

L&T HOWDEN PRIVATE LIMITED
DIRECTORS' REPORT

The Directors have pleasure in presenting their ninth Annual Report and Audited Financial Accounts of the Company for the year ended 31st March 2019.

1. FINANCIAL RESULTS

(Rs. In Lakhs)

Particulars	2018-19	2017-18
Revenue from operation & other Income	16451.59	23509.32
Profit / (Loss) before Depreciation & Tax (PBDT)	3009.26	3158.71
Depreciation	402.78	424.00
Profit / (Loss) before tax (PBT)	2606.48	2734.71
Provision for taxes	661.62	1430.55
Profit / (Loss) after tax (PAT)	1944.86	1304.15
Balance brought forward from previous year	4125.48	2821.33
Balance carried to Balance Sheet	6070.35	4125.48

CAPITAL & FINANCE

During the year under review, the Company has not allotted any equity shares. The Total Equity Share Capital as on 31st March, 2019, is Rs.30 Crore.

The Company has completely repaid its long-term foreign currency loans, equivalent to about Rs. 8.06 crore outstanding at the beginning of the year.

CAPITAL EXPENDITURE

Gross tangible and intangible assets including leased assets are Rs. 5680 Lakhs (Previous Year: Rs.5597 Lakhs). During the year, the Company spent Rs.108 Lakhs (Previous Year: Rs.12 Lakhs) on capital expenditure.

DEPOSITS

The Company has not accepted deposits from the public falling within the ambit of Section 73 of the Companies Act, 2013 and the Rules framed thereunder.

APPROPRIATIONS

Your Company has not made any appropriations.

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

The Company has not given any loan, guarantees, security or made any investment for the Financial Year 2018-19 as specified under section 186 of Companies Act, 2013.

3. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Board has approved the Related Party Transactions for the Financial Year 2018-19. A statement containing details of all material transactions/ contracts/ arrangements is attached as Annexure 'B' to this report.

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

There are no materially significant related party transactions that may have conflict with the interest of the Company.

4. STATE OF COMPANY AFFAIRS

The gross sales and other income for the financial year under review is Rs.164.52 crore as against Rs.235.09 crore for the previous financial year registering a decrease of 30%. The profit before tax from continuing operations including extraordinary and exceptional items is Rs.26.07 crore and the profit after tax from continuing operations including extraordinary and exceptional items of Rs.19.45 crore for the financial year under review as against Rs.27.35 crore and Rs.13.04 crore respectively for the previous financial year.

5. DIVIDEND

Considering the capital requirement for ongoing business expansion/ internal restructuring, the Board of Directors do not recommend any dividend on its equity shares.

6. DEPOSITORY SYSTEM

The Ministry vide its notification dated 10th September 2018, requires certain companies to facilitate dematerialization of all its existing securities and has mandated that the stake of promoters, directors and key managerial personnel should be held in demat form. As on March 31, 2019, 50.10% of the Company's total paid up capital representing 1,50,30,000 shares are in dematerialized form. Further, the Ministry has prohibited the physical transfer of securities. Hence, members holding shares in physical mode are advised to avail of the facility of dematerialization. The report on reconciliation of share capital audit from

Practicing Company Secretary has been submitted by the Company within stipulated time.

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

There are no material changes between Balance Sheet date and date of Directors' Report.

8. CONSERVATION OF ENERGY, RESEARCH & DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING & OUTGO AS PER FORM A (RULE 2) OF COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A) Conservation of Energy:

1. Change of lighting in the plant to LED lighting.
2. Replaced old 350 CFM compressors with 43 CFM compressors
3. Reduced idling time of Element Line which resulted in Energy savings leading to higher productivity.

B) Technology Absorption:

1. Technology has been imported by way of technology transfer agreements for Axial Fans with Howden Denmark A/S, Denmark and for Rotary Air Pre-heaters with Howden UK Limited, Northern Ireland.
2. The effort was made to use more efficient Air Pre-heater element profile to increase the efficiency and reduce the weight. The reduction of element weight was to the extent of 9%. Ordering process for procurement of necessary rollers had been initiated last year. New HC profile for Heating Elements was implemented and put to use in current year. The profile helps produce Elements which are more suited to NoX control technology and energy efficient.

C) During the year, the Company has foreign exchange earnings and the outgo is as under:

(1) Foreign Exchange Earnings:

Particulars	(Rs. In Lakhs)	
	2018-19	2017-18
Sales & Services	4714.48	8464.23

(2) Expenditure in Foreign Currency (on accrual basis):

(Rs. In Lakhs)

Particulars	2018-19	2017-18
Project Imports	2950.76	5332.35
Royalty & Trade Mark Fees	402.93	579.59
Interest	22.07	113.74
Sales Commission	-	-
Travelling	0.89	2.91

9. 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 minimization procedures and periodical review to ensure that executive management controls risk by means of a properly designed framework.

10. CORPORATE SOCIAL RESPONSIBILITY

The Company has formulated the Corporate Social Responsibility (CSR) Committee. The Committee constituted by the Board of Directors presently comprises of Mr. Martinus Zijlmans, Mr. Derek Michael Shah and Mr. Shekhar Sharda as Members. The Members elect one amongst themselves as the Chairman of the Meeting.

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 as Annexure 'C' to this report.

11. DETAILS OF DIRECTORS AND KEY MANAGERIAL PERSONNEL APPOINTED/RESIGNED DURING THE YEAR

Mr. Shailendra Roy, Mr. Shekhar Sharda, Mr. Ian Brander, Mr. Martinus Zijlmans, Mr. Derek Michael Shah and Mr. Frederick Hearle are the present directors of the Company.

During the year under review, Mr. Elias Zabaneh, Mr. K. Vaidyanathan and Mr. Kanwar P. Singh resigned from the Board of Directors. Mr. Allan Kristensen, Mr. James McParland and Mr. Sabyasachi Mitra resigned as alternate directors of the Company. Mr. Amit Gulgulia resigned as Company Secretary of the Company. The Board of Directors placed on record its appreciation for the contributions made by the Directors and Key Managerial Personnel.

Mr. Frederick Hearle was appointed as Director at the Board Meeting held on April 30, 2019 to fill up the casual vacancy caused by the cessation of Mr. Elias Zabaneh. Pursuant to the provisions of section 161(4) of the Companies Act, 2013, as amended, any Director appointed in causal vacancy shall be approved by the members in the immediate next general meeting. Accordingly, Mr. Frederick Hearle holds office upto the date of this Annual General Meeting and is eligible for appointment as Director of the Company.

The Board has appointed Ms. Reena Raje as the Company Secretary at its Meeting held on 29th January, 2019.

Mr. Derek Michael Shah and Mr. Martinus Zijlmans retires by rotation in the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment.

Mr. Parvesh Mittal is the Manager (designated as Chief Executive) and Mr. Atul Tandon is the Chief Financial Officer of the Company.

12. 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 on May 7, 2018, August 17, 2018, October 29, 2018 and January 29, 2019.

The Agenda of the Meeting is circulated to the Directors in advance. Minutes of the Meetings of the Board of Directors are circulated amongst the Members of the Board for their perusal.

13. INTERNAL AUDITOR

The Internal Auditor monitors and evaluates the efficacy and adequacy of the internal control system of the Company, its compliances with operating systems and accounting procedures and policies of the Company. The observations and corrective measures are presented to the Board.

14. VIGIL MECHANISM

During the year under review, the Company has voluntarily established a vigil mechanism framework for directors and employees to report genuine concerns.

This framework provides for adequate safeguards against victimization of persons who complain under the mechanism.

15. COMPANY POLICY ON DIRECTOR APPOINTMENT AND REMUNERATION

The Company has constituted the Nomination and Remuneration Committee (NRC) in accordance with the requirements of the Companies Act, 2013 read with the rules made thereunder.

The Committee/Board 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.

During the year under review, the Committee met only once on May 7, 2018.

The NRC comprised of Mr. Shailendra Roy, Mr. K. Vaidyanathan, Mr. K. P. Singh and Mr. Martinus Zijlmans. The Members elected one amongst themselves as the Chairman of the Meeting.

In view of the notifications issued by Ministry of Corporate Affairs, the Company has dissolved the NRC of the Board on 29th October, 2018 and all matters that were taken up in the NRC, were placed before the Board.

16. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors of the Company confirms:

- a) In the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) 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 the profit or loss of the Company for that period;
- c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) The Directors have prepared the Annual Accounts on a going concern basis;
- e) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and were operating effectively.

17. 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, 2019, 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.

18. PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEE AND DIRECTORS

The Board of Directors has laid down the manner, specific criteria and grounds in which formal annual evaluation of the performance of the Chairman, Board, Committees and individual directors shall be carried out. It includes circulation of questionnaires to all the Directors for evaluation of the Board, its committees and individual directors, Board composition and its structure, Board effectiveness, Board functioning, information availability, adequate discussions, etc. These questionnaires' also cover specific criteria and the grounds on which all directors in their individual capacity would be evaluated. The Chairman of the Board analyzes the individual directors' responses on the questionnaires to arrive at unbiased conclusions.

During the year under review, the Company has completed the performance evaluation and the summary of the evaluation given by all the directors were discussed in the meeting of the Board of Directors.

19. AUDITORS' REPORT

The Auditors report to the shareholders does not contain any qualification, observation, adverse comment or remark. The notes to the accounts referred to in the Auditors' Report are self-explanatory.

20. AUDITORS

As per the provisions of the Companies Act, 2013, M/s Sharp & Tannan were appointed as Statutory Auditors for a period of three continuous years i.e. from the conclusion of the 7th Annual General Meeting till the conclusion of 10th Annual General Meeting of the Company.

Certificate from the Auditors has been received to the effect that they are eligible to act as auditors of the Company and their appointment would be within the limits as prescribed under Section 141 of the Companies Act, 2013.

21. COMPLIANCE WITH SECRETARIAL STANDARDS ON BOARD MEETINGS 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.

22. 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. There were no cases of sexual harassment received in the Company during the financial year 2018-19.

The Company has an Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

23. COST AUDITORS

Pursuant to the provisions of Section 148 of the Companies Act, 2013 and Rule 3 and 4 of the Companies (Cost Records and Audit) Rules, 2014, as amended, the Board of Directors had appointed M/s Vaghela Kishor & Co., Cost Accountants (Registration No. 103811), Cost Accountants as Cost Auditors of the Company for audit of cost accounting records for the financial year ended March 31, 2020 at a remuneration of Rs.45,000. The appointment shall be intimated to the Central Government. They have confirmed their independent status and that they are free from any disqualifications under section 141 of the Companies Act, 2013.

A proposal for ratification of remuneration payable to the Cost Auditor for the financial year 2019-20 is placed before the shareholders for consideration.

The Report of the Cost Auditors for the financial year ended March 31, 2019 is under finalization and will be filed with the MCA within the prescribed period.

As per the requirements of section 148 of the Companies Act, 2013 read with the Rules, the Company is required to maintain the cost records and accordingly, such accounts are made, and records have been maintained in respect of the applicable products for the year ended 31st March 2019.

24. OTHER DISCLOSURES

- No disclosure is required under Section 67(3)(c) of the Companies Act, 2013, in respect of voting rights not exercised directly by the employees of the Company as the provisions of the said Section are not applicable.
- Reporting of Frauds: The Auditors of the Company have not reported any fraud committed against the Company by its officers or employees as specified under section 143(12) of the Companies Act, 2013.
- Credit Rating: India Ratings – the credit rating agency assigned A category rating to the Company during the year signifying stable outlook.

25. EXTRACT OF ANNUAL RETURN

As per provision of Section 92(3) of the Companies Act, 2013 an extract of the Annual Return in Form MGT-09 is attached as Annexure 'A' to this report.

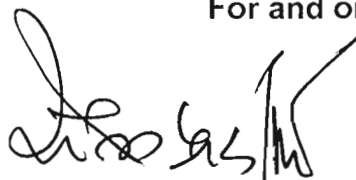
26. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS OR COURTS OR TRIBUNALS

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

27. ACKNOWLEDGEMENTS

The Directors wish to thank the Customers, Vendors and business associates for their continued support and valuable co-operation during the year. The Directors also wish to place on record their appreciation of the contribution made by employees at all levels. The Directors acknowledge the support extended to the Company by the Banks, Central & State Governments authorities, the management of the promoter companies and other fellow subsidiaries.

For and on behalf of the Board


Shailendra Roy
Director
DIN: 02144836


Martinus Zijlmans
Director
DIN: 03611576

Place: Faridabad

Date: 30th April, 2019

Annexure B

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)

Part A

**Details of contracts or arrangements or transactions not at arm's length basis:
NIL**

Part B

Details of Material contracts or arrangements or transactions at arm's length basis:

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	Date(s) of approval by the Board, if any
L & T MHPS Boiler Pvt Ltd	Member of same group	Sale of Goods & Services	April18-March 19	1,102,048,397	
Howden UK Limited	Member of same group	Sale of Goods & Services	April18-March 19	582,107	
Howden UK Limited	Member of same group	Purchase of Project Goods & Services	April18-March 19	11,523,851	
Howden Spain, S.L.	Member of same group	Purchase of Project Goods & Services	April18-March 19	8,507,736	
Howden Hua Engineering Co Ltd	Member of same group	Purchase of Project Goods & Services	April18-March 19	17,718,078	
Howden Axial Fans ApS	Member of same group	Purchase of Project Goods & Services	April18-March 19	223,342,873	
TLT Babcock India Pvt. Ltd.	Member of same group	Purchase of Project Goods & Services	April18-March 19	128,895,424	
Howden Group Limited	Member of same group	Royalty and Trademark Fees	April18-March 19	16,287,743	
Howden Axial Fans ApS	Member of same group	Royalty and Trademark Fees	April18-March 19	12,843,973	
Howden UK Limited	Member of same group	Royalty and Trademark Fees	April18-March 19	11,160,947	
Larsen & Toubro Limited	Holding Company	Purchase (Sale) of Fixed Assets	April18-March 19	17,150	
		Training Fees	April18-March 19	271,874	
		ESOPs Cost	April18-March 19	175,572	
		Infrastructure Charges	April18-March 19	21,994,074	
		Administration & Sales Overheads	April18-March 19	24,297,088	

CSR ACTIVITIES FOR 2018-19

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken.

The Company's CSR framework details the mechanisms for undertaking various programmes in accordance with Section 135 of the Companies Act 2013 for the benefit of the community.

The Company will primarily focus on the following verticals as a part of its CSR programme viz.

Water & Sanitation – may include but not limited to support for programmes making clean drinking water available, conservation, purification of water and proper sanitation facilities.

Education - may include but not limited to construction and renovation of schools, libraries, science laboratories, etc., education infrastructure support to educational Institutions, educational programmes & nurturing talent at various levels.

Health - may include but not limited to support for community health centres, mobile medical vans, dialysis centres, general and specialized health camps and outreach programmes, centres for elderly / disabled, support to HIV / AIDS programme.

Skill Development - may include but not limited to vocational training such as skill building, computer training, women empowerment, support to ITI's, support to specially abled (infrastructure support & vocational training), CSTI's, providing employability skills at project sites, creating training centres.

Governance and Technology would be the key drivers across all the CSR initiatives.

2. Composition of the CSR Committee.

The CSR Committee comprised of Two Non-Executive Directors and one Independent Director as Members. The Company Secretary acts as the Secretary to the Committee.

The present Committee comprises of Mr. Derek Michael Shah, Mr. Martinus Zijlmans and Mr. Shekhar Sharda as Members. The Committee elects one amongst them as the Chairman. During the year under review, the Committee met twice on 7th May, 2018 and 29th October, 2018.

3. Average net profit of the Company for the last three financial years.

The average net profit of the Company for the last three financial years is Rs. 28.48 crores.

4. Prescribed CSR expenditure (two percent of the amount as in item 3 above).

The Company was required to spend an amount of Rs. 56,96,412 as CSR expenditure during the financial year 2018-19.

5. Details of CSR spent during the financial year 2018-19

a. Total amount to be spent for the financial year

Particulars	Amount (Rs. in crs)
Average Net Profit of the Company for the last three financial years	28.48
Amount to be spent as CSR	0.57
Amount unspent, if any	0.01

b. Manner in which the amount was spent in the financial year is detailed below:

(Amount in Rupees)

S. No	CSR Project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or Other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program me wise	Amount spent on the projects or programs Subheads: (1) Direct expenditure on projects or programs. (2)Overheads:	Cumulative expenditure upto the reporting period.	Amount spent: Direct or through implementing agency
1	Education	Education	Udayan Care, NS -14, D Block, Sec – Gamma 1 Greater Noida-201306	7,70,000	7,70,587	7,70,587	Direct
2	Health	Health	FRU-1 Sector 30 Faridabad	29,25,000	29,15,579	29,15,579	Direct
3	Health	Health	FRU-2 Sector 3 Faridabad	20,00,000	19,38,947	19,38,947	Direct
4	Health	Health	BAPS Pramukh Swami Hospital, Surat	2,000	2,200	2,200	Direct
	TOTAL			56,97,000	56,27,313	56,27,313	

6. Reasons for not spending the amount during the financial year:

The Company's CSR initiatives usually involve setting the foundation of various programs at a small scale to learn from on-ground realities, getting feedback from community and then putting an enhanced sustainable model to ensure maximum benefit to the community.

During the year 2018-19, the Company had spent substantially the entire amount budgeted on CSR activities aggregating to Rs.56.27 lakhs (as against budget of Rs.56.96 lakhs). The small shortfall was due to delay in the start of certain projects for which the money was allocated. The Company believes that its CSR activities shall gain further momentum with accelerated spending in the forthcoming years.

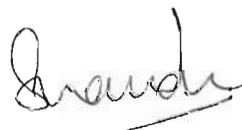
7. CSR Committee Responsibility Statement:

The CSR Committee hereby affirms that:

- The Company has formulated a CSR Policy Framework which includes formulation of a CSR Theme, CSR budget and roles and responsibilities of the Committee as well as the various internal committees formed 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.



MARTINUS ZIJLMANS
Director
(DIN: 03611576)



SHEKHAR SHARDA
Director
(DIN: 00348214)