

Abridged Annual Report 2018-2019

Sponsor

L&T Finance Holdings Limited

Registered Office:
Brindavan, Plot no. 177, CST Road, Kalina,
Santacruz (East), Mumbai - 400 098

Trustee

L&T Mutual Fund Trustee Limited

Registered Office:
Brindavan, Plot no. 177, CST Road, Kalina,
Santacruz (East), Mumbai - 400 098

Asset Management Company

L&T Investment Management Limited

Registered Office:
Brindavan, Plot no. 177, CST Road, Kalina,
Santacruz (East), Mumbai - 400 098

Auditors To The Fund

Price Waterhouse

252, Veer Savarkar Marg, Shivaji Park
Dadar (West), Mumbai 400 028

Registrar And Transfer Agent

Computer Age Management Services Private Limited

New No.10, Old No.178, MGR Salai
Nungambakkam, Chennai 600 034

Custodian

Citibank, N.A.

11th Floor, First International Financial Centre (FIFC)
C-54 & C-55, G Block, Bandra Kurla Complex
Bandra (East), Mumbai 400 051

Board Of Directors

L&T Investment Management Limited

Mr. R. Shankar Raman
Mr. M.V. Nair
Ms. Anisha Motwani
Mr. Dinanath Dubhashi

L&T Mutual Fund Trustee Limited

Mr. Shailesh Haribhakti
Mr. Hemant Y. Joshi
Mr. V. Natarajan
Ms. Malini Thadani

L&T Business Cycles Fund

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L&T Financial Services
Mutual Fund

Trustees' Report

Report from L&T Mutual Fund Trustee Limited to the unit holders of L&T Business Cycles Fund ("the Scheme") of L&T Mutual Fund

We have pleasure in presenting the twenty-third Annual Report of L&T Mutual Fund ("LTMF") viz. L&T Business Cycles Fund for the Financial Year ended March 31, 2019 along with the audited financial statement of the Scheme for that period.

LTMF offers a wide range of Schemes across asset classes in cash, fixed income and equity, each adhering to distinct investment styles to suit different investment needs.

The average assets under management stood at Rs. 71,148.39 crores for the year ended March 2019 vs. Rs. 65,465.10 crores in March 2018.

LTMF has a healthy mix of assets across equity, fixed income and hybrid schemes; equity assets under management make for over 44.10% of the total assets under management.

As of March 31, 2019, LTMF had 38 Schemes which comprised 10 open ended equity schemes, 12 open ended debt/fixed income schemes, 5 hybrid schemes and 11 close ended schemes including various fixed maturity plans.

The open ended equity schemes include L&T Business Cycles Fund, L&T Emerging Businesses Fund, L&T Equity Fund, L&T Focused Equity Fund, L&T India Large Cap Fund, L&T India Value Fund, L&T Infrastructure Fund, L&T Large and Midcap Fund, L&T Midcap Fund, L&T Tax Advantage Fund.

The open ended hybrid schemes include L&T Arbitrage Opportunities Fund, L&T Hybrid Equity Fund, L&T Dynamic Equity Fund and L&T Equity Savings Fund and L&T Conservative Hybrid Fund.

The open ended debt/ fixed income schemes include L&T Banking and PSU Debt Fund, L&T Cash Fund, L&T Credit Risk Fund, L&T Flexi Bond Fund, L&T Gilt Fund, L&T Liquid Fund, L&T Low Duration Fund, L&T Money Market Fund, L&T Resurgent India Bond Fund, L&T Short Term Bond Fund, L&T Triple Ace Bond Fund and L&T Ultra Short Term Fund.

The close ended schemes include L&T Emerging Opportunities Fund - Series I & II under the equity category and various fixed maturity plans under the debt / fixed income category.

1. Scheme Performance, Future Outlook and Operations of the Scheme

(i) Scheme Performance

The Net asset value ("NAV") per unit and the performance of the Scheme vis-à-vis its benchmark as on March 31, 2019 is as follows:

• NAV (in Rs.):

Direct Plan - Dividend Option	13.841
Direct Plan - Growth Option	15.745
Regular Plan - Dividend Option	13.381
Regular Plan - Growth Option	15.268

Name of the Scheme	CAGR Returns (%) (Period)			Date of Inception of the Scheme	Since Inception	
	1 year	3 year	5 year		CAGR Returns (%)	PTP Returns* (in Rs.)
L&T Business Cycles Fund - Regular Plan (G)	-6.11%	11.33%	NA	20/Aug/2014	9.62%	15,271.00
S&P BSE 200 TRI	12.06%	16.11%	NA		11.01%	16,185.34
S&P BSE Sensex TRI [^]	18.71%	16.64%	NA		10.09%	15,575.49
L&T Business Cycles Fund - Direct Plan (G)	-5.44%	12.07%	NA	20/Aug/2014	10.35%	15,746.00
S&P BSE 200 TRI	12.06%	16.11%	NA		11.01%	16,185.34
S&P BSE Sensex TRI [^]	18.71%	16.64%	NA		10.09%	15,575.49

Past performance may or may not be sustained in the future. *Point to Point (PTP) Returns in INR show the value of Rs.10,000/- invested. [^]Standard Benchmark.

Note:

Performance of the schemes (wherever provided) are calculated basis CAGR for the past 1 year, 3 years, 5 years and since inception. CAGR is compounded annualised. Since inception return is calculated on NAV of Rs. 10/- invested at inception. Date of inception is deemed to be date of allotment. In case, the start/end date of the concerned period is a non - business day (NBD), the NAV of the previous date is considered for computation of returns.

- Performance data is as on March 31, 2019
- Different plans shall have a different expense structure.
- The performance details have been provided for Regular and Direct Plan separately.
- NA: Not Applicable.

(ii) FUTURE MARKET OUTLOOK

Equity Market Overview and Outlook

Nifty 50 Index ("Nifty") with 15.2% returns ended financial year 2019 on a strong note as March was one of the best performing months in last three years. FY19 was one of the toughest years, as only few heavy weight stocks in Consumer, Banking and Information technology sectors resulted in Nifty's strong performance. The broader market i.e Nifty Midcap (-2.7%) and Nifty Small cap (-14.4%) had a painful FY19. Equity as an asset class was volatile across global markets as geopolitical tensions; trade war, volatile crude and slowing global growth were cause of concern.

Further to global factors, there were domestic factors like weak currency, rising crude and inflation which kept sentiments under check. Rural growth has also been lower than expected as MSP hikes did not yield expected results. So the year was split in three parts, the first was rally from the low made towards the start of the fiscal year which saw an 14.9% rise in Nifty by end of August 2018 aided by easing crude, recovery in rupee, rate cut by GST council, a good start to earnings and defeat of non-confidence motion against ruling government. This was followed by a market correction which saw the Nifty drop (-11.4%) till

October 2018 as concerns over widening trade deficit, emerging concerns over credit & liquidity issues in financials, fear of defaults and currency depreciation. This was followed by a strong 11.6% return in March 2019 on the back of strong FII flows, supportive global backdrop and rising expectation of current government retaining power.

Valuations on a one year forward basis are marginally above their long period averages, given that earnings growth is likely to be strong. In fact for last four years, earnings growth has been negligible. In last three period earnings have been impacted by several factors like demonetization, GST implementation, NPA problem of corporate banks and slow pick up in rural economy. The supporting factor for Indian market was the persistent flow by domestic investor during this period. Domestic flows outpaced FII flows in last two years. In FY19, DIIs were significant buyers at \$10.3Bn as against \$0.2Bn by FII. Over the last 12 months midcaps have delivered -3% return, as against +15.2% by the Nifty and thus impacting its 3 year performance. However, over the last five years, midcaps have outperformed with 16.2% CAGR return versus Nifty return of 11.6% CAGR. Private Banks (+34%), PSU Banks (+28%), Technology (+26%), Consumer (+14%) and Healthcare (+10%) were the top performers for FY19. Media (-25%), Autos (-22%) and Metals (-15%) were laggards in FY19. The top performers for FY19 were also index heavy weights which resulted in strong performance of the indices while broader market struggled.

The key component that was missing for four years in an otherwise solid and strong India story was earnings growth which has started to show early sign of recovery with Q3FY19 earnings season. The pre-election budget offered several goodies to the bottom of the pyramid, but the underlying fiscal math appears optimistic. Income support scheme for farmers and reduction in income tax rates should help low-ticket consumption items. A visible policy support for the property sector, although small, is a welcome move and can bring forward the expected sector revival. We expect CY19 to be a year of elevated volatility and essentially a story of two halves given the impending big event of general elections. After lukewarm four years, earnings appear set for a recovery, especially led by banking, as credit growth picks up, moderation in fresh slippages and lower credit costs. In an election year, we expect political spending to act as a quasi-stimulus for consumption-oriented sectors. Indian economy is showing signs of recovery from the cyclical and structural bottlenecks witnessed over the past two years as reflected in data and with improving corporate earnings. We can expect the economy to recover gradually in CY2019 as GST related disruptions smoothen. Weak monsoon could lead to muted rural demand and is an indicator to watch out for. We continue to remain positive on India growth story from medium to long term prospective and continue to stay invested in companies with strong and able management.

Debt Market Overview and Outlook

Domestic debt market was a tale of two halves as far as FY 19 is concerned.

First half of the FY19 witnessed the yield on 10yr government bond harden by almost 100 bps to touch the highs of ~8.20%. Several global factors that influenced the rates were global rate tightening cycle, escalation of global geo-political issues, hardening of Brent crude oil prices from USD 68 per barrel in April 2018 to more than 86 USD / bbl in Sep 2018 led by strong compliance in OPEC / non-OPEC supply cut agreement & US imposed sanctions on Iran. Domestic issues like growing concerns on inflation amidst rising crude prices & higher MSPs for agricultural products, sharp rupee depreciation against USD from ~Rs 65 in April 2018 to more than Rs 74 in Sep, 2018, tight systemic liquidity and fiscal slippage concerns due to lower than expected GST collections also impacted. RBI hiked the policy rates by 25 bps each in June 2018 and August 2018 amidst the concerns on inflation, fiscal, currency and closing output gap. Demand-supply dynamics also remained unfavourable in 1HFY19 with FIIs being the net sellers and a muted demand from domestic banks.

Second half of the FY19 saw a significant reversal in market sentiments led by more patient approach adopted by the global banks amidst growing growth concerns, sharp crude oil correction all the way close to USD 50 per bbl, which coupled with INR recovery also alleviated concerns on domestic inflation to an extent. Change in fundamentals also got a support from a benign 2HFY19 G-Sec borrowing calendar which saw the borrowings lowered by ~Rs 20,000 cr against the earlier expected borrowings, RBI's Open Market Purchase of government bonds and other liquidity measures. With the change in growth-inflation dynamics, RBI cut the policy rates by 25 bps in February, 2019. Subsequently, 10 yr G-Sec yields remained in a declining trajectory and touched the lows of ~7.20% yield before closing the FY19 at ~7.49%.

Domestic credit market got rattled by series of credit events started by the default of IL&FS Group which created a liquidity squeeze for the entire NBFC and HFC sector. While the liquidity crunch largely got over in 3 – 4 months, other specific issues related to a large HFC and few promoting funding structures like Loan against Shares continued to impact the credit environment. Along with the heavy supply, especially from the Govt owned entities, AAA corporate spreads widened by 50 – 75 bps over the G-Sec and even more so for AA & below rated credits.

The month of March saw yields on 10 yr G-Sec (old benchmark) trading in the range of 7.49% to 7.59%. While the yields on the longer end AAA corporate bonds came down significantly from 8.55% to 8.20% ahead of the monetary policy in April, 2019 and reduced supply expectations, the yields on the 10year Gilts remained range bound as supply concerns through the year, lower expected OMO purchases with the announcement of 2 USD- INR swaps of \$5 bln each, higher crude oil prices and Fiscal slippage weighed on the markets.

The MPC as widely expected reduced repo rate by 25bps from 6.25% to 6% in April 2019 while keeping the stance of the policy "neutral". Four members voted in favor of a cut whereas the other 2 member voted for a status quo. The path of CPI inflation is revised downwards to 2.4% in Q4:2018-19, 2.9-3.0% in H1:2019-20 and 3.5-3.8% in H2:2019-20, with risks balanced on both sides. GDP growth for 2019-20 is also projected a bit downwards at 7.2 per cent in the range of 6.8-7.1 per cent in H1:2019-20 and 7.3-7.4 per cent in H2 with risks evenly balanced. Post policy 10yr gilts (old benchmark) moved up by 10 bps from 7.42% to 7.52% as the broader market went into the policy with an expectation of stance change to accommodative over and above the 25bps cut.

Going forward we remain positive on our outlook for interest rates to move lower but the timing and the quantum remains a question mark that the MPC has now delivered back to back rate cuts. Factors that we think are favorable toward a further rate cut in this cycle are:

- US Fed moving towards extended pause
- Global interest rate backdrop being supportive
- Oil prices staying range bound
- Domestic growth moderation
- CPI inflation well within the 2-6% range
- RBI tilt to pro-growth stance, so long as inflation stays benign

Outlook for the fixed income markets:

- Expect H1 to be supportive for short end interest rates and liquidity
- Expect RBI to cut rates once more, but more importantly system liquidity to move into neutral / surplus mode in Q1 / Q2
- With bulk of the macro positives likely to be priced into bond markets during Q1, longer end interest rates could see some upside risks during H2 with fiscal risks and demand supply worries likely to weigh on valuations
- Credit spreads for good quality issuers (in AAA and AA segment) especially in the 1-3-year segment, likely to compress from current high levels on back of MF inflows and systemic liquidity turning positive.

(iii) **Operations of the Scheme**

In accordance with SEBI Circulars dated October 6, 2017 and December 4, 2017, on Categorisation and Rationalisation of Mutual Fund Schemes, fundamental attributes of the scheme was modified as per the requirements stipulated in SEBI Circulars. Accordingly, communications were sent to the investors informing about changes in fundamental attributes. Requirement for providing exit option to investors for change in fundamental attributes were duly complied with.

As at March 31, 2019, net assets of 99.18% were invested in equity and equity related instruments and 0.82% in cash and cash equivalent.

The net assets of the scheme amounted to Rs. 782.10 crore as at March 31, 2019 as against Rs. 971.80 crore as at March 31, 2018.

(iv) **Sales Offices and Investor Services:**

LTMF services its investors through its network of 65 equipped sales offices of which applications are accepted at 42 investor service centres and at 197 service centres of Computer Age Management Services Private Limited, the Registrar and Transfer Agent to the Schemes of LTMF ("CAMS").

(v) **Dividend:**

After considering the availability and adequacy of distributable surplus under the Schemes, dividends were declared under the Schemes as per the provisions contained in the respective scheme information documents.

2. Brief background of Sponsors, Trust, Trustee Company and AMC

(a) **Sponsor**

L&T Finance Holdings Limited ("LTFH") (along with its nominees) holds 100% shareholding in L&T Investment Management Limited ("LTIML") and L&T Mutual Fund Trustee Limited ("LTMFTL") and is the Sponsor of the Trust. LTFH carries out responsibilities as provided in the SEBI Regulations.

L&T Finance Holdings Limited:

L&T Finance Holdings Limited (LTFH) was incorporated by Larsen & Toubro Limited ("L&T") on May 1, 2008, with the strategic intent of holding all the investments of the L&T Group in the financial services businesses. It is registered with the Reserve Bank of India ("RBI") under Section 45-IA of the RBI Act, 1934, as a Non-Banking Financial Company -Core Investment Company. The equity shares of LTFH are listed on the BSE Limited and National Stock Exchange of India Limited.

LTFH is a listed, financial holding company offering a diverse range of financial products and services through its wholly-owned subsidiaries in the following businesses:

- Rural-Farm Equipment, Two Wheelers and Microfinance
- Housing-Home Loans, Loan Against Property and Real Estate Finance
- Wholesale-Infrastructure Finance and Structured Corporate Finance
- Investment Management
- Wealth Management

(b) **Trust**

LTMF

LTMF has been established as a trust under the Indian Trust Act, 1882 with L&T Finance Holdings Limited as the Sponsor/ Settlor and L&T Mutual Fund Trustee Limited as the Trustee Company, vide the Trust Deed dated October 17, 1996 (as amended from time to time).

LTMF is a part of the L&T Group, one of the largest and respected groups, known for its customer-focused approach and the continuous quest for world-class quality which have enabled it to attain and sustain leadership in all its major lines of business.

LTMF is one of the respected Fund Houses in India that endeavors to serve the investment need of the investors through a suite of mutual fund Schemes. With world class investment management practices and an equally competent fund management team, LTMF seeks to help its investors reach their financial goals.

(c) **Trustee Company**

L&T Mutual Fund Trustee Limited

L&T Mutual Fund Trustee Limited is a limited company incorporated under the Companies Act, 1956 on April 30, 1996 having registered office at Brindavan, Plot no. 177, CST Road, Kalina, Santacruz (East), Mumbai - 400 098.

The Trustee is the exclusive owner of the Trust Fund and holds the same in trust for the benefit of the unitholders. The Trustee has been discharging its duties and carrying out the responsibilities as provided in the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ("SEBI Regulations") and the Trust Deed. The Trustee seeks to ensure that the Fund and the Schemes floated there under are managed by LTIML, the asset management company to LTMF in accordance with the Trust Deed, the Regulations and guidelines issued by SEBI, the Stock Exchanges, the Association of Mutual Funds in India and other regulatory agencies.

(d) **Asset Management Company (AMC)/ Investment Manager**

L&T Investment Management Limited ("LTIML")

LTIML is a limited company incorporated under the Companies Act, 1956 on April 25, 1996 having registered office at Brindavan, Plot no. 177, CST Road, Kalina, Santacruz (East), Mumbai - 400 098.

L&T Investment Management Limited has been appointed as the Asset Management Company of LTMF by L&T Mutual Fund Trustee Limited vide Investment Management Agreement (IMA) dated 23rd October 1996 (as amended from time to time).

3. Investment Objective of the Scheme

To generate reasonable returns by primarily investing in debt and money market securities that are issued by Banks, Public Sector Undertakings (PSUs) and Public Financial Institutions (PFIs) in India.

4. Significant Accounting Policies

Accounting policies are in accordance with the SEBI Regulations.

5. Details of Unclaimed Dividend and Redemptions

Unclaimed dividend and redemption amounts in the scheme as on March 31, 2019 are as follows:

Unclaimed Dividend		Unclaimed Redemption	
Number of Investors	Amount	Number of Investors	Amount
	(Rs.)		(Rs.)
24	9,24,324.87	15	7,74,895.35

6. Redressal of Complaints received against LTMF during 2018-2019:

Unit holders are requested to refer **Annexure I** for the same.

7. Statutory Information:

- The Sponsor/ Settlor are not responsible or liable for any loss resulting from the operation of the Schemes of the Fund beyond their initial contribution of Rs. 1,00,000 for setting up the Fund.
- The price and redemption value of the units, and income from them, can go up as well as down with fluctuation in the market value of its underlying investments.
- Full Annual Report shall be disclosed on the website (www.lfs.com) and shall be available for inspection at the Head Office of the Mutual Fund. On request, present and prospective unit holder can obtain copy of the abridged summary of the Annual Report, without any cost and copy of the Trust Deed at a nominal fee.

Acknowledgements:

The Trustees wish to thank the Unit holders of the Schemes for their support throughout the year and also thank the Government of India, the Securities and Exchange Board of India, Reserve Bank of India and the Association of Mutual Funds in India for the guidance provided by them. The Trustees also appreciate the service provided by the Registrar and Transfer Agent, Fund Accountant, Custodian, Bankers, Distributors and Brokers. The guidance and services provided by the Auditors and Advocates and the sincerity and dedication of the employees of L&T Investment Management Limited is also appreciated.

For and on behalf of the Board of Directors of L&T Mutual Fund Trustee Limited

Sd/-
Shailesh Haribhakti
Director

Sd/-
Hemant Joshi
Director

Place : Mumbai
Date : April 28, 2019

Redressal of Complaints received against L&T Mutual Fund during 2018-2019

Complaint code	Type of Complaint	(a) No. of complaints pending at the beginning of the period	(b) No. of complaints received during the given period	Action on (a) and (b)							
				Resolved			Non-Actionable	Pending			
				Within 30 days	30-60 days	60-180 days		0-3 months	3-6 months	6-9 months	9-12 months
I A	Non-receipt of Dividend on Units	2	13	14	1	0	0	0	0	0	0
I B	Interest on Delayed payment of Dividend	0	1	1	0	0	0	0	0	0	0
I C	Non-receipt of Redemption Proceeds	8	71	73	2	3	0	1	0	0	0
I D	Interest on delayed payment of Redemption	0	2	2	0	0	0	0	0	0	0
II A	Non-receipt of Statement of Account/ Unit Certificate	6	27	31	2	0	0	0	0	0	0
II B	Discrepancy in Statement of Account	1	13	14	0	0	0	0	0	0	0
II C	Data corrections in Investor details	1	153	154	0	0	0	0	0	0	0
II D	Non-receipt of Annual Report/Abridged Summary	0	2	2	0	0	0	0	0	0	0
III A	Wrong switch between Schemes	0	3	3	0	0	0	0	0	0	0
III B	Unauthorized switch between Schemes	0	1	1	0	0	0	0	0	0	0
III C	Deviation from Scheme attributes	1	0	0	1	0	0	0	0	0	0
III D	Wrong or excess charges/load	0	0	0	0	0	0	0	0	0	0
III E	Non updation of changes viz. address, PAN, bank details, nomination, etc	5	44	43	3	2	0	1	0	0	0
IV	Others	66	592	601	22	27	0	8	0	0	0
TOTAL		90	922	939	31	32	0	10	0	0	0

Independent Auditor's Report

To the Board of Directors of L&T Mutual Fund Trustee Limited Report on the Financial Statements

Opinion

- We have audited the accompanying financial statements of the under mentioned schemes of L&T Mutual Fund (the "Schemes"), which comprise the Balance Sheet as at March 31, 2019, and the related Revenue Account and Cash Flow Statement, where applicable, for the year/period mentioned below, including a summary of significant accounting policies and other explanatory information.

Schemes	Year / Period
L&T Infrastructure Fund	April 01, 2018 to March 31, 2019
L&T Midcap Fund	April 01, 2018 to March 31, 2019
L&T Equity Fund	April 01, 2018 to March 31, 2019
L&T Large and MidCap Fund (formerly known as L&T India Special Situations Fund)	April 01, 2018 to March 31, 2019
L&T Tax Advantage Fund	April 01, 2018 to March 31, 2019
L&T Hybrid Equity Fund (formerly known as L&T India Prudence Fund)	April 01, 2018 to March 31, 2019
L&T Dynamic Equity Fund	April 01, 2018 to March 31, 2019
L&T India Value Fund	April 01, 2018 to March 31, 2019
L&T India Large Cap Fund	April 01, 2018 to March 31, 2019
L&T Emerging Businesses Fund	April 01, 2018 to March 31, 2019
L&T Arbitrage Opportunities Fund	April 01, 2018 to March 31, 2019
L&T Business Cycles Fund	April 01, 2018 to March 31, 2019
L&T Equity Savings Fund	April 01, 2018 to March 31, 2019
L&T Emerging Opportunities Fund - Series I	April 01, 2018 to March 31, 2019
L&T Emerging Opportunities Fund - Series II	June 07, 2018 to March 31, 2019
L&T Focused Equity Fund	October 15, 2018 to March 31, 2019

- In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 and amendments thereto (the "Regulations") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Schemes as at March 31, 2019;
 - in the case of the Revenue Account, of the net surplus/net deficit for the year/period ended on that date; and
 - in the case of the Cash Flow Statement, where applicable, of the cash flows for the year/period ended on that date.

Basis for opinion

- We conducted our audit in accordance with the Standards on Auditing (SAs) and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

- Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Appropriateness of Valuation of Investments</p> <p>The Schemes hold investments in various types of securities, whose schemewise aggregate value as at March 31, 2019 is as mentioned in Schedule 1 to the Schedules forming part of the Balance Sheet as at March 31, 2019 and the Revenue Account for the year / period ended March 31, 2019. Valuation of investments including equity and equity related securities, derivatives, debt securities and money market securities is carried out using different valuation methodologies depending on the type of security and as required by the Regulations and the guidelines prescribed by the Association of Mutual Funds in India (AMFI).</p> <p>This is a key audit matter due to the following reasons:</p> <ul style="list-style-type: none"> Investments constitute a significant portion of the net asset value of the Schemes and are accordingly material to the Schemes. The computation of the net asset value of the Schemes is affected by the valuation methodology. The Schemes are required to ensure strict compliance to the valuation policies and procedures for different types of securities in the portfolio of the Schemes as approved by the Trustee and Board of Directors of L&T Investment Management Limited in line with the Regulations. 	<p>We carried out audit procedures, which included the following:</p> <ul style="list-style-type: none"> Understanding, evaluating and testing the design and operating effectiveness of controls around the valuation of securities. Obtaining and assessing the valuation policies and procedures approved by the Trustee and Board of Directors of L&T Investment Management Limited who have determined the methodologies to be used for valuing each type of security held by the Schemes. Ensuring that the valuation policies as referred to above are in line with the requirements of the Regulations and guidelines prescribed by AMFI Obtaining the prices as on March 31, 2019 for all types of securities from independent sources, including recognised stock exchanges, rating agencies such as CRISIL and ICRA as specified in the Regulations. Reperforming the valuation of all securities as on March 31, 2019 using the prices obtained from independent sources and compared the same to the values in the books of account. <p>Basis the above procedures performed, we did not note any exceptions with respect to the valuation of investments as determined by the Management.</p>

Other Information

5. The Trustee of L&T Mutual Fund and the Management of L&T Investment Management Limited (the "Management") are responsible for the other information. The other information comprises the information included in the Annual Report and the Abridged Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Trustee, Management and Those Charged with Governance for the Financial Statements

6. The Trustee of L&T Mutual Fund and the Management of L&T Investment Management Limited (the "Management") are responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Schemes in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations. This responsibility also includes maintenance of adequate accounting records for safeguarding of the assets of the Scheme 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the Trustee and the Management are responsible for assessing the Schemes' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Schemes or to cease operations, or has no realistic alternative but to do so. The Trustee and the Board of Directors of L&T Investment Management Limited are also responsible for overseeing the Schemes' financial reporting process.

Auditor's responsibilities for the audit of the financial statements

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
 - Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Schemes' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Schemes to cease to continue as a going concern.
 - Performed procedures including to confirm confirmation of securities owned and unit capital balances as at March 31, 2019 by correspondence with the custodian/others and registrar and transfer agent, respectively.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

13. As required by section 55(4) of the Regulations, 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; and
 - (b) In our opinion, the Balance Sheet, Revenue Account and Cash Flow Statement dealt with by this report have been prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Regulations.
14. As required by clause 5 (ii)(2) of the Eleventh Schedule to the Regulations, we report that the Balance Sheet, Revenue Account, and Cash Flow Statement dealt with by this report are in agreement with the books of account of the Schemes.
15. In our opinion, the methods used to value non-traded securities as at March 31, 2019, as determined by L&T Investment Management Limited under procedures approved by the Trustee of L&T Mutual Fund in accordance with the guidelines for valuation of securities for mutual funds as mentioned in the Eighth Schedule of the Regulations issued by the Securities and Exchange Board of India, are fair and reasonable.

For Price Waterhouse

Firm Registration Number: 301112E
 Chartered Accountants

Alpa Kedia

Partner
 Membership Number : 100681
 Place : Mumbai
 Date : April 28, 2019

ABRIDGED AUDITED BALANCE SHEET AS AT MARCH 31, 2019

(Rs. In Lakhs)

	L&T Business Cycles Fund	
	March 31, 2019	March 31, 2018
LIABILITIES		
Unit Capital	52,179.74	60,472.02
Reserves and Surplus		
Unit Premium Reserves	(5,688.54)	(3,781.37)
Unrealised Appreciation Reserves	17,372.53	30,622.14
Other Reserves	14,348.79	9,866.23
Loans & borrowings	-	-
Current Liabilities and Provisions		
Current Liabilities and Provisions	443.21	587.30
TOTAL	78,655.73	97,766.32
ASSETS		
Investments		
Listed Securities		
Equity Shares	77,557.71	95,649.23
Preference Shares	-	-
Equity Linked Debentures	-	-
Other Debentures and Bonds	-	-
Securitized Debt Securities	-	-
Securities Awaiting Listing		
Equity Shares	-	-
Preference Shares	-	-
Equity Linked Debentures	-	-
Other Debentures and Bonds	-	-
Securitized Debt Securities	-	-
Unlisted Securities		
Equity Shares	-	-
Preference Shares	-	-
Equity Linked Debentures	-	-
Other Debentures and Bonds	-	-
Securitized Debt Securities	-	-
Government Securities		
Treasury Bills		
Commercial Papers		
Certificate of Deposits		
Bill Rediscounting		
Units of Domestic Mutual Fund		
Units of Overseas Mutual Fund		
Foreign Securities		
Total Investments	77,557.71	95,649.23
Deposits	11.98	74.41
Other Current Assets		
Cash and Bank Balance	38.98	69.40
TREPS / CBLO / Reverse REPO Lending	853.72	1,353.51
Others	193.34	619.77
Deferred Revenue Expenditure (to the extent not written off)	-	-
TOTAL	78,655.73	97,766.32

Notes to Accounts - Annexure I

For Price Waterhouse
 Firm Registration Number - 301112E
 Chartered Accountants

For L&T Mutual Fund Trustee Limited
For L&T Investment Management Limited
Alpa Kedia
 Partner
 Membership No.- 100681

Shailesh Haribhakti
 Director

Hemant Joshi
 Director

R. Shankar Raman
 Director

Dinanath Dubhashi
 Additional Director

Kailash Kulkarni
 Chief Executive Officer

S.N. Lahiri
 Fund Manager

Mr. Praveen Ayathan
 Fund Manager

Venugopal Manghat
 Fund Manager

Karan Desai
 Fund Manager

Shriram Ramanathan
 Fund Manager

Vihang Naik
 Fund Manager

Jalpan Shah
 Fund Manager

 Place: Mumbai
 Date: April 28, 2019

ABRIDGED AUDITED REVENUE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2019

(Rs. In Lakhs)

	L&T Business Cycles Fund	
	April 01, 2018 to March 31, 2019	April 01, 2017 to March 31, 2018
INCOME AND GAINS		
Dividends	679.27	965.86
Interest	103.25	85.53
Realised Gain/(Loss) on Foreign Exchange Transactions	-	-
Realised Gain/(Loss) on Interscheme sale of Investments	-	-
Realised Gain/(Loss) on External Sale/Redemption of Investments	8,361.07	8,303.72
Realised Gain/(Losses) on Derivative Transactions	-	-
Miscellaneous Income	43.86	55.74
TOTAL (A)	9,187.45	9,410.85
EXPENSES		
Investment Management Fees	1,444.63	2,107.90
GST/Service Tax on Investment Management Fees	260.04	363.27
Transfer Agent Fees and Expenses	71.63	96.40
Custodian Fees and Expenses	6.60	7.85
Trusteeship Fees and Expenses	0.07	0.11
Audit Fees	1.00	1.00
Selling and Distribution Expenses	294.21	75.04
Marketing and Publicity Expenses	1.10	1.52
Printing and Postage Expenses	5.70	6.14
Investor Education & Awareness	17.05	20.28
Listing Fees and Expenses	-	-
Other Operating Expenses	19.09	14.50
Less: Expenses to be Reimbursed by the Investment Manager	-	-
TOTAL (B)	2,121.12	2,694.01
Net Realised Gains/(Losses) for the Year (A-B=C)	7,066.33	6,716.84
Net Change in Unrealised Depreciation in Value of Investments (D)	-	-
Net Gains/(Losses) for the Year (E=C-D)	7,066.33	6,716.84
Net Change in Unrealised Appreciation in Value of Investments (F)	(13,249.61)	5,193.06
NET SURPLUS/(DEFICIT) FOR THE YEAR (E + F = G)	(6,183.28)	11,909.90
Add : Balance transfer from Unrealised Appreciation	-	-
Less : Balance transfer to Unrealised Appreciation	13,249.61	(5,193.06)
Add/(Less) : Income Equalisation Reserve	(1,590.15)	(777.62)
Add : Balance Transferred from Unit Premium Reserve	-	-
Add : Balance Transferred from Reserve Fund	9,866.23	5,470.49
Total	15,342.41	11,409.71
Dividend Appropriation		
Prior Period Dividend Distribution		
Prior Period Dividend Distribution Tax thereon		
Dividend Distributions	(879.76)	(1,543.48)
Dividend Distribution Tax thereon	(113.86)	-
Retained Surplus/(Deficit) carried forward to Balance sheet	14,348.79	9,866.23

Notes to Accounts - Annexure I

For Price Waterhouse
Firm Registration Number - 301112E
Chartered Accountants
For L&T Mutual Fund Trustee Limited**For L&T Investment Management Limited**
Alpa Kedia
Partner
Membership No.- 100681

Shailesh Haribhakti
Director

Hemant Joshi
Director

R. Shankar Raman
Director

Dinanath Dubhashi
Additional Director

Kailash Kulkarni
Chief Executive Officer

S.N. Lahiri
Fund Manager

Mr. Praveen Ayathan
Fund Manager

Venugopal Manghat
Fund Manager

Karan Desai
Fund Manager

Shriram Ramanathan
Fund Manager

Vihang Naik
Fund Manager

Jalpan Shah
Fund Manager

Place: Mumbai
Date: April 28, 2019

KEY STATISTICS FOR THE YEAR ENDED 31ST MARCH 2019

	L&T Business Cycles Fund	
	Current Year ended March 31, 2019	Previous Year ended March 31, 2018
1. NAV per unit (Rs.):		
Open		
Regular Plan Growth Option	16.265	14.455
Regular Plan Dividend Option	15.218	14.455
Direct Plan Growth Option	16.652	14.702
Direct Plan Dividend Option	15.599	14.702
High		
Regular Plan Growth Option	17.176	18.153
Regular Plan Dividend Option	16.070	16.984
Direct Plan Growth Option	17.594	18.556
Direct Plan Dividend Option	16.482	17.383
Low		
Regular Plan Growth Option	13.281	14.586
Regular Plan Dividend Option	11.640	14.178
Direct Plan Growth Option	13.642	14.835
Direct Plan Dividend Option	11.992	14.471
End		
Regular Plan Growth Option	15.269	16.265
Regular Plan Dividend Option	13.382	15.218
Direct Plan Growth Option	15.745	16.652
Direct Plan Dividend Option	13.841	15.599
2. Closing Assets Under Management (Rs. in Lakhs)		
End	78,213	97,179
Average (AAuM)	85,233	101,382
3. Gross income as % of AAuM ¹	10.78%	9.28%
4. Expense Ratio:		
a. Total Expense as % of AAuM (plan wise)		
Regular Plan	2.52%	2.68%
Direct Plan	1.79%	2.01%
b. Management Fee as % of AAuM (plan wise)		
Regular Plan	1.67%	2.09%
Direct Plan	1.36%	1.59%
5. Net Income as a percentage of AAuM ²	8.29%	6.63%

	L&T Business Cycles Fund	
	Current Year ended March 31, 2019	Previous Year ended March 31, 2018
6. Portfolio turnover ratio ³	0.23	0.25
7. Total Dividend per unit distributed during the year (plan wise)		
Dividend - Plan	0.90	1.00
Direct Plan Dividend Option	0.90	1.00
Annual Dividend option	NA	NA
Direct Plan - Annual Dividend option	NA	NA
8. Returns:		
a. Last One Year		
Growth Option	-6.11%	12.54%
Direct Plan - Growth Option	-5.44%	13.28%
Benchmark	12.06%	12.49%
b. Since Inception		
Growth Option	9.62%	14.45%
Direct Plan - Growth Option	10.35%	15.20%
Benchmark	11.01%	9.35%
Benchmark (Direct Plan)	11.01%	9.35%
Benchmark Index	S&P BSE 200 TRI Index	

1. Gross income = amount against (A) in the Revenue account i.e. Income.
2. Net income = amount against (C) in the Revenue account i.e. NET REALISED GAINS / (LOSSES) FOR THE YEAR / PERIOD
3. Portfolio Turnover = Lower of sales or purchase divided by the Average AuM for the year/period.
4. AAuM=Average daily net assets

Note: Returns calculated are Compounded Annualised Returns as the scheme has completed one year since its inception.

Notes to Accounts

Annexure I to the Abridged Balance Sheet and Revenue Account for the year ended March 31, 2019

1 Investments:-

- 1.1. All Investments of the Scheme are registered in the name of the Trustee for the benefit of the Scheme's Unitholders.
- 1.2. Open Position of derivatives as at the year ended March 31, 2019 and March 31, 2018 was NIL.
- 1.3. Investment in Associates and Group Companies as at the year ended March 31, 2019 and March 31, 2018 was as under -

L&T Business Cycles Fund

Issuer	Instrument Type	Amount (Rs.)	Aggregate Investments by all schemes (Rs.)
		March 31, 2019	March 31, 2019
Larsen and Toubro Ltd.	Equity	37,12,60,400	12,88,27,80,210

Issuer	Instrument Type	Amount (Rs.)	Aggregate Investments by all schemes (Rs.)
		March 31, 2018	March 31, 2018
Larsen and Toubro Ltd.	Equity	36,23,98,305	9,91,25,86,649

- 1.4. There was no open position of Securities Borrowed and/or Lend by the scheme as at March 31, 2019 and March 31, 2018.
- 1.5. There were no Non-Performing Assets as at March 31, 2019 and March 31, 2018.
- 1.6. Aggregate Unrealised Gain / Loss as at the end of the Financial Year March 31, 2019 and March 31, 2018 are as under :

Scheme Name / Security Type	Amount (Rs.)	Percentage to Net Assets	Amount (Rs.)	Percentage to Net Assets
	As at March 31, 2019		As at March 31, 2018	
L&T Business Cycles Fund				
Equity Shares				
- Appreciation	1,93,67,11,839	24.76%	3,12,19,53,249	32.13%
- Depreciation	19,94,59,051	2.55%	5,97,39,164	0.61%

- 1.7. The aggregate value of securities purchased and sold during the financial year March 31, 2019 and March 31, 2018 is as below :

Scheme Name	Purchases (Rs.)	Percentage of average daily net assets	Sales (Rs.)	Percentage of average daily net assets
2018-19				
L&T Business Cycles Fund	1,94,15,34,154	22.78%	3,26,18,31,439	38.27%
2017-18				
L&T Business Cycles Fund	2,52,38,68,714	24.89%	4,31,06,67,496	42.52%

- 1.8. Non-Traded securities in the portfolio: Aggregate Value of Debt & Money Market Instruments and percentage to net assets is Nil.
2. Transactions covered by Regulation 25(8) of the SEBI Regulations with the associates of the Investment Manager of the Fund :

L&T Business Cycles Fund						
Name of associate/related parties/group companies of Sponsor/AMC	Nature of Association/Nature of relation	Period covered	Business Given (Rs. Cr)	% of Total Business received by the Fund	Commission paid (Rs. Cr)	% of Total commission paid by the Fund
L&T Capital Markets Limited	Associate Company	Apr 01, 2018 to Mar 31 2019	1.05	0.81	0.17	2.37
L&T Access Distribution Services Limited	Group Company	Apr 01, 2018 to Mar 31 2019	0.10	0.08	0.00~	0.01

(~) - Indicates less than 1 Lac

- 3 There were no Unitholders over 25% of the NAV of the Scheme as at March 31, 2019 and March 31, 2018.
- 4 Unit Capital movement during the years ended March 31, 2019 and March 31, 2018

L&T Business Cycles Fund					
Description	Opening Units	Subscription	Redemption	Closing Units	Face value
2018-19					
Regular Plan Growth Option	46,73,12,169.429	6,50,63,614.242	11,18,64,126.56	42,05,11,657.110	4,20,51,16,571
Regular Plan Dividend Option	11,68,40,029.195	56,61,086.08	4,20,96,496.66	8,04,04,618.615	80,40,46,186
Direct Plan Growth Option	1,73,67,202.755	40,79,498.716	27,10,984.927	1,87,35,716.544	18,73,57,167
Direct Plan Dividend Option	32,00,844.058	3,56,102.529	14,11,556.828	21,45,389.759	2,14,53,897
2017-18					
Regular Plan Growth Option	51,71,46,214.610	12,10,61,191.429	17,08,95,236.610	46,73,12,169.429	4,67,31,21,694
Regular Plan Dividend Option	16,98,27,332.705	2,31,23,696.411	7,61,10,999.921	11,68,40,029.195	1,16,84,00,292
Direct Plan Growth Option	1,23,45,572.280	76,93,451.785	26,71,821.310	1,73,67,202.755	17,36,72,029
Direct Plan Dividend Option	31,37,655.541	9,09,655.583	8,46,467.066	32,00,844.058	3,20,08,441

- 5 Prior year amounts have been re-grouped and reclassified, wherever applicable, to confirm to current year's presentation.
- 6 There were no contingent liabilities for the year ended March 31, 2019 and March 31, 2018.
- 7 Expenses other than management fee are inclusive of GST/Service tax wherever applicable.
- 8 The Annual Accounts of the Schemes prepared in accordance with the accounting policies and standards specified in the Ninth Schedule of the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 has been approved by the Board of Directors of AMC and Trustee Company. The audit report attached herewith refers to the said annual accounts. The aforesaid abridged accounts are an extract of the Annual Accounts in accordance with SEBI Circular No. IMD/Cir8/132968/2008 dated July 24, 2008.

The general voting policies and procedures of L&T Investment Management Limited with respect to the Schemes of L&T Mutual Fund and the actual exercise of votes in the general meetings of investee companies for financial year 2018-19 have been disclosed on www.ltf.com and in full Annual Report for financial year 2018-19.

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

CL06388

Book - Post

If undelivered, please return to:

Computer Age Management Services Pvt. Ltd.

Unit: L&T Mutual Fund

New No.10, Old No.178, MGR Salai

Nungambakkam, Chennai 600 034



L&T Financial Services
Mutual Fund

