAPU
Manager

S S PRABHUDESAI
Secretary

A M NAIK

Y M DEOSTHALEE
Directors

Mumbai
Date: 22 May, 2004

Mumbai

Date: 22nd May, 2004

LARSEN & TOUBRO INFOTECH LIMITED

Schedules forming part of accounts

	As at 31-3-2004 Rupees	As at 31-3-2003 Rupees
SCHEDULE A		
Share capital		
Authorised : 3,05,00,000 Equity shares of Rs.5 each (Previous year 3,00,00,000 of Rs. 5 each)	152,500,000	150,000,000
Issued and Subscribed 3,00,00,000 Equity Shares for Rs. 5 each (Previous year 3,00,00,000 of Rs. 5 each)	150,000,000	150,000,000
Paid up : 3,00,00,000 Equity Shares for Rs. 5 each (Previous year 3,00,00,000 of Rs. 5 each)	150,000,000	150,000,000
All the above Equity shares (Same as previous year) are held by Larsen and Toubro Limited, the holding Company	150,000,000	150,000,000
SCHEDULE B		
Reserves and surplus		
General reserve		
As per last balance sheet	520,000,000	498,447,879
Add : Transferred from profit and loss account	520,000,000	21,552,121
	520,000,000	520,000,000
Profit and loss account	292,148,742	169,718,801
	812,148,742	689,718,801
SCHEDULE C		
Secured loans		
Loans from banks	791,719,697	707,657,729
	791,719,697	707,657,729
SCHEDULE D		
Unsecured loans		
Inter corporate borrowings (from holding company)	78,000,000	170,000,000
Lease finance (due with in one year Rs. 3,775,004)	13,067,394	6,076,735
	91,067,394	176,076,735
SCHEDULE F		
Investments (at cost,unquoted)		
Long term investment		
1, fully paid equity share of Euro 25,000/- in L&T Infotech GmbH, wholly owned subsidiary	1,140,650	1,140,650
Current investments		
Principal Asset Management Co. Ltd. - Money at call option		3,500,000
Details of investments purchased and sold during the year : (3,57,50,000 units of Rs. 10 each subscribed ; Cost Rs. 35,75,00,000) (3,92,50,000 units of Rs. 10 each sold ; Sale value Rs. 39,25,00,000)		
	1,140,650	4,640,650

LARSEN & TOUBRO INFOTECH LIMITED

Schedules forming part of accounts

	As at 31-3-2004 Rupees	As at 31-3-2003 Rupees
SCHEDULE G		
Sundry debtors		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered good	110,371,172	75,648,705
Considered doubtful	82,180,633	78,955,069
	192,551,805	154,603,774
Other Debts		
Considered good		
- Due from subsidiary	6,253,596	14,592,265
- Others	673,587,225	628,883,139
Considered doubtful		
Less : Provision for doubtful debts	82,180,634	78,955,069
	790,211,992	719,124,109
SCHEDULE H		
Cash and bank balances		
Cash on hand	319,532	315,484
Balances with scheduled banks		
in current accounts (including remittances in transit)	12,734,349	14,204,115
Balances with non-scheduled banks	30,959,803	33,441,623
(see schedule P note 2)		
	44,013,684	47,961,222
SCHEDULE I		
Loans and advances		
Secured :		
Loans against mortgage of house property	6,579,515	8,222,241
Unsecured :		
Unbilled revenues	202,029,971	11,724,833
Due from subsidiary company	4,880,000	4,880,000
Advances recoverable in cash or in kind	297,162,335	320,097,926
Cost of long term projects	35,592,654	
(see schedule P note 16)		
	546,244,475	344,925,000
SCHEDULE J		
Current Liabilities and provisions		
Current Liabilities :		
Sundry creditors	253,813,164	164,140,610
Due to holding company	48,313,944	125,542,325
Due to directors	235,000	50,000
	302,362,108	289,732,935
Provisions :		
Taxes	17,062,248	10,448,280
Leave encashment	20,791,000	14,722,000
	37,853,248	25,170,280
	340,215,356	314,903,216
SCHEDULE K		
DEFERRED REVENUE EXPENDITURE		
(To the extent not written off or adjusted)		
Restructuring expenses		25,751,924
Expenses for SEI CMM Level 5	11,128,350	25,966,158
	11,128,350	51,718,082