L&T Finance Holdings

August 16, 2016

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051.

Symbol: L&TFH

BSE Limited
Corporate Relations Department,
1st Floor, New Trading Ring,
P. J. Towers, Dalal Street,
Mumbai - 400 001.

Security Code No.: 533519

Kind Attn: Head – Listing Department / Dept of Corporate Communications

Sub: SEBI Order dated March 22, 2016 in the matter of Sharepro Services (I) Pvt. Ltd.

Dear Sir/ Madam,

This is with reference to SEBI Order No. WTM/RKA/MIRSD2/41/2016 dated March 22, 2016 ("Order") requesting the clients of Sharepro Services (I) Pvt. Ltd. ("Sharepro") to conduct thorough audit of records and systems of Sharepro with respect to dividends paid and transfer of securities to determine whether dividends have been paid to actual / beneficial holders and whether securities have been transferred as per the provisions of law.

In this regard, we wish to inform the Exchange that the Company had appointed M/s. Aneja Associates, Chartered Accounts ("Aneja") to carry out the Audit of Sharepro in terms of the aforesaid Order.

Accordingly, please find enclosed Report submitted by Aneja for your reference.

Kindly take the same on record and acknowledge receipt.

Thanking you,

Yours faithfully,

For **L&T Finance Holdings Limited**

N. Suryanarayanan
Company Secretary & Compliance Officer

Encl: as above

L&T Finance Holdings Ltd
8th Floor, City 2, Plot No 177
Vidyanagari Marg, CST Road, Kalina
Santacruz (E), Mumbai 400 098, India

Registered Office
L&T House, NM Marg
Ballard Estate, Mumbai 400 001, India
CIN: L67120MH2008PLC181833

T +91 22 6737 2964
F +91 22 6737 2900
E igrc@ltfinanceholdings.com

www.ltfinanceholdings.com

ANEJA ASSOCIATES

C H A R T E R E D A C C O U N T A N T S

L&T FINANCE HOLDINGS LIMITED

REVIEW AT SHAREPRO SERVICES INDIA PVT. LTD.

A U G U S T 2 0 1 6

Private & Confidential – Restricted Circulation Only
301, Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400 013.
Phone : 6654 6905 to 6654 6909 Fax : 6660 2704 Email : contact@anejaassociates.com
Website : www.anejaassociates.com

ANEJA ASSOCIATES

C H A R T E R E D A C C O U N T A N T S

August 8, 2016

To,
Company Secretary
L&T Finance Holdings Limited,
5th Floor, City 2, Plot No. 177,
Vidyanagari Marg, CST Road,
Kalina, Santacruz (E),
Mumbai – 400 098.

Dear Sir,

Review at Sharepro Services India Pvt. Ltd. on behalf of
L&T Finance Holdings Limited

As requested, we have conducted the review of operations handled by Sharepro Services India Pvt. Ltd. (hereinafter referred as 'Sharepro') on behalf of L&T Finance Holdings Limited (hereinafter referred as 'LTFH') as stipulated by SEBI vide Order No. WTM/RKA/MIRSD2/41/2016 dated March 22, 2016. SEBI vide this order had requested all companies to carry out a thorough audit of records and system of Sharepro with respect to dividends paid and transfer of securities for atleast 10 years.

Based on our discussions with your team and details shared by LTFH, the scope of our review was to conduct a detailed verification of records and systems of Sharepro in relation to services offered by them to LTFH towards processing of interest / dividend and transfer of securities. The detailed scope of our review was to verify all the below mentioned activities, as performed by Sharepro on behalf of LTFH in the capacity of being the Registrar and Transfer Agent:

- Share Transfer, Transmission, Subdivision, Consolidation, Transposition etc. in case of shares held in physical form
- Change in static data of investors viz. change in name, rectification of name, deletion of name, change of address, change of bank mandates, etc.
- Physical verification and reconciliation of physical share certificates returned undelivered
- Review of requests received and processed for issuance of Duplicate Share Certificates
- Dividend payout
- Unpaid Dividend / Interest
- Rematerialisation request
- Reissuance / revalidation of warrants /DDs
- Redemption / buyback of securities

301, Peninsula Towers, Peninsula Corporate Park, Ganpatrao Kadam Marg, Lower Parel, Mumbai - 400 013.
Phone : 6654 6905 to 6654 6909 Fax : 6660 2704 Email : contact@anejaassociates.com
Website : www.anejaassociates.com

- Management of SEBI SCORE portal and review of procedures for resolution/escalations of investor complaints.

The review covered both Equity and Preference Shares issued by the Company and included a review of dividends / interest paid and transfers effected within the preceding 10 years for a period upto March 31, 2016. Based on details provided to us, we noted that the following securities were issued by LTFH where in Sharepro had acted as a Registrar & Transfer Agent during the last ten years as on March 31, 2016:

Sr. No.	Issue Type	ISIN	No. of Folio on allotment	Issue size (in crore)	No. of Securities (in crore)	Date of Allotment
1.	Equity	INE498L01015	4,09,522	1,245.00	23.77	08.08.2011
Total			**4,09,522**	**1,245.00**	**23.77**	
2.	Preference	INE498L04019*	532	5.00	0.05	20.03.2013
3.	Preference	INE498L04027*	926	2.50	0.03	31.03.2013
4.	Preference	INE498L04035	26	2.50	0.03	15.10.2013
5.	Preference	INE498L04043	25	1.39	0.01	30.06.2014
6.	Preference	INE498L04050	12	1.24	0.01	30.06.2014
7.	Preference	INE498L04068	1	0.40	0.00	13.08.2014
8.	Preference	INE498L04076	2	0.60	0.01	13.08.2014
9.	Preference	INE498L04084	47	6.00	0.06	06.05.2015
Total			**1,571**	**19.63**	**0.20**	

REVIEW METHODOLOGY

1. Our methodology for conducting this review was as follows:

   - Process and systemic walkthrough was conducted to understand the procedures adopted by Sharepro for performing the above mentioned activities.
   - Data in relation to the activities for the past 10 years or from the period since when these activities were undertaken by Sharepro, whichever is later, was requested from Sharepro and LTFH. Physical supporting / scanned images were requested for validation of each activity / event / transaction.
   - We also referred to Sharepro's systems for confirming certain aspects.
   - Turnaround time was defined for data retrieval, submission and escalation. All instances of non-receipt of data / details / clarifications were duly escalated during the course of our review.
   - All clarifications / queries / test results were duly shared with Sharepro during the course of our review and responses / feedback was obtained.
   - The qualitative review of supporting was conducted on best effort basis and was subject to risk emanating from subjectivity of the personnel reviewing it.

- Signature verification was conducted on best effort basis with a margin for flow differences.
- Our review was limited to conducting an independent verification of activities performed by Sharepro and all activities performed by the Company directly without involvement of Sharepro were excluded.
- We have relied upon the information provided by LTFH and Sharepro for conducting our review.

SCOPE EXCLUSION

2. Our review was based on information and data provided to us by LTFH and Sharepro. All conclusions have been drawn based on such information / data shared with us. The review excludes the following:

   - Data provided by Sharepro was relied upon, no independent validation of such data was conducted.
   - The review was not aimed at conducting an independent validation or giving an opinion on the genuineness of legal documents such as indemnity bonds, notarized documents, etc.
   - We have not traced the movement of funds to external counterparties by independent validation outside LTFHand Sharepro's records. We have limited our review to report possible aberrations based on information available with LTFH and Sharepro.
   - We have limited our review to form opinion based on activities wherein system logs were available or evidences (electronic or physical) were available. However, these logs may not essentially capture the changes conducted by Sharepro at the back-end in the application.
   - Verification / identification of mismatch in signatures of the investor was conducted on a best effort basis.
   - Our review may not essentially cover all changes conducted by Sharepro through back-end since audit trail of such changes are not available from the system.
   - Validation of accuracy and completeness of the records provided by the Banker, Depositories or any third party was not performed.

SCOPE LIMITATION DUE TO NON-AVAILABILITY OF DATA

3. Due to non-availability of data, we have limited our scope to exclude the following:

   - Access Control Matrix for various systems used by Sharepro.
   - User logs of various systems used by Sharepro
   - Data from Bank (instructions sent to bank, payment confirmation/rejection details, statement from bank).
   - List of employees of Sharepro.

- Control/data accuracy check performed while extracting data from the database.
- List of warrant/DD lying unpaid under custody of Sharepro as on March 31, 2016.

SUMMARY OF REVIEW

4. Based on our terms of reference, we had requested Sharepro to furnish the required data for our review. Despite several discussions and multiple iterations, Sharepro was unable to furnish the complete set of information to us. Details of our tests performed and results based on 100% review are summarised below:

Sr. No.	Area	Test Performed	Test Results
1.	Verification of Transfer, Transmission, Sub-division, Consolidation, Transposition, etc. in case of securities held in physical form	◆ Verification of transfer requests received from investor (as provided by Sharepro) for name of Transferor and Transferee. ◆ Verification of investor signatures on the request with signature available in the system.	No exceptions were noted.
2.	Verification of investor requests for modification/rectification in name, deletion of name, change of address, change in bank mandates.	◆ Verification of request received from the investor to ascertain accuracy of changes. ◆ Verification of signature of investor to ascertain genuineness of request.	Physical application for securities held in physical form for all sample cases was not available for our review.
3.	Verification of the request received for issuance of Duplicate Certificates	As per e-mail received from Sharepro dated June 11, 2016, no requests were received for issuance of Duplicate Certificates during the review period.	
4.	Dematerialization	◆ Verification of requests received for demat/remat from investors (physical application) with transactions processed by Sharepro.	Data was not available for our review.

Sr. No.	Area	Test Performed	Test Results
	Rematerialization	◆ For instances of remat wherein physical application was not available for our review, verify minutes of Share Transfer Committee (STC) of LTFH provided by the Secretarial team.	No discrepancies were noted based on review of 25 instances (29% of sample) verified with physical application for remat and 61 instances (71% of sample) verified with STC minutes.
5.	Verification of payouts of corporate actions (dividend), re-issuance of warrant and demand draft		
a)	Accuracy of Dividend computation	◆ Verification of dividend rates captured in the Dividend Working file vis-à-vis the dividend rates notified on the Exchange website. ◆ Verification of quarterly share holding pattern nearest to the record date, as available on the Exchange website with the total shareholding as on the record date.	Equity Shares: No discrepancies were observed. Preference Shares: Data was not available for our review.
b)	Comparison of beneficiary details as per dividend working file with holding details as per depositories	Verification of beneficiary details (name, bank account number and number of securities held) as per the dividend working files with the beneficiary details in BENPOS files as on the record dates for dividend.	Equity Shares: No discrepancies were observed. Preference Shares: Data was not available for our review.
c)	Comparison of Dividend Payout files with the Dividend working file	Verification of beneficiary details (beneficiary name, bank account number and amount) as updated in the Payment Instructions sent to Banks vis-à-vis the details captured in the Dividend working file.	Equity Shares: ◆ Mismatch was observed in the beneficiary name and bank account details. As informed, the mismatch was on account of implementation of core banking solution where beneficiary name and bank account details were truncated.

Sr. No.	Area	Test Performed	Test Results
			◆ In 21 instances of dividend payments for the year 2015, bank account number despite being available was not updated in the payment instruction sent for printing of warrants. However, management mentioned that these were ECS/NECS failed cases, bank details were deleted from the record date master to ensure that they are not printed in the warrant. Preference Shares: No discrepancies were observed. However, in absence of depository records, payout to the beneficiary as per depository records could not be ascertained for all cases.
d)	Control check of Dividend Liability and Final Payout	Verification of control totals for each mode of dividend payout as available in the dividend working file with the control totals as per Bank Reconciliation files.	Equity Shares: ◆ Bank Statement was not available to validate the actual payout to beneficiary. ◆ Mismatches were observed in tagging of mode of payout in 43 instances. In 2014, 42 cases were tagged as Warrants/ECS instead of DD in dividend working file and in 2013, one instance was tagged as warrant instead of DD. Preference Shares: Data was not available for our review.

Sr. No.	Area	Test Performed	Test Results
e)	Re-issue of rejected / cancelled payments	◆ Rejected RTGS/ECS/NECS instructions were re-issued through Demand Draft (DD) or Warrants. ◆ Verification of DD/Warrant re-issuance file with the rejections file for shareholder name and amount.	Equity Shares: On validation of ECS Rejections file with the Dividend Payout file for the year 2015, 1,604 (21%) of the total 7,681 ECS rejections appears to be result of improper truncation of the Bank Account numbers in the system. Further, DC rejection file was not available for our review. Preference Shares: Data was not available for review.
f)	Transfer of unclaimed / unpaid dividend amount to (IEPF)	As confirmed by the Secretarial team, the period of 7 years had not elapsed for any dividend payouts made by the Company as on March 31, 2016.	
6.	Revalidation / Reissuance of warrants / DDs	Reissuance of payouts towards warrants which had lapsed the validity period was performed in the following manner: ◆ Verification of beneficiary name and amount as updated in the Dividend Working file prepared by Sharepro with the Reconciliation files received from Banks. ◆ Issuance of DC/NEFT Instructions: Verification of Reconciliation file received from Banks vis-à-vis the Dividend Working file prepared by Sharepro to confirm the accuracy of payouts	Equity Shares: Issuance of DDs: ◆ Minor changes in name were noted for 33 instances. However, the changes were material for 5 instances wherein supporting documents were not available for two instances.

Sr. No.	Area	Test Performed	Test Results
			Issuance of DC/NEFT instructions: ◆ Reconciliation file received from the banks did not specify the account wherein payouts were credited. Hence, accuracy of DC/NEFT instruction could not be verified. ◆ Data for Issuance of DC/NEFT instructions was not available Preference Shares: Data was not available for our review.
7.	Verification of Returned Undelivered (RUD) Certificates maintained with Sharepro	As per e-mail received from Sharepro dated June 11, 2016, there were no certificates returned undelivered as of March 31, 2016. We could not independently confirm the same.	
8.	Redemption / maturity of Securities	No data was available for our review.	
9.	Name search w.r.t. SEBI Order	Verification of consolidated BENPOS and dividend working file for match with the name of individuals / entities as mentioned in the SEBI Order along with a name of investors with similar address with such individuals / entities on a best effort basis.	◆ Based on review of consolidated BENPOS files, 39 instances were identified with beneficiary names identical with the name list. ◆ Based on review of Dividend working files, 160 instances were identified with beneficiary name identical to the above mentioned list.

Sr. No.	Area	Test Performed	Test Results
		◆ Manually scrutinize the records identified based on the name search. ◆ For cases identified in the Dividend working file, perform comparison with the Transaction file.	◆ These instances related to securities held in demat form and no transactions were noted for these folios in the Transaction file.
10.	Review of SEBI SCORES portal	We have verified the outstanding complaints status with the procedures adopted to address the investor complaints. No discrepancies were noted.	

CONCLUSION

5. Based on our review of activities and transactions in relation to securities held in physical form, we noted that changes were made to the investor database (as detailed above) for which adequate evidence was not available. Hence, we have suggested to the Company to review these changes for necessary future course of action.

Please do let us know if any clarifications are required.

Very truly yours,
For Aneja Associates
Chartered Accountants

(N. K. Aneja)
M. No. 30202
Firm Membership No: 100404W