L&T FINANCE HOLDINGS LIMITED

Our Company was originally incorporated as L&T Capital Holdings Limited in Mumbai on May 1, 2008 as a public limited company under the Companies Act, 1956, and was granted the certificate of incorporation by the Registrar of Companies, Maharashtra at Mumbai. Our Company received the certificate for commencement of business on May 15, 2008. Subsequently, the name of our Company was changed to L&T Finance Holdings Limited and a fresh certificate of incorporation consequent upon change of name was granted by the Registrar of Companies, Maharashtra at Mumbai on September 6, 2010. Our Company is registered as a systematically important core investment company with RBI pursuant to a certificate of registration dated September 11, 2013 (not valid for accepting deposits) issued by RBI under Section 45 IA of the Reserve Bank of India Act, 1934. For details of change in our name and the Registered Office of our Company, see "*General Information*" beginning on page 55.

Registered and Corporate Office: Brindavan, Plot No.177, C.S.T Road, Kalina, Santacruz (East), Mumbai 400 098
Contact person: Apurva Rathod, Company Secretary and Compliance Officer
Telephone: +91 22 6212 5000 | **E-mail id:** igrc@ltfs.com | **Website**: www.ltfs.com
Corporate Identity Number: L67120MH2008PLC181833

PROMOTER OF OUR COMPANY: LARSEN & TOUBRO LIMITED

FOR PRIVATE CIRCULATION TO THE ELIGIBLE EQUITY SHAREHOLDERS OF L&T FINANCE HOLDINGS LIMITED (OUR "COMPANY" OR THE "ISSUER") ONLY

ISSUE OF UP TO [●] FULLY PAID UP EQUITY SHARES OF FACE VALUE OF ₹ 10 EACH OF OUR COMPANY (THE "EQUITY SHARES") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE) NOT EXCEEDING ₹ 3,000 CRORE# ON A RIGHTS BASIS TO THE ELIGIBLE EQUITY SHAREHOLDERS OF OUR COMPANY IN THE RATIO OF [●] EQUITY SHARE FOR EVERY [●] FULLY PAID-UP EQUITY SHARES HELD BY THE ELIGIBLE EQUITY SHAREHOLDERS ON THE RECORD DATE, THAT IS [●] (THE "ISSUE"). FOR FURTHER DETAILS, SEE "*TERMS OF THE ISSUE*" BEGINNING ON PAGE 308.
 # TO BE ADJUSTED AS PER THE RIGHTS ENTITLEMENT RATIO.

GENERAL RISKS

Investment in equity and equity related securities involve a degree of risk and investors should not invest any funds in the Issue unless they can afford to take the risk with such investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Issue. For taking an investment decision, investors shall rely on their own examination of our Company and the Issue including the risks involved. The securities being offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**") nor does SEBI guarantee the accuracy or adequacy of this Letter of Offer. Specific attention of the investors is invited to "*Risk Factors*" beginning on page 17 before making an investment in this Issue.

ISSUER'S ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Letter of Offer contains all information with regard to our Company and the Issue, which is material in the context of the Issue, and that the information contained in this Letter of Offer is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Letter of Offer as a whole or any such information or the expression of any such opinions or intentions misleading in any material respect.

LISTING

The existing Equity Shares of our Company are listed on BSE Limited ("**BSE**") and National Stock Exchange of India Limited ("**NSE**") (collectively, the "**Stock Exchanges**"). Our Company has received "in-principle" approvals from BSE and NSE for listing the Equity Shares to be allotted pursuant to the Issue through their letters dated [●] and [●], respectively. Our Company will also make applications to the Stock Exchanges to obtain their trading approvals for the Rights Entitlements as required under the SEBI circular bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020. For the purposes of the Issue, the Designated Stock Exchange is [●].

LEAD MANAGERS TO THE ISSUE

Axis Capital Limited 1st Floor, Axis House C-2, Wadia International Centre P.B. Marg, Worli Mumbai 400 025 Telephone: +91 (22) 4325 2183 E-mail id: ltfh.rights@axiscap.in Investor Grievance e-mail id: complaints@axiscap.in Contact Person: Ankit Bhatia Website: www.axiscapital.co.in SEBI registration number: INM000012029	**BOB Capital Markets Limited** 1704, B Wing, 17th Floor Parinee Crescenzo, Plot No. C - 38/39, G Block, Bandra Kurla Complex, Bandra (East) Mumbai 400 051 Telephone: +91 22 6138 9300 E-mail id: ltfh.rights@bobcaps.in Investor Grievance e-mail id: investorgrievance@bobcaps.in Contact Person: Nivedika Chavan Website: www.bobcaps.in SEBI registration number: INM000009926	**Citigroup Global Markets India Private Limited** 1202, 12th Floor, First International Financial Centre, Plot No. C54 and C55, G Block, Bandra Kurla Complex, Bandra (East) Mumbai 400 098 Telephone: +91 (22) 6175 9999 E-mail id: LTFH.rights@citi.com Investor Grievance e-mail id: LTFH.rights@citi.com Contact Person: Pallavi Garg Website: https://www.online.citibank.co.in SEBI registration number: INM000010718	**Credit Suisse Securities (India) Private Limited** 9th Floor, Ceejay House Plot F, Shivsagar Estate Worli, Mumbai 400 018 Telephone: +91(22) 6777 3885 E-mail id: list.projectoctavius@credit-suisse.com Investor grievance e-mail id: list.igcellmer-bnkg@credit-suisse.com Contact person: Abhishek Joshi Website: www.credit-suisse.com SEBI registration number: INM000011161	**HSBC Securities and Capital Markets (India) Private Limited** 52/60, Mahatma Gandhi Road, Fort, Mumbai 400 001 Telephone: +91 (22) 2268 5555 E-mail id: ltfhrights@hsbc.co.in Investor grievance e-mail id: investorgrievance@hsbc.co.in Contact person: Sanjana Maniar Website: https://www.business.hsbc.co.in/en-gb/in/generic/ipo-open-offer-and-buyback SEBI registration number: INM000010353

LEAD MANAGERS TO THE ISSUE				**REGISTRAR TO THE ISSUE**
ICICI Securities Limited ICICI Centre H.T. Parekh Marg, Churchgate Mumbai 400 020 Telephone: +91 22 2288 2460 E-mail id: ltfh.rights@icicisecurities.com Investor Grievance e-mail id: customercare@icicisecurities.com Contact Person: Arjunn A Mehrotra/Nidhi Wangnoo Website: www.icicisecurities.com SEBI registration number: INM000011179	**Motilal Oswal Investment Advisors Limited** Motilal Oswal Tower Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi Mumbai 400 025 Telephone: +91 22 7193 4380 E-mail id: ltfh.rights@motilaloswal.com Investor Grievance e-mail id: moiaplredressal@motilaloswal.com Contact Person: Subodh Mallya/ Kristina Dias Website: motilaloswalgroup.com SEBI registration number: INM000011005	**SBI Capital Markets Limited** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Telephone: +91 22 2217 8300 E-mail id: ltfh.rights@sbicaps.com Investor Grievance e-mail id: investor.relations@sbicaps.com Contact Person: Gaurav Mittal / Karan Savardekar Website: www.sbicaps.com SEBI registration number: INM000003531	**UBS Securities India Private Limited** 2/F, 2 North Avenue Maker Maxity, Bandra Kurla Complex, Bandra (East) Mumbai 400 051 Telephone: +91 22 6155 6000 E-mail id: ol-project_octavius@ubs.com Investor Grievance e-mail id: customercare@ubs.com Contact Person: Aditya Singh Website: www.ubs.com SEBI registration number: INM000010809	**Link Intime India Private Limited** C-101, 247 Park L B S Marg Vikhroli (West) Mumbai 400 083 Telephone: +91 (22) 4918 6200 E-mail id: lntfinance.rights@linkintime.co.in Investor grievance e-mail id: lntfinance.rights@linkintime.co.in Contact person: Sumeet Deshpande Website: www.linkintime.co.in SEBI registration number: INR000004058

ISSUE PROGRAMME

ISSUE OPENS ON	LAST DATE FOR ON MARKET RENUNCIATIONS*	ISSUE CLOSES ON#
[●]	[●]	[●]

** Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee(s) on or prior to the Issue Closing Date.*
 # Our Board or a duly authorized committee thereof will have the right to extend the Issue period as it may determine from time to time but not exceeding 30 (thirty) days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

This Letter of Offer uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. The following list of certain capitalised terms used in this Letter of Offer is intended for the convenience of the reader/prospective investor only and is not exhaustive.

References to any legislation, act, regulation, rules, guidelines or policies shall be to such legislation, act, regulation, rules, guidelines or policies as amended, supplemented, or re-enacted from time to time and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision.

The words and expressions used in this Letter of Offer but not defined herein, shall have, to the extent applicable, the meaning ascribed to such terms under the Companies Act, 2013, the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder. Notwithstanding the foregoing, terms used in "Statement of Special Tax Benefits" and "Financial Statements" beginning on pages 69 and 170, respectively, shall have the meaning given to such terms in such sections.

Company and Industry Related Terms

Term	Description
"Our Company" or "the Company" or "the Issuer"	L&T Finance Holdings Limited incorporated under the Companies Act 1956, with its Registered and Corporate Office at Brindavan, Plot No.177, C.S.T Road, Kalina, Santacruz (East), Mumbai 400 098
"We", "us", or "our"	Unless the context otherwise requires, indicates or implies or unless otherwise specified, our Company together with our Subsidiaries, on a consolidated basis
"Articles of Association" or "Articles"	The articles of association of our Company, as amended from time to time
Associate Company	Associate company of our Company in terms of the Companies Act, 2013 namely, Grameen Capital India Private Limited
Audited Consolidated Financial Statements	The audited consolidated financial statements of our Company for the year ended March 31, 2020 which comprises the consolidated balance sheet as at March 31, 2020, the consolidated statement of profit and loss, including other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information
"Board" or "Board of Directors"	The board of directors of our Company or a duly constituted committee thereof or its duly authorised individuals
CARE	CARE Ratings Limited
CRISIL	CRISIL Research, a division of CRISIL Limited
CRISIL Report	Report titled "Industry Report on various asset classes" dated January 2021, issued by CRISIL
Defocused Business	Business comprising structured corporate loans, debt capital market, commercial vehicle finance, construction equipment finance, small and medium enterprises term loans and leases
Directors	Directors on the Board, as may be appointed from time to time
Equity Shareholders	Holders of Equity Share(s), from time to time
Equity Shares	Equity shares of face value of ₹ 10 each of our Company
ESOP Schemes	Employee stock options schemes of our Company being the ESOP 2010 and the ESOP 2013
ESOP 2010	Employee Stock Option Scheme – 2010 of our Company
ESOP 2013	Employee Stock Option Scheme – 2013 of our Company
Group Companies	Group companies of our Company, in terms of the SEBI ICDR Regulations, namely: • Larsen & Toubro Infotech Limited; • L&T Capital Company Limited; • Larsen & Toubro Electromech LLC; • L&T-MHPS Boilers Private Limited; and • L&T Hydrocarbon Engineering Limited

Term	Description
Housing Finance	Business comprising home loans, loan against property and real estate finance
ICRA	ICRA Limited
India Ratings	India Ratings and Research Private Limited
Independent Director	Independent directors on the Board, who are eligible to be appointed as independent directors under the provisions of the Companies Act, 2013 and the SEBI Listing Regulations. For details of the Independent Directors, see "*Our Management*" beginning on page 165
Infrastructure Finance	Business comprising infrastructure business
Investment Management	Business comprising the management, administration and distribution of our mutual fund products
Joint Statutory Auditors	Deloitte Haskins & Sells LLP, Mumbai and B.K. Khare & Co. Mumbai
Key Managerial Personnel	The key managerial personnel of our Company as per the definition provided in Regulation 2(1)(bb) of the SEBI ICDR Regulations
Material Subsidiaries	The material subsidiaries of our Company identified in accordance with the SEBI Listing Regulations namely: • L&T Finance Limited; • L&T Infrastructure Finance Company Limited; and • L&T Housing Finance Limited
Materiality Threshold	Materiality threshold adopted by our Company in relation to the disclosure of outstanding civil litigation, including tax litigation, involving our Company and/or our Subsidiaries, where the amount involved is ₹ 51.01 crore (being 3% of the consolidated profit after tax of our Company, in terms of the Audited Consolidated Financial Statements)
Memorandum of Association or Memorandum	The memorandum of association of our Company, as amended from time to time
Promoter	The promoter of our Company, namely, Larsen & Toubro Limited
Promoter Group	The promoter group of our Company as determined in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations
"Registered and Corporate Office" or "Registered Office"	Brindavan, Plot No.177, C.S.T Road, Kalina, Santacruz (East), Mumbai 400 098
Rural Finance	Business comprising farm equipment finance, two-wheeler finance, micro loans and consumer finance
Subsidiaries	Subsidiaries* of our Company namely: • L&T Finance Limited; • L&T Infrastructure Finance Company Limited; • L&T Housing Finance Limited; • L&T Infra Debt Fund Limited@; • L&T Infra Investment Partners#; • L&T Investment Management Limited; • L&T Mutual Fund Trustee Limited; • L&T Financial Consultants Limited; • L&T Infra Investment Partners Advisory Private Limited**; • L&T Infra Investment Partners Trustee Private Limited**; and • Mudit Cement Private Limited. * *While, the financial statements of L&T Capital Markets Limited have been incorporated in the preparation of our Audited Consolidated Financial Statements, it ceased to be a subsidiary of our Company with effect from April 24, 2020. Similarly, while the financial statements of L&T Capital Markets (Middle East) Limited have been incorporated in the preparation of Audited Consolidated Financial Statements and the Unaudited Consolidated*

Term	Description
	September Financial Results, it ceased to be a subsidiary of our Company with effect from December 17, 2020 on account of being voluntarily wound up. *# Subsidiary of our Company in terms of Ind AS.* *** indirectly wholly owned Subsidiary of our Company, with L&T Infrastructure Finance Company Limited holding 100% of outstanding share capital* *@ indirectly wholly owned Subsidiary of our Company, holding 23.36%, with L&T Infrastructure Finance Company Limited holding 48.36%, L&T Finance Limited holding 28.28% of its outstanding share capital.*
Unaudited Consolidated December Financial Results	The limited review consolidated financial results of our Company as at and for the nine months period ended December 31, 2020 which comprises the consolidated statement of profit and loss
Unaudited Consolidated September Financial Results	The limited review consolidated financial results of our Company as at and for the six months period ended September 30, 2020 which comprises the consolidated balance sheet as at September 30, 2020, the consolidated statement of profit and loss and the consolidated cash flow statement

Issue Related Terms

Term	Description
"Abridged Letter of Offer" or "ALOF"	Abridged letter of offer to be sent to the Eligible Equity Shareholders with respect to the Issue in accordance with the provisions of the SEBI ICDR Regulations and the Companies Act, 2013
"Allotment", "Allot" or "Allotted"	Allotment of Equity Shares pursuant to the Issue
Allotment Account(s)	The account(s) opened with the Banker(s) to this Issue, into which the Application Money lying credit to the Escrow Account(s) and amounts blocked by Application Supported by Blocked Amount in the ASBA Account, with respect to successful Applicants will be transferred on the Transfer Date in accordance with Section 40(3) of the Companies Act, 2013
Allotment Account Bank(s)	Bank(s) which are clearing members and registered with SEBI as bankers to an issue and with whom the Allotment Accounts will be opened, in this case being, Axis Bank Limited
Allotment Advice	The note or advice or intimation of Allotment, sent to each successful Investor who has been or is to be Allotted the Equity Shares after approval of the Basis of Allotment by the Designated Stock Exchange
Allotment Date	Date on which the Allotment is made pursuant to this Issue
Allottee(s)	Person(s) who is Allotted Equity Shares pursuant to Allotment
"Applicant(s)" or "Investors"	Eligible Equity Shareholder(s) and/or Renouncee(s) who are entitled to apply or make an application for the Equity Shares pursuant to the Issue in terms of this Letter of Offer
Application	Application made through (i) submission of the Application Form or plain paper Application to the Designated Branch of the SCSBs or online/ electronic application through the website of the SCSBs (if made available by such SCSBs) under the ASBA process, or (ii) filling the online Application Form available on R-WAP (instituted only for resident Investors, in the event the Investors are not able to utilize the ASBA facility for making an Application despite their best efforts), to subscribe to the Equity Shares at the Issue Price
Application Form	Unless the context otherwise requires, an application form (including online application form available for submission of application using the R-WAP or though the website of the SCSBs (if made available by such SCSBs) under the ASBA process) used by an Investor to make an application for the Allotment of Equity Shares in the Issue
Application Money	Aggregate amount payable in respect of the Equity Shares applied for in the Issue at the Issue Price for the Application
"Application Supported by Blocked Amount" or "ASBA"	Application (whether physical or electronic) used by an ASBA Investor to make an application authorizing the SCSB to block the Application Money in a the ASBA Account maintained with the SCSB
ASBA Account	Account maintained with the SCSB and specified in the Application Form or the plain paper Application by the Applicant for blocking the amount mentioned in the Application Form or the plain paper Application
ASBA Circulars	Collectively, SEBI circular bearing reference number SEBI/CFD/DIL/ASBA/1/2009/30/12 dated December 30, 2009, SEBI circular bearing reference number CIR/CFD/DIL/1/2011 dated

Term	Description
	April 29, 2011 and the SEBI circular bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020
Banker(s) to the Issue	Collectively, the Escrow Collection Bank(s), the Allotment Account Bank(s) and the Refund Bank(s) to the Issue
Banker to the Issue Agreement	Agreement dated [●] amongst our Company, the Lead Managers, the Registrar to the Issue and the Banker(s) to the Issue for collection of the Application Money from Applicants/Investors making an application through the R-WAP facility, transfer of funds to the Allotment Account from the Escrow Account and SCSBs, release of funds from Allotment Account to our Company and other persons and where applicable, refunds of the amounts collected from Applicants/Investors and providing such other facilities and services as specified in the agreement
Basis of Allotment	The basis on which the Equity Shares will be Allotted to successful Applicants in consultation with the Designated Stock Exchange under this Issue, as described in "*Terms of the Issue*" beginning on page 308
"Controlling Branches" or "Controlling Branches of the SCSBs"	Such branches of the SCSBs which co-ordinate with the Lead Managers, the Registrar to the Issue and the Stock Exchanges, a list of which is available on http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Designated Branches	Such branches of the SCSBs which shall collect the Application Form or the plain paper application, as the case may be, used by the ASBA Investors and a list of which is available on http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes
Designated Stock Exchange	[●]
Eligible Equity Shareholder(s)	Holder(s) of the Equity Shares of our Company as on the Record Date
Escrow Account(s)	One or more no-lien and non-interest bearing accounts with the Escrow Collection Bank(s) for the purposes of collecting the Application Money from resident Investors making an Application through the R-WAP facility
"Escrow Collection Bank", "Allotment Account Bank(s)" or "Refund Bank(s)"	Bank(s) which are clearing members and registered with SEBI as banker to an issue and with whom the Escrow Account will be opened, in this case being, Axis Bank Limited
IEPF	Investor Education and Protection Fund
Investor(s)	Eligible Equity Shareholder(s) of our Company on the Record Date, [●] and the Renouncee(s)
ISIN	International securities identification number
Issue	This issue of up to [●] Equity Shares for cash at a price ₹ [●] per Equity Share (including a premium of ₹ [●] per Equity Share) not exceeding ₹ 3,000 crore# on a rights basis to the Eligible Equity Shareholders of our Company in the ratio of [●] Equity Share for every [●] fully paid-up Equity Shares held by the Eligible Equity Shareholders on the Record date that is on [●] #*to be adjusted as per the Rights Entitlement ratio*
Issue Agreement	Agreement dated [●] entered into between our Company and the Lead Managers, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Closing Date	[●]
Issue Opening Date	[●]
Issue Period	The period between the Issue Opening Date and the Issue Closing Date, inclusive of both days, during which Applicants can submit their Applications, in accordance with the SEBI ICDR Regulations
Issue Price	₹ [●] per Equity Share
"Issue Proceeds" or "Gross Proceeds"	Gross proceeds of the Issue
Issue Size	Amount aggregating up to ₹ 3,000 crore# #*to be adjusted as per the Rights Entitlement ratio*
Lead Managers	Axis Capital Limited, BOB Capital Markets Limited, Citigroup Global Markets India Private Limited, Credit Suisse Securities (India) Private Limited, HSBC Securities and Capital Markets

Term	Description
	(India) Private Limited, ICICI Securities Limited, Motilal Oswal Investment Advisors Limited, SBI Capital Markets Limited and UBS Securities India Private Limited
"Letter of Offer" or "LOF"	The final letter of offer to be filed with the Stock Exchanges and SEBI
Listing Agreement	The listing agreements entered into between our Company and the Stock Exchanges in terms of the SEBI Listing Regulations
MCA Circulars	General Circular No. 21/2020 dated May 11, 2020 read together with General Circular No. 27/2020 dated August 3, 2020 issued by the Ministry of Corporate Affairs, Government of India
Monitoring Agency	Axis Bank Limited
Monitoring Agency Agreement	Agreement dated [●] between our Company and the Monitoring Agency in relation to monitoring of Net Proceeds
Multiple Application Forms	Multiple application forms submitted by an Eligible Equity Shareholder/Renouncee in respect of the Rights Entitlement available in their demat account. However supplementary applications in relation to further Equity Shares with/without using additional Rights Entitlement will not be treated as multiple application
Net Proceeds	Issue Proceeds less the Issue related expenses. For further details, see "*Objects of the Issue*" beginning on page 63
Off Market Renunciation	The renunciation of Rights Entitlements undertaken by the Investor by transferring them through off-market transfer through a depository participant in accordance with the SEBI Rights Issue Circulars and the circulars issued by the Depositories, from time to time, and other applicable laws
On Market Renunciation	The renunciation of Rights Entitlements undertaken by the Investor by trading them over the secondary market platform of the Stock Exchanges through a registered stock broker in accordance with the SEBI Rights Issue Circulars and the circulars issued by the Stock Exchanges, from time to time, and other applicable laws, on or before [●]
"Qualified Institutional Buyers" or "QIBs"	Qualified institutional buyers as defined under Regulation 2(1)(ss) of the SEBI ICDR Regulations
R-WAP	Registrar's web based application platform accessible at www.linkintime.co.in, instituted as an optional mechanism in accordance with SEBI circulars bearing reference numbers SEBI/HO/CFD/DIL1/CIR/P/2020/136 dated July 24, 2020 and SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020, for accessing/ submitting online Application Forms by resident public Investors This platform is instituted only for resident Investors, in the event such Investors are not able to utilize the ASBA facility for making an Application despite their best efforts
Record Date	Designated date for the purpose of determining the Eligible Equity Shareholders eligible to apply for Equity Shares, being [●]
"Registrar to the Issue" or "Registrar"	Link Intime India Private Limited
Registrar Agreement	Agreement dated [●] between our Company and the Registrar to the Issue in relation to the responsibilities and obligations of the Registrar to the Issue pertaining to this Issue, including in relation to the R-WAP facility
Renouncee(s)	Person(s) who has/have acquired Rights Entitlements from the Eligible Equity Shareholders
Renunciation Period	The period during which the Investors can renounce or transfer their Rights Entitlements which shall commence from the Issue Opening Date. Such period shall close on [●] in case of On Market Renunciation. Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee on or prior to the Issue Closing Date
Rights Entitlement(s)	Number of Equity Shares that an Eligible Equity Shareholder is entitled to in proportion to the number of Equity Shares held by the Eligible Equity Shareholder on the Record Date, in this case being [●] Equity Shares for every [●] Equity Shares held by an Eligible Equity Shareholder
Rights Entitlement Letter	Letter including details of Rights Entitlements of the Eligible Equity Shareholders. The Rights Entitlements are also accessible through the R-WAP and on the website of our Company
SCSB(s)	Self-certified syndicate banks registered with SEBI, which acts as a banker to the Issue and which offers the facility of ASBA. A list of all SCSBs is available at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34

Term	Description
Stock Exchanges	Stock exchanges where the Equity Shares are presently listed, being BSE and NSE
Transfer Date	The date on which Application Money held in the Escrow Account and the Application Money blocked in the ASBA Account will be transferred to the Allotment Account(s) in respect of successful Applications, upon finalization of the Basis of Allotment, in consultation with the Designated Stock Exchange
Wilful Defaulter	Company or person, as the case may be, categorised as a wilful defaulter by any bank or financial institution (as defined under the Companies Act, 2013) or consortium thereof, in accordance with the guidelines on wilful defaulters issued by RBI
Working Day(s)	In terms of Regulation 2(1)(mmm) of SEBI ICDR Regulations, working day means all days on which commercial banks in Mumbai are open for business. Further, in respect of Issue Period, working day means all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business. Furthermore, the time period between the Issue Closing Date and the listing of Equity Shares on the Stock Exchanges, working day means all trading days of the Stock Exchanges, excluding Sundays and bank holidays, as per circulars issued by SEBI

Conventional and General Terms/Abbreviations

Term	Description
"₹", "Rs.", "Rupees" or "INR"	Indian Rupees
Adjusted loans and advances	Adjustment in the nature of addition to the loans and advances made in relation to certain loans which are treated as investments under Ind AS, but considered as loans by our Company
AIF(s)	Alternative investment funds, as defined and registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
AUM	Assets under management
AY	Assessment year
BSE	BSE Limited
CAGR	Compound annual growth rate
CDSL	Central Depository Services (India) Limited
CIN	Corporate identity number
Companies Act, 1956	Erstwhile Companies Act, 1956 along with the rules made thereunder
Companies Act, 2013	Companies Act, 2013 along with the rules made thereunder
COVID-19	A public health emergency of international concern as declared by the World Health Organization on January 30, 2020 and a pandemic on March 11, 2020
CRAR	Capital adequacy ratio/Capital to risk assets ratio
CrPC	Code of Criminal Procedure, 1973
Depositories Act	Depositories Act, 1996
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participant) Regulations, 1996
Depository Participant / DP	A depository participant as defined under the Depositories Act
DP ID	Depository participant's identification
DIN	Director Identification Number
EBITDA	Profit/(loss) after tax for the year adjusted for income tax expense, finance costs, depreciation and amortisation expense, as presented in the statement of profit and loss
EGM	Extraordinary general meeting
EPS	Earnings per Equity Share
FCNR Account	Foreign currency non-resident account
FDI Circular 2020	Consolidated FDI Policy dated October 15, 2020 issued by the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India
FEMA	Foreign Exchange Management Act, 1999, together with rules and regulations thereunder

Term	Description
FEMA Rules	Foreign Exchange Management (Non-debt Instruments) Rules, 2019
“Financial Year”, “Fiscal Year” or “Fiscal”	Period of 12 months ended March 31 of that particular year, unless otherwise stated
FIR	First information report
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations
Fugitive Economic Offender	An individual who is declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018
FVCI	Foreign venture capital investors as defined under and registered with SEBI pursuant to the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000 registered with SEBI
GAAP	Generally accepted accounting principles
GDP	Gross domestic product
“GoI” or “Government”	Government of India
GST	Goods and Service Tax
HFC	Housing finance companies
HUF	Hindu Undivided Family
IBC	Insolvency and Bankruptcy Code, 2016
ICAI	Institute of Chartered Accountants of India
Income Tax Act	Income-Tax Act, 1961
Ind AS	Indian accounting standards as specified under section 133 of the Companies Act 2013 read with Companies (Indian Accounting Standards) Rules 2015, as amended
IFRS	International Financial Reporting Standards
Insider Trading Regulations	Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
ITAT	Income Tax Appellate Tribunal
LTV	Loan to value ratio
MCA	Ministry of Corporate Affairs
Mutual Fund	Mutual fund registered with SEBI under the Securities and Exchange Board of (Mutual Funds) Regulations, 1996
“Net Asset Value per Equity Share” or “NAV per Equity Share”	Net Worth/ Number of Equity shares subscribed and fully paid outstanding as at March 31
Net Worth	Aggregate of Equity Share capital and other equity
NBFC	Non-banking financial companies
NCD(s)	Non-convertible debentures
NHB	National housing bank
NPA(s)	Non-performing assets
NRE Account	Non-resident external account
NRI	A person resident outside India, who is a citizen of India and shall have the same meaning as ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2016
NRO Account	Non-resident ordinary account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
“OCB” or “Overseas Corporate Body”	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA
PAN	Permanent account number

Term	Description
PAT	Profit after tax
QP	Qualified purchaser as defined in the U.S. Investment Company Act
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934
Regulation S	Regulation S under the U.S. Securities Act
RoC	Registrar of Companies, Maharashtra at Mumbai
RTGS	Real time gross settlement
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI Relaxation Circulars	SEBI circular bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2020/78 dated May 6, 2020 and read with SEBI circular bearing reference number SEBI/HO/CFD/DIL1/CIR/P/2020/136 dated July 24, 2020
SEBI Rights Issue Circulars	Collectively, SEBI circular, bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020, bearing reference number SEBI/HO/CFD/CIR/CFD/DIL/67/2020 dated April 21, 2020 and SEBI Relaxation Circulars
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
Stock Exchanges	BSE and NSE
STT	Securities transaction tax
Supreme Court	Supreme Court of India
TAT	Turn around time
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
Total Borrowings	Aggregate of debt securities, borrowings (other than debt securities) and subordinated liabilities
UPI	Unified Payments Interface
"U.S.$", "USD" or "U.S. dollar"	United States Dollar, the legal currency of the United States of America
U.S. Investment Company Act	Investment Company Act of 1940, as amended
U.S. Person	U.S. persons as defined in Regulation S under the U.S. Securities Act or acting for the account or benefit of U.S. persons (not relying on Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i) of Regulation S)
U.S. QIB	Qualified institutional buyer as defined in Rule 144A under the U.S. Securities Act
"USA", "U.S." or "United States"	United States of America
U.S. SEC	U.S. Securities and Exchange Commission
U.S. Securities Act	U.S. Securities Act of 1933, as amended
VCF	Venture capital fund as defined and registered with SEBI under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996 or the SEBI AIF Regulations, as the case may be

NOTICE TO INVESTORS

The distribution of this Letter of Offer, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter, any other offering material and the issue of Rights Entitlement and the Equity Shares on a rights basis to persons in certain jurisdictions outside India are restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer, the Abridged Letter of Offer, the Application Form or the Rights Entitlement Letter may come, are required to inform themselves about and observe such restrictions. For details, see "*Restrictions on Purchases and Resales*" beginning on page 337.

Our Company is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Further, this Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Investors can also access this Letter of Offer, the Abridged Letter of Offer and the Application Form from the websites of our Company, the Registrar, the Lead Managers, and the Stock Exchanges and on R-WAP.

Our Company, the Lead Managers, and the Registrar will not be liable for non-dispatch of physical copies of Issue materials, including this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form.

No action has been or will be taken to permit the Issue in any jurisdiction where action would be required for that purpose, except that this Letter of Offer is being filed with SEBI and the Stock Exchanges. Accordingly, the Rights Entitlement and the Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form or any offering materials or advertisements in connection with the Issue may not be distributed, whole or in part, in or into in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorized or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form must be treated as sent for information only and should not be acted upon for subscription to Equity Shares and should not be copied or re-distributed. Accordingly, persons receiving a copy of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send this Letter of Offer, the Abridged Letter of Offer or the Application Form or the Rights Entitlement Letter in or into any jurisdiction where to do so, would or might contravene local securities laws or regulations, or would subject our Company or its affiliates or the Lead Managers or their respective affiliates to any filing or registration requirement (other than in India). If this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlements referred to in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form.

Any person who makes an application to acquire Rights Entitlements and the Equity Shares offered in the Issue will be deemed to have declared, represented, warranted and agreed that such person is authorized to acquire the Rights Entitlements and the Equity Shares in compliance with all applicable laws and regulations prevailing in such person's jurisdiction and India, without requirement for our Company or our affiliates or the Lead Managers or their respective affiliates to make any filing or registration (other than in India). In addition, each purchaser of Rights Entitlements and the Equity Shares will be deemed to make the representations, warranties, acknowledgments and agreements set forth in "*Restrictions on Purchases and Resales*" beginning on page 337.

Our Company, in consultation with the Lead Managers, reserves the right to treat as invalid any Application Form which: (i) appears to our Company or its agents to have been executed in, electronically transmitted from or dispatched from the United States (unless the Application Form is submitted by a U.S. QIB in the United States who is also a QP) or other jurisdictions where the offer and sale of the Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is (a) both a U.S. QIB and a QP, if in the United States or a U.S. Person or (b) outside the United States and is a non-U.S. Person and in each case such person is eligible to subscribe for the Equity Shares under applicable securities laws and is complying with laws of jurisdictions applicable to such person in connection with this Issue; or (iii) where either a registered Indian address is not provided or where our Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements; and our Company shall not be bound to issue or allot any Equity Shares in respect of any such Application Form.

Neither the receipt of this Letter of Offer nor any sale of Equity Shares hereunder, shall, under any circumstances, create any implication that there has been no change in our Company's affairs from the date hereof or the date of such information or that the information contained herein is correct as at any time subsequent to the date of this Letter of Offer or the date of such information. The contents of this Letter of Offer should not be construed as legal, tax, business, financial or investment advice. Prospective investors may be subject to adverse foreign, state or local tax or legal consequences as a result of the offer of Equity Shares or Rights Entitlements. As a result, each investor should consult its own counsel, business advisor and tax advisor as to the legal, business, tax and related matters concerning the offer of the Equity Shares or Rights Entitlements. In addition, neither our Company nor the Lead Managers or its affiliates are making any representation to any offeree or purchaser of the Equity Shares regarding the legality of an investment in the Rights Entitlements or the Equity Shares by such offeree or purchaser under any applicable laws or regulations.

THIS DOCUMENT IS SOLELY FOR THE USE OF THE PERSON WHO RECEIVED IT FROM OUR COMPANY OR FROM THE REGISTRAR. THIS DOCUMENT IS NOT TO BE REPRODUCED OR DISTRIBUTED TO ANY OTHER PERSON.

NO OFFER IN THE UNITED STATES

THE RIGHTS ENTITLEMENTS AND THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S ("**REGULATION S**") UNDER THE U.S. SECURITIES ACT, EXCEPT FOR THESE PURPOSES, U.S. PERSONS INCLUDE PERSONS WHO WOULD OTHERWISE HAVE BEEN EXCLUDED FROM SUCH TERM SOLELY BY VIRTUE OF RULE 902(K)(1)(VIII)(B) OR RULE 902(K)(2)(I) ("**U.S. PERSONS**")) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE RIGHTS ENTITLEMENTS (INCLUDING THEIR CREDIT) AND THE EQUITY SHARES ARE ONLY BEING OFFERED AND SOLD (I) WITHIN THE UNITED STATES OR TO U.S. PERSONS THAT ARE "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**") AND REFERRED TO IN THIS LETTER OF OFFER AS "**U.S. QIBs**") PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET OUT IN SECTION 4(A)(2) OF THE U.S. SECURITIES ACT, THAT ARE ALSO "QUALIFIED PURCHASERS" ("**QPs**") (AS DEFINED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED, THE "**U.S. INVESTMENT COMPANY ACT**") IN RELIANCE UPON SECTION 3(C)(7) OF THE U.S. INVESTMENT COMPANY ACT AND (II) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE LAWS OF THE JURISDICTION WHERE THOSE OFFERS AND SALES OCCUR. OUR COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS OF THE U.S. INVESTMENT COMPANY ACT. THE RIGHTS ENTITLEMENTS AND THE EQUITY SHARES MAY NOT BE RE-OFFERED, RE-SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S TO A PERSON OUTSIDE THE UNITED STATES AND NOT REASONABLY KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON BY PRE-ARRANGEMENT OR OTHERWISE (INCLUDING, FOR THE AVOIDANCE OF DOUBT, A BONA FIDE SALE ON THE STOCK EXCHANGES).

As we are relying on an analysis that our Company does not come within the definition of an "investment company" under the U.S. Investment Company Act because of the exception provided under section 3(c)(7) thereunder, our Company may be considered a "covered fund" as defined in the Volcker Rule. See "*Risk Factors - U.S. regulation of investment activities may negatively affect the ability of banking entities to purchase our Equity Shares*" on page 44.

Neither our Company, nor any person acting on behalf of our Company, will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company, or any person acting on behalf of our Company, has reason to believe is, in the United States when the buy order is made (other than persons in the United States who are both U.S. QIBs and QPs). No Application Form should be postmarked in the United States, electronically transmitted from the United States or otherwise dispatched from the United States (in each case, other than from persons in the United States who are both U.S. QIBs and QPs) or from any other jurisdiction where it would be illegal to make an offer of securities under this Letter of Offer. Our Company is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and will dispatch this Letter of Offer or the Abridged Letter of Offer and the Application Form, through e-mail, only to Eligible Equity Shareholders who have provided an Indian address to our Company.

Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of this Letter of Offer, that (i) it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and is a non-U.S. Person, or (ii) a U.S. QIB in the United States who is also a QP, and in each case is authorized to acquire the Rights Entitlements and the Equity Shares in compliance with all applicable laws and regulations.

All offers and sales in the United States of the Rights Entitlements and the Equity Shares have been, or will be, made solely by our Company. The Lead Managers are not making, and will not make, and will not participate or otherwise be involved in any offers or sales of the Rights Entitlements, the Equity Shares or any other security with respect to this Issue in the United States.

The Rights Entitlements and the Equity Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**US SEC**")**,** any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Rights Entitlements, the Equity Shares or the accuracy or adequacy of this Letter of Offer. Any representation to the contrary is a criminal offence in the United States.

The above information is given for the benefit of the Applicants / Investors. Our Company and the Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Investors are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Conventions

In this Letter of Offer, unless otherwise specified or context otherwise requires, references to 'US$', '$', 'USD' and 'U.S. dollars' are to the legal currency of the United States of America, and references to 'INR', '₹', 'Rs.', 'Indian Rupees' and 'Rupees' are to the legal currency of India. All references herein to the 'US' or 'U.S.' or the 'United States' are to the United States of America and its territories and possessions. All references herein to 'India' are to the Republic of India and its territories and possessions and the references herein to 'Government' or 'GoI' or the 'Central Government' or the 'State Government' are to the Government of India, central or state, as applicable.

Financial Data

Unless otherwise stated, references to "we", "us", "our" or "Company and its Subsidiaries" and similar terms are to L&T Finance Holdings Limited on a consolidated basis and references to "the Company" and "our Company" are to L&T Finance Holdings Limited on a standalone basis.

Unless stated otherwise, financial data in this Letter of Offer is derived from the Audited Consolidated Financial Statements, Unaudited Consolidated September Financial Results and Unaudited Consolidated December Financial Results which have been prepared by our Company in accordance with Indian accounting standards as specified under section 133 of the Companies Act, 2013 read with Companies (Indian Accounting Standards) Rules 2015, as amended and are also included in this Letter of Offer. Our Company publishes its financial statements in Indian Rupees crore. Further, our Company uses classification of NPA (stage 3 assets) based on expected credit loss methodology in accordance with Ind AS. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Letter of Offer should accordingly be limited.

The fiscal year of our Company begins on April 1 of each calendar year and ends on March 31 of the following calendar year. Unless otherwise stated, references in this Letter of Offer to a particular 'Financial Year' or 'Fiscal Year' or 'Fiscal' are to the financial year ended March 31.

In this Letter of Offer, any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding off. Certain figures in decimals have been rounded off and accordingly there may be consequential changes in this Letter of Offer.

Currency Presentation

The amounts derived from financial statements included herein are represented in ₹ crore, as presented in the Audited Consolidated Financial Statements, Unaudited Consolidated September Financial Results and Unaudited Consolidated December Financial Results.

References to the singular also refer to the plural and one gender also refers to any other gender, wherever applicable. Unless stated otherwise, throughout this Letter of Offer, all figures have been expressed in crore.

Market and Industry Data

Information included in this Letter of Offer regarding market position, growth rates and other industry data pertaining to our businesses consists of estimates based on data reports compiled by government bodies, professional organisations and analysts, data from other external sources and knowledge of the markets in which we operate. Unless stated otherwise, statistical information included in this Letter of Offer pertaining to the various sectors in which we operate has been obtained or derived from publicly available information, including industry and government sources. Further, the information has also been derived from the CRISIL Report dated January, 2021, which has been commissioned by our Company from CRISIL. For risks in relation to commissioned reports, see "*Risk Factors - We have commissioned industry report from third party agency, which have been used for industry related data in this Letter of Offer and such data has not been independently verified by us*" on pages 39-40.

Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decision should be made on the basis of such information.

This information is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, and thus we have relied on internally developed estimates.

Neither our Company, nor the Lead Managers have independently verified this data, and neither does our Company nor the Lead Managers make any representation regarding the accuracy of such data. Similarly, while our Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and accordingly, neither our Company, nor the Lead Managers can assure the prospective investors as to their accuracy.

The extent to which the market and industry data used in this Letter of Offer is meaningful is dependent on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business, and methodologies and assumptions may vary widely among different industry sources. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those disclosed in "*Risk Factors*" beginning on page 17. Accordingly, investors should not place undue reliance on this information.

Disclaimer of CRISIL

This Letter of Offer contains data and statistics from the CRISIL Report, which is subject to the following disclaimer:

CRISIL Research, a division of CRISIL Limited (CRISIL) has taken due care and caution in preparing this report (Report) based on the Information obtained by CRISIL from sources which it considers reliable (Data). However, CRISIL does not guarantee the accuracy, adequacy or completeness of the Data / Report and is not responsible for any errors or omissions or for the results obtained from the use of Data / Report. This Report is not a recommendation to invest / disinvest in any entity covered in the Report and no part of this Report should be construed as an expert advice or investment advice or any form of investment banking within the meaning of any law or regulation. CRISIL especially states that it has no liability whatsoever to the subscribers / users / transmitters/ distributors of this Report. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary permission and/or registration to carry out its business activities in this regard. L&T Finance Holdings Limited will be responsible for ensuring compliances and consequences of non-compliances for use of the Report or part thereof outside India. CRISIL Research operates independently of, and does not have access to information obtained by CRISIL's Ratings Division / CRISIL Risk and Infrastructure Solutions Ltd (CRIS), which may, in their regular operations, obtain information of a confidential nature. The views expressed in this Report are that of CRISIL Research and not of CRISIL's Ratings Division / CRIS. No part of this Report may be published/reproduced in any form without CRISIL's prior written approval.

Non-Ind AS measures

Certain non-Ind AS financial measures and certain other statistical information relating to our operations and financial performance such as Net Worth, Return on Net Worth, Net Asset Value per Equity Share, ratio of non-current liabilities-borrowings (including current maturities) / total equity (excluding non-controlling interest), ratio of Total Borrowings/ total equity (excluding non-controlling interest) and EBITDA have been included in this Letter of Offer. These may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other companies and are not measures of operating performance or liquidity defined by Ind AS and may not be comparable to similarly titled measures presented by other companies.

Conversion rates for foreign currency:

The conversion rate for the following foreign currency is as follows:

Sr. No.	Name of the Currency	As of December 31, 2020 (in ₹)	As of September 30, 2020 (in ₹)	As of March 31, 2020 (in ₹)	As of March 31, 2019 (in ₹)
1.	1 United States Dollar	73.05	73.80	75.39	69.17

(Source: www.fbil.org.in.)

Such conversion should not be considered as a representation that such currency amounts have been, could have been or can be converted into Rupees (₹) at any particular rate, the rates stated above or at all.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Letter of Offer that are not statements of historical fact constitute 'forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'can', 'could', 'estimate', 'expect', 'intend', 'may', 'objective', 'plan', 'potential', 'project', 'pursue', 'shall', 'should', 'will', 'would', 'future', 'forecast', 'target', or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business and other matters discussed in this Letter of Offer that are not historical facts. These forward-looking statements and any projections contained in this Letter of Offer (whether made by our Company or third parties) are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause our actual results, performances and achievements to be materially different from any of the forward-looking statements include, among others:

- Uncertainty of the continuing impact of the COVID-19 pandemic on our business and operations;
- Any disruption in our sources of funding or increase in costs of funding;
- Engagement in a highly competitive business and a failure to effectively compete;
- We are affected by volatility in interest rates, adversely affecting our net interest income; and
- Risk of non-payment or default by borrowers.

Additional factors that could cause actual results, performance or achievements of our Company to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and "*Our Business*" beginning on pages 17 and 143, respectively.

By their nature, market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on our revenue could materially differ from those that have been estimated, expressed or implied by such forward looking statements or other projections. The forward-looking statements contained in this Letter of Offer are based on the beliefs of management, as well as the assumptions made by, and information currently available to, the management of our Company. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, Investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Letter of Offer or the respective dates indicated in this Letter of Offer and neither our Company nor the Lead Managers undertake any obligation to update or revise any of them, whether as a result of new information, future events, changes in assumptions or changes in factors affecting these forward looking statements or otherwise. If any of these risks and uncertainties materialise, or if any of our Company's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Company could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to our Company are expressly qualified in their entirety by reference to these cautionary statements.

SUMMARY OF LETTER OF OFFER

The following is a general summary of certain disclosures included in this Letter of Offer and is not exhaustive, nor does it purport to contain a summary of all the disclosures in this Letter of Offer or all details relevant to the prospective investors. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Letter of Offer, including, "*Objects of the Issue*", "*Our Business*", "*Outstanding Litigation and Defaults*", "*Selected Statistical Information*" and "*Risk Factors*" beginning on pages 63, 143, 291, 51 and 17, respectively. For updates in relation to financial and operational performance as of and for the period ended December 31, 2020, see "*Recent Developments*" beginning on page 54.

Summary of Business

We are one of the leading private sector non-banking financial services companies in India in terms of total Adjusted loans and advances outstanding. *(source: CRISIL Report)*

Objects of the Issue

Our Company intends to utilize the Net Proceeds from the Issue towards funding of the following objects:

(in crore)

Particulars	Estimated amount (up to)
Repayment of certain commercial papers issued by our Company	1,150.00
Infusion of funds in our Subsidiary for repayment of certain commercial papers issued by such Subsidiary	600.00
Redemption of preference shares issued by our Company	500.00
General corporate purposes*	738.50
Total**	**2,988.50**

* *Subject to the finalization of the Basis of Allotment and the Allotment. The amount is subject to adjustment upon finalization of Issue related expenses, however, in no event, shall general corporate purposes exceed 25% of the Net Proceeds.*

** *Assuming full subscription in the Issue and subject to finalization of the Basis of Allotment and to be adjusted per the Rights Entitlement ratio.*

For further details, see *"Objects of the Issue"* beginning on page 63.

Intention and extent of participation by our Promoter

Our Promoter has undertaken to subscribe to the full extent of its respective Rights Entitlements, subject to compliance with the minimum public shareholding requirements, as prescribed under the SCRR. In addition, our Promoter reserves the right to subscribe to the unsubscribed portion in the Issue, if any, to the extent that the amount involved in such subscription of the unsubscribed portion in the Issue does not exceed ₹ 1,000 crore, subject to compliance with the Companies Act, the SEBI ICDR Regulations, the SEBI Takeover Regulations and other applicable laws. As on the date of this Letter of Offer, members of our Promoter Group (other than our Promoter), do not hold any Equity Shares in our Company and accordingly, they will not participate in the Issue.

Any participation by our Promoter, over and above its Rights Entitlements, shall not result in a breach of the minimum public shareholding requirements prescribed under applicable law.

Summary of outstanding litigation and defaults

A summary of outstanding legal proceedings involving our Subsidiaries as on the date of this Letter of Offer is set out below:

Litigation involving our Subsidiaries

Type of proceedings	Number of cases	Amount (in ₹ crore)
Criminal cases	43*	Not quantifiable
Proceedings involving material violations of statutory regulations	7	57.53
Litigation involving an amount above the Materiality Threshold	49	6,901.06**
Other material litigation	1	Not quantifiable
Total	**100**	**6,958.59**

* *In addition to these, there are certain proceedings that have been initiated by our Subsidiaries, namely, L&T Finance Limited, L&T Housing Finance Limited and L&T Infrastructure Finance Company Limited, in relation to, inter alia dishonour of cheques under Section 138 of the Negotiable Instruments Act, 1881, dishonour of electronic funds transfer under Section 25 of the Payment and Settlement Systems Act, 2007, and criminal complaints in relation to cheating and dishonestly inducing delivery of property, against certain customers of such Subsidiaries in respect of recovery of loans financed by such Subsidiaries. For details, see "Outstanding Litigation and Defaults – Litigation by our Subsidiaries – Criminal" on pages 293-294.*

** *Maximum possible amount.*

For further details, see "*Outstanding Litigation and Defaults*" beginning on page 291.

Risk Factors

For details, see "*Risk Factors*" beginning on page 17.

Contingent liabilities

For details regarding our contingent liabilities as per Ind AS 37 for Financial Year 2020, see "*Financial Statements*" beginning on page 170.

Related party transactions

For details regarding our related party transactions as per Ind AS 24 entered into by our Company for Financial Year ended March 31, 2020, see "*Financial Statements*" beginning on page 170.

SECTION II: RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this Letter of Offer, including in "Our Business", "Industry Overview", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Selected Statistical Information" and "Financial Statements" before making an investment in our Equity Shares.

The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business, financial condition, results of operations and cash flows. If any or some combination of the following risks, or other risks that are not currently known or believed to be adverse, actually occur, our business, financial condition and results of operations could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline and you may lose all or part of your investment. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of increasing many of the other risks described in this section, such as those relating to non-payment or default by borrowers. In making an investment decision with respect to this Issue, you must rely on your own examination of our Company and the terms of this Issue, including the merits and risks involved. You should consult your tax, financial and legal advisors about the consequences to you of an investment in our Equity Shares.

This Letter of Offer also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Letter of Offer.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implications of any of the risks described in this section. Unless the context otherwise requires, in this section, reference to "we", "us" "our" refers to our Company together with our Subsidiaries, on a consolidated basis. For updates in relation to financial and operational performance as of and for the period ended December 31, 2020, see "Recent Developments" beginning on page 54.

INTERNAL RISKS

1. *The impact of the COVID-19 pandemic on our business and operations is uncertain and cannot be predicted.*

The World Health Organization declared the 2019 novel coronavirus ("**COVID-19**") outbreak a public health emergency of international concern on January 30, 2020, and a pandemic on March 11, 2020. Governments and municipalities around the world instituted measures to control the spread of COVID-19, including quarantines, shelter-in-place orders, closure of schools, travel restrictions, and closure of non-essential businesses. The COVID-19 pandemic has caused an economic downturn on a global scale, including closure of many businesses and reduced consumer spending, as well as significant market disruption and volatility. A number of governments and organizations have revised GDP growth forecasts for calendar year 2020 downward in response to the economic slowdown caused by the spread of COVID-19.

The Government of India initially announced a 21-day country-wide lockdown starting on March 25, 2020, which was further extended in several phases with certain modifications and relaxations, till date, and there can be no assurance that such lockdowns will not be extended further on one or more occasions.

Financial markets were volatile during the Financial Year 2020 due to domestic economic slowdown, concerns on fiscal slippage and geopolitical tensions. Weaknesses in overall economic activity also put pressure on business growth of lenders including NBFCs. The spread of COVID-19 in March 2020, further increased the uncertainties for the financial services sector. While various parts of the world, including India, have commenced calibrated easing of lockdown measures, the effects of the eventual outcome remain uncertain and contingent on the future path of the pandemic and the effectiveness of the measures to counter it.

In addition, the RBI has issued guidelines on March 27, 2020 and April 17, 2020 in an effort to contain the impact of the COVID-19 pandemic. Under these guidelines, all loans were eligible for moratoriums on instalments due during a period of three months, i.e. from March 1, 2020 to May 31, 2020. This was subsequently extended by another period of three months, i.e. until August 31, 2020. Accordingly, banks and other financial institutions were permitted to provide a moratorium of three months to be extended for another three months for all term loan instalments which were due for payment. In line with these guidelines, we provided a moratorium to eligible borrowers, even if overdue, as on February 29, 2020, on the payment of all principal amounts and/ or interest, as applicable, falling due between March 1, 2020 to August 31, 2020, resulting in a decline in our collections during such period. Additionally, the matter of declaring accounts as NPAs if such accounts were not declared as NPAs till August 31, 2020, has been kept on hold by the Supreme Court of India vide orders dated September 3, 2020. However, provision for such borrowers of our Company have been made considering them as net NPA (net stage 3 assets) in accordance with our Company's expected credit loss policy.

The impact of the pandemic on our business, operations and future financial performance include, but are not limited to:

- ***Operations and business continuity**:* Pursuant to the lockdown, we temporarily closed all our branch offices and halted our field operations. With the easing of the lockdown, we have gradually resumed branch level business operations with all our branches presently operational, following hygiene checks and sanitization. However, a surge in the number of COVID-19 cases in the future could result in a complete or partial closure of, or other operational issues at our offices resulting from government action.

- ***Collections**:* The lockdown resulted in an inability to physically collect from the retail customers on-field due to several restricted activities. Further, our collections were affected owing to the restrictions on gathering of more than certain number of people specifically in relation to micro loans where collections are undertaken through a meeting. Since the gradual relaxations in the lockdown, we have recommenced our collection efforts and increased our workforce dedicated to collection efforts. However, such efforts could be adversely affected in case there is a surge in COVID-19 cases.

- ***Net interest income and Fee income**:* With the slowdown in disbursement and maintenance of additional liquidity, there was a substantial drop in fee income and net interest income in the first quarter of Financial Year 2021. The fees earned by way of processing fees, cross-selling could be further impacted due to slower economic activity on account of the pandemic.

- ***Non-payment or defaults by customers**:* Due to economic slowdown caused by the COVID-19, there could be delays and defaults associated with repayment of advance from customers which may adversely affect our cash flows. Additionally, the lockdown also resulted in a slowdown of initiation of insolvency proceedings by us against defaulted customers which affected our recovery from such customers.

- ***Security**:* There was an increased vulnerability to cyber-security threats and potential breaches, including phishing attacks, malware, and impersonation tactics, resulting from the increase in numbers of individuals working from home.

- ***Productivity**:* Inherent productivity, connectivity, and oversight challenges due to an increase in number of individuals working from home may affect our business and results of operations.

The impact of the COVID-19 pandemic on our business will depend on a range of factors which we are not able to accurately predict, including the duration, severity and scope of the pandemic, the geographies impacted, the impact of the pandemic on economic activity in India, and the nature and severity of measures adopted by governments. Other factors include, but are not limited to: (i) significant volatility in financial markets and measures adopted by governments and central banks that further restrict liquidity, which may limit our access to funds, leading to shortages of cash or increase the cost of raising such funds; (ii) our stress testing, changes in loan disbursement, and other measures to address the effects of the COVID-19 pandemic may fail; (iii) in the event a member or members of our management team contracts COVID-19, it may potentially affect our business operations; and (iv) our branch level and other operations may be disrupted by social distancing, split-team, work from home and quarantine measures.

Further, the auditor's report to the Unaudited Consolidated September Financial Results, Audited Consolidated Financial Statements include a matter of emphasis referring to note 9 and note 54, respectively, in the financial statements which state the impact of COVID-19 on the operations of our Company indicating that, we have considered internal and external sources of information, including credit reports, economic forecasts and industry reports up to the date of approval of the consolidated financial statements in assessing the recoverability of loans, receivables, intangible assets (including goodwill) and investments. For details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Auditor's Observations*" on page 288.

As these are unforeseen circumstances, it may give rise to risks that we may not have anticipated. Adverse consequences of, and conditions resulting from, the COVID-19 may remain prevalent for a significant period of time and may continue to adversely affect our business, results of operations and financial condition even after the COVID-19 outbreak has subsided. While the rural demand is expected to strengthen further, RBI estimates real GDP growth in Financial Year 2021 to remain in negative territory (*Source:* RBI Governor Statement dated December 4, 2020). Further, if the outbreak of any of these epidemics or other severe epidemics, continues for an extended period, occur again and/or increases in severity, it could have an adverse effect on economic activity worldwide, and could materially and adversely affect our business, cash flows, financial condition and results of operations. Similarly, any other future public health epidemics or outbreak of avian or swine influenza or other contagious disease in India could also materially and adversely affect our business, cash flows, results of operations and financial condition.

2. ***Any disruption in our sources of funding or increase in costs of funding could adversely affect our liquidity and financial condition.***

The liquidity and profitability of our business majorly depend on our timely access to, and the costs associated with, raising funds. Our funding requirements historically have been met from various sources, including non-convertible debentures, commercial papers and preference shares and we have entered into various financing arrangements with banks, financial institutions and other entities. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources*". Our business thus depends and will continue to depend on our ability to access a variety of funding sources. Further, our ability to compete effectively will depend, in part, on our ability to maintain or increase our margins. Our margins are affected in part by our ability to continue to secure low-cost funding at rates lower than the interest rates at which we lend to our customers. Our ability to raise funds on acceptable terms and at competitive rates depends on various factors including our current and future results of operations and financial condition, global and local macroeconomic conditions and the effect of events such as the COVID-19 pandemic, our risk management policies, the shareholding of our Promoter in our Company, our credit ratings, our brand equity, the regulatory environment and policy initiatives in India and developments in the international markets affecting the Indian economy. If we are unable to access funds at an effective cost that is comparable to or lower than that of our competitors, our net interest margins, income, and market share may be adversely affected.

Certain regulatory developments including the restrictions imposed on NBFCs by the RBI through a Master Circular – Bank Finance to Non- Banking Financial Companies dated July 1, 2015 (the "**Master Circular**") may restrict our ability to obtain bank financing for specific activities. Pursuant to the Master Circular, the RBI has imposed certain restrictions on banks providing financing to NBFCs. Under this Master Circular, certain activities by NBFCs are ineligible for financing by banks, including certain types of discounting and rediscounting of bills, current and long term investments in shares, debentures, loans and advances by NBFCs to their subsidiaries and group companies, lending by NBFCs to individuals for subscribing to public offerings and purchasing shares from the secondary market, unsecured loans, inter-corporate deposits provided by NBFCs, and subscription to shares or debentures by NBFCs. In addition, the Master Circular prohibits:

- banks from granting bridge loans of any nature, provide interim finance against capital or debenture issues or in the form of loans of a temporary nature pending the raising of long term funds from the market by way of capital, deposits, or other means to any category of NBFCs;
- banks from accepting shares and debentures as collateral for secured loans granted to NBFCs; and
- banks from executing guarantees covering inter-company deposits or loans that guarantee refund of deposits or loans accepted by NBFCs. The Master Circular also requires that guarantees not be issued by banks for the purpose of indirectly enabling the placement of deposits with NBFCs.

Changes in economic, regulatory and financial conditions or any lack of liquidity in the market could adversely affect our ability to access funds at competitive rates, or at all, which could adversely affect our liquidity and financial condition.

3. ***We operate in a highly competitive industry and our inability to compete effectively may adversely affect our business.***

We operate in a highly competitive industry. Given the diversity of our businesses, and the products and services offered by us, we face competition from the full spectrum of public sector banks, private sector banks (including foreign banks), financial institutions, captive finance affiliates of players in various industries, small finance banks and other NBFCs who are active in infrastructure, retail and corporate finance. Many of our competitors may have greater resources than we do, may be larger in terms of business volume and may have significantly lower cost of funds compared to us. They may also have greater geographical reach, long-standing partnerships and may offer their customers other forms of financing that we may not be able to provide. Competition in our industry depends on, amongst others, the ongoing evolution of government and regulatory policies, the entry of new participants and the extent to which there is consolidation among banks and financial institutions in India.

In relation to the asset management, advisory and syndication services we offer, we also face competition from banks, asset management companies and consulting organizations. Potentially, other banks and NBFCs could compete with us for business as well as procurement of funds at competitive rates. Further, in relation to our farm equipment and two-wheeler finance businesses, we rely on tie-ups with equipment manufacturers. We rely on these relationships to procure customers and effectively sell our services. In the event such equipment manufacturers set up their own in-house financiers or expand their in-house financing capabilities, they may terminate or reduce the extent of their relationship with us, and such in-house financiers may compete with us in providing loans under these businesses. We cannot assure you that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in our increasingly competitive industry and our inability to compete effectively may adversely affect our business.

4. ***We are affected by volatility in interest rates for both our lending and treasury operations, which could cause our net interest income to decline and adversely affect our results of operations and profitability.***

A significant component of our revenue is the interest on term loans and other financing activity (net of reversal) we receive from the loans we disburse, which comprised ₹ 6,576.80 crore or 95.23% of our total income of ₹ 6,906.44 crore for the six months ended September 30, 2020 and ₹ 13,244.74 crore or 91.04% of our total income of ₹ 14,548.13 crore for the Financial Year 2020.

Our net interest margins are affected by any volatility in interest rates in our lending operations. Interest rates are highly sensitive to many factors beyond our control, including competition from other banks and NBFCs, the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors, which have historically generated a relatively high degree of volatility in interest rates in India. Persistently high inflation in India may discourage the Government from implementing policies that would cause interest rates to decrease. Moreover, if there is an increase in the interest rates we pay on our borrowings that we are unable to pass to our customers, we may find it difficult to compete with our competitors, who may have access to funds at a lower cost or lower cost deposits. To the extent our borrowings are linked to market interest rates, we may have to pay interest at a higher rate than lenders that borrow only at fixed interest rates. Further, our ability to pass on any increase in interest rates to borrowers may also be constrained by regulations implemented by the Government or the RBI. In a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, it could lead to a reduction in our net interest income and net interest margin.

Fluctuations in interest rates may also adversely affect our treasury operations. In a rising interest rate environment, particularly if the rise is sudden or sharp, we could be adversely affected by the decline in the market value of our securities portfolio and other fixed income securities. In addition, the value of any interest rate hedging instruments we may enter into in the future would be affected by changes in interest rates, which could adversely affect our ability to hedge against interest rate volatility. There can be no assurance that we will continue to enter into such interest rate hedging instruments or that we will be able to enter into the correct amount of such instruments to adequately hedge against interest rate volatility in the future. Our inability to effectively and efficiently manage interest rate variations and our failure to pass on increased interest rates on our borrowings may cause our net interest income to decline, which would decrease our return on assets and could adversely affect our business, future financial performance and result of operations.

5. ***The risk of non-payment or default by borrowers may adversely affect our financial condition and results of operations.***

As of September 30, 2020, our Adjusted total loans and advances outstanding were ₹ 98,822.84 crore. The table below sets out a breakdown of our Adjusted total loans and advances and NPAs (stage 3 assets) by business:

	Adjusted Total Loans and Advances	Gross NPAs (gross stage 3 assets)*		Net NPAs (net stage 3 assets)	
	₹ crore	₹ crore	% of total loans	₹ crore	% of total loans
Rural Finance business	28,370.83	892.84	3.21	66.68	0.25
Housing Finance business	27,241.28	312.90	1.16	205.99	0.77
Infrastructure Finance business	38,560.13	2,552.12	6.90	923.71	2.61
Defocused Business	4,650.59	1,162.87	37.92	334.03	14.93
Adjusted total loans and advances	98,822.84	4,920.73	5.19	1,530.41	1.67

* *Based on principal outstanding*

Our Infrastructure Finance business primarily provides debt and financial advisory and syndication services related to infrastructure projects in India. Infrastructure projects are characterized by project-specific risks as well as general risks. These risks are generally beyond our control, and include:

- political, regulatory, and legal actions that may adversely affect project viability;
- interruptions or disruption in domestic or international financial markets, whether for equity or debt funds;
- changes in law and government and regulatory policies;
- time and cost overruns in the construction and operation of infrastructure projects;

- adverse changes in market demand or prices for the products or services that the project, when completed, is expected to provide;
- the unwillingness or inability of consumers to pay for infrastructure services;
- the inability of infrastructure developers to pass on additional costs to government infrastructure utilities under contractual arrangements with them;
- shortages of, or adverse price developments in respect of raw materials and key project inputs such as oil and natural gas;
- potential defaults under financing arrangements with lenders and investors;
- failure of third parties to perform on their contractual obligations;
- adverse developments in the overall economic environment in India;
- interest rate or currency exchange rate fluctuations or changes in tax regulations; and
- economic, political, and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve.

Further, we provide construction finance loans through our Housing Finance business and construction finance loans may be exposed to risks related to time and cost overruns and related increases. Factors such as third party performance risks, delays in obtaining the requisite approvals, environmental risks, changes in market conditions, changes in government or regulatory policies, delay or non-receipt of permits, licenses or certifications from the relevant authorities as well as shortages of, or material increases in prices of, construction materials, equipment, technical skills and labor, or other unforeseeable problems and circumstances may lead to delays in, or prevent the completion of, real estate development projects and result in costs substantially exceeding those originally budgeted, which may affect real estate developers' ability to repay their loans.

In addition, the Real Estate (Regulation and Development) Act, 2016 (the "**Real Estate Act**") sets forth a reporting, compliance regime governing real estate projects, including mandating developers to disclose details of registered projects including with respect to the land status, approvals and other such details, and requiring developers to pay interest in case of delays in project completion. Due to slowing down of the economy, developers may be unable to make payments in a timely manner owing to reduced number of sales. Further, the Real Estate Act also makes it mandatory for real estate developers to put 70% of the amount collected from buyers for a real estate project into a separate bank account, which amount may only be used for land costs and costs for construction of such real estate projects and sets forth a separate resolution mechanism for real estate disputes. Under the Real Estate Act, in case of non-compliance of such provisions, a penalty may be levied on the developers which may extend up to estimated cost of the real estate project.

For our Rural Finance business, our NPAs (stage 3 assets) are impacted by the difficulty to carry out precise credit risk analysis on borrowers as they typically do not have formal credit histories supported by tax returns and other documents that would enable us to assess their creditworthiness. In addition, we may not receive updated information regarding any change in the financial condition of these borrowers or may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation by these borrowers or our employees. Borrowers in our Rural Finance business are also typically less sophisticated and may be particularly susceptible to adverse economic conditions, adverse environmental factors such as weak monsoons or flooding and other natural calamities.

Our borrowers may also default on their obligations to us as a result of their bankruptcy, competition within their respective sectors, lack of liquidity, time and cost overrun, operational failure, breach of contract, government or other regulatory intervention and other reasons such as their inability to adapt to changes in the macro business environment. As of September 30, 2020, our total loans outstanding were ₹ 98,822.84 crore and we expect that the size of our loan assets will grow as a result of our expansion strategy in existing as well as new products, which may expose us to an increase in NPAs (stage 3 assets) and an increased risk of defaults. Non-payment or default by borrowers in the future may adversely affect our financial condition and results of operations.

6. ***Any adverse developments in the industries in which we operate, may adversely affect our business and results of operations.***

We operate under four principal business: Rural Finance, Housing Finance and Infrastructure Finance under our lending business, and Investment Management business under our non-lending business. Any adverse developments in the industries we operate in, may adversely affect our business and results of operations. Our asset portfolios include, and will likely continue to include, a high concentration of the foregoing business lines and the success of our lending business is thus dependent on, amongst others:

- the demand for two-wheelers, farm equipment, micro loans and consumer loans in India, including the factors affecting such demand (e.g. changes in Indian regulations and policies affecting utility vehicles, tractors and commercial vehicles, demand for transportation services in India, fuel price and consumer access to financing in the rural market);
- the demand for housing in India and developments in the real estate sector in India, including movement in real estate prices and changes in the legal and regulatory framework governing real estate transactions;
- the demand for infrastructure projects/ renewable projects in India;
- the demand for mutual fund debt products and the investor confidence in debt markets;
- any adverse developments in the microfinance industry, such as the microfinance crisis of 2010 in India;
- monsoons, failed rains, droughts, natural disasters and calamities;
- political events such as loan waivers, subsidies and other schemes announced by central and state governments; and
- other macroeconomic conditions in India and globally.

7. ***We have significant exposure to certain sectors. Any negative trends in these sectors may affect the ability of our borrowers to perform their obligations under their existing financing agreements with us and increase the level of NPAs (stage 3 assets) in our portfolio, adversely affecting our business, financial performance and results of operations.***

As at September 30, 2020, with 22%, 16%, 10%, 9%, 7% and 2% of our Adjusted total loans and advances comprising loans towards renewable energy projects, construction finance, transportation projects, farm equipment, two-wheelers and power transmission projects, respectively, we have significant exposure in renewable energy, roads, transportation projects, power transmission, housing, construction and rural sectors in India and may continue to have significant concentration of loans in these sectors. Any significant negative trends in these sectors may affect the business of our borrowers, which in turn may affect their ability to perform their obligations under their existing financing agreements with us. Consequently, this may increase the level of NPAs (stage 3 assets) in our portfolio and may adversely affect our business, financial performance and results of operations.

8. ***We have significant exposure to certain borrowers. Any negative developments impacting the ability of such borrowers to perform their obligations under their existing financing agreements with us and increase in the level of NPAs/ stage 3 assets in our portfolio, may adversely affect our business, financial performance and results of operations.***

Our top 20 borrowers (including affiliates of such borrowers) in terms of Adjusted loans and advances represented 15.82% and 16.02% of our Adjusted total loans and advances as of September 30, 2020 and March 31, 2020, respectively. We may continue to have significant concentration of loans to such borrowers or other large corporate groups in India. Any negative developments impacting the ability of such borrowers to perform their obligations under their financing agreements with us, including any defaults on their obligations as a result of their bankruptcy, competition within their respective sectors, lack of liquidity, operational failure, government or other regulatory intervention, among others, may increase the level of NPAs (stage 3 assets) in our portfolio and may adversely affect our business, financial performance and results of operations.

9. ***We may not be able to maintain our current levels of profitability due to increased operating costs or reduced spreads between the interest rates at which we borrow and lend.***

Our business involves a high level of ongoing interaction with our customers. We believe that this involvement is an important part of developing our relationship with our customers, identifying new cross-selling opportunities, and monitoring our performance. However, this level of involvement also entails higher levels of operating costs including substantial increase in relation to the field incentives and also requires a relatively higher gross spread, or margin, on the finance products we offer in order to maintain profitability. There can be no assurance that we will be able to maintain our current levels of profitability if the gross spreads on our finance products were to reduce substantially, which could adversely affect our results of operations.

10. ***Our Company is a holding company and all our business operations are conducted through our Subsidiaries and the performance of our Subsidiaries may adversely affect our results of operations.***

We are a holding company and all our business operations are conducted through our Subsidiaries, primarily L&T Finance Limited, L&T Infrastructure Finance Company Limited, L&T Housing Finance Limited, L&T Infra Debt Fund Limited and L&T Investment Management Limited. The financial condition and results of operations of our Company are thus dependent upon the performance of our Subsidiaries and their operations. For example, the investment of our Company in one of our erstwhile subsidiaries, L&T Capital Markets Limited, which contributed 0.45% of consolidated net assets as of March 31, 2020 and carried on the domestic wealth management business was sold. Further, one of our erstwhile subsidiaries, L&T Capital Markets (Middle East) Limited which contributed 0.07% of consolidated net assets as of March 31, 2020 and carried on the off-shore wealth management business, was voluntarily wound up. Pursuant to such disinvestment, we have ceased operations in the wealth management.

In addition to the above, the financial condition and results of operations of our Company is also dependent on the dividends our Company received from our Subsidiaries. Our financial condition and results of operations could be adversely affected should our equity stake in our Subsidiaries be diluted or in the event they cease to be our Subsidiaries. The ability of our Subsidiaries to make dividend payments is subject to applicable laws and regulations in India relating to payment of dividends. In addition, loans obtained by these Subsidiaries may contain restrictions on the payment of dividends, including, among others, financial covenants being met and certain debt service accounts being adequately funded prior to the declaration or payment of dividends by these Subsidiaries. Further, in the event of a bankruptcy, liquidation or reorganisation of a Subsidiary, our Company's claim in the assets of such Subsidiary as a shareholder remains subordinated to the claims of lenders and other creditors of such Subsidiary.

11. ***We are subject to laws and regulations governing the banking and financial services industry in India and changes in laws and regulations governing us could adversely affect our business, results of operations and prospects.***

As an NBFC, we are subject to regulations and policies framed by Government authorities, including the RBI. For example, we are subject to the RBI's guidelines on financial regulation of NBFCs, including capital adequacy, exposure and other master directions. The RBI also regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. Additionally, we are required to make various filings with the RBI, the RoC and other relevant authorities pursuant to the provisions of RBI regulations, the Companies Act and other regulations. If we fail to comply with these requirements, or a regulator claims we have not complied with these requirements, we may be subject to penalties and legal proceedings. Further, any change in the regulations including the imposition of an interest-rate ceiling by the governmental authorities, may adversely affect our operating results and financial position.

Certain of our Subsidiaries are similarly subject to regulation by the Government or other regulatory/statutory authorities. For example, our subsidiary, L&T Housing Finance Limited, is regulated principally by RBI (with effect from August 9, 2019) and is subject to various laws relating to housing finance companies including the Housing Finance Companies (NHB) Directions, 2010 and various NHB/RBI directions. Further, on October 22, 2020, RBI has issued review of regulatory framework for HFCs. It has been clarified that the corresponding provisions of section 29 B and 29 C of the National Housing Bank Act, 1987 will, however, be applicable to HFCs. Similarly, our Subsidiary, L&T Investment Management Limited, is impacted by regulations and circulars issued by SEBI from time to time. In addition to the above, any development in the regulations concerning securitization and assignment transactions with respect to receivables of our loan assets could adversely affect the viability of funding from such transactions.

The IBC offers a uniform and comprehensive insolvency legislation encompassing all companies, partnerships and individuals (other than financial firms). It allows creditors to assess the viability of a debtor as a business decision and agree upon a plan for its revival or a speedy liquidation. In case a liquidation process is opted for, the IBC provides for a fixed order of priority in which proceeds from the sale of the debtor's assets are to be distributed. Before sale proceeds are distributed to a secured creditor, they are to be distributed for the costs of the insolvency resolution and liquidation processes, debts owed to workmen and other employees, and debts owed to unsecured credits. Further, under this process, dues owed to the Central and State Governments rank at par with those owed to secured creditors. Moreover, other secured creditors may decide to opt out of the process, in which case they are permitted to realize their security interests in priority. Accordingly, if the provisions of the IBC are invoked against any of the borrowers, it may affect ability to recover our loans from the borrowers and enforcement of our rights will be subject to the IBC.

In light of the COVID-19, the Government of India, as part of reforms package has passed an ordinance to the effect of suspending the initiation of fresh insolvency proceedings for a period of six months, extendable up to one year. Further, the Government vide notification dated March 24, 2020 ("**Notification**") has amended section 4 of the IBC due the lingering impact of the COVID-19 pandemic. Pursuant to the said Notification, Government has increased the minimum amount of default under the insolvency matters from ₹ 1,00,000 to ₹ 1,00,00,000.

Similarly, the impact of any change in law shall have to be estimated by our Company, for example, the potential impact of the Code on Social Security, 2020 which has received the assent of the President of India on September 28, 2020 and is yet to be notified by the Central Government, which seeks to subsume various existing labour laws in India shall need to be estimated. Compliance with many of the regulations applicable to our operations in India, including any restrictions on investments and other activities currently being carried out by us, involves a number of risks, particularly in markets where applicable regulations may be subject to varying interpretations. If the interpretation of the regulators and authorities varies from our interpretation, we may be subject to penalties and our business could be adversely affected. Further, the legal, regulatory and policy environment in which we operate is evolving and subject to change. The laws, regulations, and policies applicable to us may be amended, supplemented or changed at any time such that we may be required to restructure our activities and incur additional expenses to comply with applicable laws and regulations. Such changes may also adversely affect our business, results of operations and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law, regulations, and policies.

12. ***We are subject to supervision by regulatory authorities and non-compliance with observations made by regulatory authorities during their periodic inspections could expose us to penalties and restrictions.***

As an NBFC, we are subject to periodic inspection by the RBI under Section 45N of the RBI Act, pursuant to which the RBI inspects our books of accounts and other records for the purpose of verifying the correctness or completeness of any statement, information or particulars furnished to the RBI. Certain of our Subsidiaries are similarly subject to periodic inspection by the relevant Government authorities governing them. For example, in relation to our Subsidiary, L&T Housing Finance Limited, certain powers have been retained with the NHB, in addition to conferring such powers on the RBI, such as power to conduct inspections and request for documents from the HFCs. Any irregularities found during such investigations by such regulatory authorities could similarly, expose us to warnings, penalties and restrictions.

During finalization of inspection, regulatory authorities share their findings and recommendations with us and give us an opportunity to provide justification and clarifications. Further, such regulatory authorities also seek certain clarifications and share their findings in the ordinary course of business. We have responded to observations made by such authorities and addressed them, however we cannot assure you that these authorities will not find any deficiencies in future inspections or otherwise/ the authorities will not make similar or other observations in the future. In the event we are unable to resolve such deficiencies to the satisfaction of the relevant authority, we may be restricted in our ability to conduct our business as we currently do. While we seek to comply with all regulatory provisions applicable to us, in the event we are unable to comply with the observations made by the authorities, we could be subject to penalties and restrictions which may have an adverse effect on our business, results of operations, financial condition and reputation.

13. ***Certain of the loans provided by us are unsecured and are susceptible to certain operational and credit risks which may result in increased levels of NPAs/ stage 3 assets and may adversely affect our business, prospects, results of operations and financial condition.***

Some of the loans provided by us are unsecured loans. We may not be able to recover these loans through our standard recovery proceedings. Unsecured loans present a higher risk of loss in case of a credit default as compared to loans to customers in other asset-backed financing products. In addition, there can be no assurance that our monitoring and risk management procedures will succeed in effectively predicting the right income levels of these customers or that our loan loss reserves will be sufficient to cover any actual losses. If there is a default by customers on repayment of such unsecured loans or if we are unable to recover our principal and interest through such legal proceedings, we may experience increased levels of NPAs (stage 3 assets) and we may be required to make related provisions and write-offs that may have an adverse effect on our business prospects, financial condition and results of operations.

14. ***We may be exposed to potential losses due to a decline in value of assets secured in our favour, and due to delays in the enforcement of such security upon default by our borrowers.***

Our total loan portfolio (excluding inter-corporate deposits), is secured by a mix of both movable and immovable assets or other forms of collateral, depending on the nature of the transaction. The value of certain types of assets may decline due to inherent operational risks, the nature of the asset secured in our favour and adverse market and economic conditions, both on global and domestic levels.

For example, in relation to our Infrastructure Finance business, our collateral is typically the assets and cash-flows from infrastructure projects such as renewable energy generation projects, power distribution projects and operational road projects. Any decrease in the value of such projects, including due to deterioration in the quality of such projects, inadequate development or maintenance or as a result of decreased demand, may result in diminishing the value of our collaterals.

In the event of default by our customers, we cannot assure you that we will be able to sell our collateral including machinery, stock, two-wheelers or agricultural equipment or properties provided as security, due to among other things, unforeseen delays in our ability to take immediate action, winding up and foreclosure proceedings, defects in title, defects in perfection of the collateral or documentation relevant to the assets, stock market downturns, fraudulent transfers by our customers, difficulty in locating movable assets and the necessity of obtaining regulatory approvals and/or court orders for the enforcement of our collateral over those assets.

In addition, as the underlying security on our housing loans is primarily mortgages or other form of security over the other real property of the borrower, a substantial portion of our loan portfolio is exposed to fluctuations in real estate prices and any negative events affecting the real estate sector. The value of real estate properties secured under our loans is largely dependent on prevalent real estate market conditions, as well the quality of the construction and the pedigree of the relevant developer. The value of the collateral on the loans disbursed by us may decline due to adverse market conditions including an economic downturn or a downward movement in real estate prices. Any developments or events that adversely affect the real estate sector, including without limitation, changes in government policies, introduction of any stringent norms regarding construction, floor space index or other compliances, may also result in diminishing the value of our collaterals. If any of the projects which form part of our collateral are delayed for any reason, it may affect our ability to enforce our security, thereby effectively diminishing the value of such security.

Similarly, for the asset-backed loans of our Rural Finance business, the equipment and vehicles purchased by our customers are hypothecated in our favor as security for the loans provided by us. The value of the equipment or vehicles, however, is subject to depreciation, deterioration, or a reduction in value on account of a number of external factors (such as wear and tear), over the course of time. Consequently, the realizable value of the collateral for the loan provided by us, when liquidated, may be lower than the outstanding loan from such customers. Any default in repayment of the outstanding credit obligations by our customers may expose us to losses. Further, in the case of a default, we typically repossess the asset financed and sell such vehicles through auctions. The hypothecated vehicles, being movable property, may be difficult to locate or seize in the event of any default by our customers.

Further, certain ownership documents of the immovable properties that are mortgaged to us may not be duly registered or adequately stamped. Failure to adequately stamp and register a document renders the document inadmissible in evidence. Consequently, should any default arise in relation to the corresponding loans, we may be unable to, or may incur additional expenses to, enforce our rights in relation to such mortgaged properties. Further, if any of our borrowers take recourse of arbitration or litigation against our repayment claims or if a specialized regulatory agency gains jurisdiction over any of our borrowers, it may cause a further delay in our recovery process leading to depreciation of the secured asset. A failure or delay in recovering the expected value from sale of collateral security could expose us to a potential loss. Any such losses could adversely affect our business prospects, financial condition and results of operations. As a result, if our customers default, we may receive less money from liquidating collateral than is owed under the relevant financing facility, and, in turn, incur losses, even where we successfully repossess and liquidate the collateral, thereby adversely affecting our business, future financial performance and results of operations.

15. ***Micro loans pose unique risks not generally associated with other forms of lending in India, and, as a result, we may experience increased levels of non-performing loans and related provisions and write-offs that could have an adverse effect on our business, future financial performance and results of operations.***

Our micro loans customers typically belong to economically weaker segments of society in India, who have limited sources of income, savings and credit records, and who typically cannot provide us with any collateral or security for their borrowings. As a result, our micro loans customers present a higher credit risk of default than the customers of the other segments of our business (who may have greater financial resources and an established credit history) and other borrowers living in urban areas with better access to education, employment opportunities, and social services.

In addition, we rely on non-traditional guarantee mechanisms in connection with our loan products, which are generally secured by informal individual and joint liability group guarantees, rather than tangible assets. There can however be no assurance that such joint liability arrangements will ensure repayment by the other members of the joint liability group in the event of default by any one of them. Such joint liability arrangements are likely to fail if there is no meaningful personal relationship or bond among members of such group, if inadequate risk management procedures have been employed to verify the group members and their ability to repay such loans, or as a result of adverse external factors such as natural calamities or forced migration. Further, while we have our own customized due diligence and credit analysis procedures, there can be no assurance that we will be able to ensure a lower delinquency rate. As a result, our customers potentially present a higher risk of loss in case of a credit default compared to that of borrowers in other asset-backed financing products. In addition, repayment of micro loans are susceptible to various political and social risks, including any adverse publicity relating to the micro loans sector, public criticism of the micro loans sector, the introduction of a stringent regulatory regime, or religious beliefs relating to loans and interest payments. As a result, our micro loans pose a higher degree of risk than loans secured with physical collateral.

Further, due to COVID 19, there has been a reduction of livelihood activities and income of the micro loan customers which has resulted in reduction in collection efficiency in this portfolio. As at September 30, 2020, Adjusted loans and advances for our micro loans segment were ₹ 12,261.79 crore, which accounted for 12% of our total Adjusted loans and advances. As at March 31, 2020, the gross NPAs (gross stage 3 assets) (at 90 days past due) for our micro loans segment was ₹ 341.73 crore. The gross NPAs (gross stage 3 assets) as a percentage of the total Adjusted loans and advances for our micro loans segment were 2.66% and 2.79% as at September 30, 2020 and March 31, 2020, respectively, while the net NPAs (net stage 3 assets) as a percentage of net Adjusted loans and advances were 0.00% and 0.00% as at September 30, 2020 and March 31, 2020, respectively. Due to the underlying financial and social circumstances of our micro loans customers and our non-traditional lending practices we may, in the future, experience increased levels of non-performing loans and related provisions and write-offs that could have an adverse effect on our business, future financial performance and results of operations.

16. ***The value and composition of AUM of schemes managed by us may decline, adversely affecting our results of operation under our investment management business.***

Our revenue from management fees accrued in relation to our asset management business for the six months ended September 30, 2020 and the Financial Year ended March 31, 2020 was ₹ 144.03 crore and ₹ 353.20 crore, respectively, representing 58.60% and 57.75% of our total revenue from our non-lending business, respectively. Management fees are usually calculated and charged to clients as a percentage of the AUM of the schemes managed by us. Any decrease in such AUM will cause a decline in management fees and consequently, a decline in revenue. The AUM may decline or fluctuate for various reasons, many of which are outside our control. Factors that could cause the AUM of schemes managed by us or the management fees we can charge for our services to decline, include:

- *The performance of the Indian economy:* Any slowdown or reversal in the growth of the Indian economy could result in a reduction in wealth in the Indian economy that can be diverted to savings and investment, a reduced interest in investment in the securities market and reduced foreign investment. Any such reductions could result in a reduction in AUM of the schemes managed by us or the management fees we can charge for our services.

- *Declines in the Indian equity markets*: Several schemes managed by us include significant equity investments and as such they make up a significant portion of AUM. Such equity investments are concentrated in Indian equity markets. Declines in Indian equity markets would cause AUM managed by us to decline directly as the value of the securities in which we have advised investments declines, and indirectly as securities investment becomes less attractive for investors resulting in net AUM outflows or redemptions. The equity markets in India have been and may continue to be volatile and any such volatility will contribute to fluctuations in future AUM managed by us.

- *Changes in interest rates and defaults*: Many of the schemes managed by us invest in fixed income securities of various issuers, including short-term money market instruments. The value of fixed income securities may decline as a result of changes in interest rates, an issuer's actual or perceived creditworthiness or an issuer's ability to meet its obligations. Such declines would also result in a decline in AUM.

- *Withdrawals or fund exits*: In response to market conditions, inconsistent or poor investment performance, the pursuit of other investment opportunities (including similar opportunities provided by competitors) or other factors, investors may reduce their investments in mutual funds or the market segments in which related investments are concentrated. Such reductions may lead to a decrease in AUM. In a declining market, withdrawals or redemptions may accelerate rapidly, potentially more quickly than we can sell assets to meet such redemptions, which would require us to temporarily suspend redemptions or borrow money to meet redemption requirements, causing significant damage to our reputation and brand. Some mutual fund schemes do not have an exit load, meaning investors can redeem/withdraw/exit these funds at any time without any additional exit charges. Investors may choose not to reinvest with us and seek alternative forms of savings. Further, we may be subject to claims from customers or regulators for alleged misrepresentations in the sale of mutual fund products.

In addition, our Investment Management business is impacted by several regulations issued by SEBI and other regulatory agencies. For example, the SEBI by circulars dated October 6, 2017, December 4, 2017 and September 11, 2020, has sought to categorize and rationalize mutual fund schemes offered by all mutual funds in terms of asset allocation and investment strategy, among other criteria, and permitted only one scheme per mutual fund, in each such category. Accordingly, we have categorized and rationalized certain of our schemes to comply with the SEBI circulars. Further, pursuant to the circular by SEBI dated November 6, 2020, to give more flexibility to the mutual funds a new category named "Flexi Cap Fund" under equity schemes has been made available. Mutual funds are required to ensure that devised schemes do not result in duplication of other schemes offered by them.

The rate of management fees we charge differs between fund types. For example, the fee levels for equity funds are generally higher than the fee levels for debt and liquid funds. In general, equity funds may charge relatively stable fees, whereas debt funds fees vary significantly depending on market conditions, fund duration and the competitive environment, and generally are lower than the maximum limits imposed by SEBI. Accordingly, the composition of AUM of the schemes managed by us also substantially affects the level of our revenue. In addition, SEBI imposes a fee cap for domestic mutual funds under the SEBI (Mutual Funds) Regulations, 1996 on the total expenses that can be charged to a mutual fund scheme. As a result, our operating margins may fluctuate by a higher percentage than changes in revenue.

17. ***We may be unable to sell or reduce the size of loans under our other financing businesses which may adversely affect our business and results of operations.***

At the beginning of the Financial Year 2017, we launched an organization-wide transformation that targeted on identifying the 'Right Businesses', 'Right Structure', and 'Right People' to focus on growth with improved asset quality and focus on less delinquencies from the new portfolio by leveraging analytics and cautious approach towards lending, in future. For further details, see "*Business – Overview*".

In the Financial Year 2019, we identified structured corporate finance and debt capital markets segments as non-core business assets i.e. Defocused Businesses and are in the process of reducing our operations in the business. In the event we are unable to further reduce the amount of loans outstanding under our other financing businesses or sell these loans to third parties at acceptable rates, or at all, or if we have to write-off these loans or classify them as NPAs (stage 3 assets), our business, asset quality and results of operations may be adversely affected.

Our Defocused Businesses comprised 4.7% and 5.3% of our Adjusted total loans and advances as of September 30, 2020 and the Financial Year ended March 31, 2020, respectively. Accordingly, our Company is now focused across Rural Finance, Housing Finance and Infrastructure Finance business under the lending business, and we also have an Investment Management business under non-lending business.

18. ***If our provisioning requirements are insufficient to cover our existing or future levels of non- performing loans or if future regulation requires us to increase our provisions, our ability to raise additional capital and debt funds as well as our results of operations and financial condition could be adversely affected.***

We adhere to provisioning requirements related to our loan assets as per the expected loss based provisions under the Ind AS 109 along with the applicable RBI regulations, as are relevant to us and our various subsidiaries. For details relating to our NPAs, provisions for NPAs and RBI provisioning norms, see "*Our Business – Asset Quality*". If our provisioning requirements are insufficient to cover our existing or future levels of non-performing loans or if future regulation requires us to increase our provisions, our ability to raise additional capital and debt funds as well as our results of operations and financial condition could be adversely affected.

19. ***Part of our collections from customers is in cash, exposing us to certain operational risks.***

Part of our collections, specifically collections in our Rural Finance business, is in cash. Large cash collections expose us to the risk of theft, fraud, misappropriation or unauthorized transactions by employees responsible for dealing with such cash collections. These risks are exacerbated by the high levels of responsibility we delegate to our employees and the geographically dispersed nature of our network. Certain of our customers are from the rural and semi-urban markets, which carry additional risks due to limitations on infrastructure and technology. We have experienced 38 and 124 instances of theft and robbery, for amounts aggregating to ₹ 0.48 crore and ₹ 2.07 crore, in the six months ended September 30, 2020 and Financial Year 2020, respectively, including theft by our employees. While we obtain insurance for our cash in transit and safes for storage of cash, we cannot assure you that the insurance obtained by us adequately covers all risks involved or will be paid in relation to the entire amount involved, or at all.

While we have implemented technology that tracks our cash collections, taken insurance policies, including coverage for cash in safes and in transit, and undertaken measures to detect and prevent unauthorized transactions, fraud or misappropriation, this may not be sufficient to prevent or deter such activities in all cases, which may adversely affect our operations and profitability. Further, we may be subject to regulatory or other proceedings in connection with any unauthorized transactions, fraud or misappropriation by our representatives and employees, which could adversely affect our goodwill. We may also be party to criminal proceedings and civil litigation related to our cash collections.

Our business is also susceptible to fraud by dealers, distributors, and other agents through the forgery of documents, multiple financing of the same vehicle and unauthorized collection of instalments on behalf of us. Given the high volume of transactions involving cash processed by us in our Rural Finance business, certain instances of fraud and misconduct by our representatives or employees may go unnoticed for some time before they are discovered and successfully rectified. Even when we discover instances of fraud and other misconduct and pursue legal recourse or file claims with our insurance carriers, there can be no assurance that we will recover any amounts lost through such fraud or other misconduct. Our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of such systems will result in losses that are difficult to detect or rectify.

20. ***We depend on the accuracy and completeness of information about borrowers and counterparties for our credit assessment and risk management. Any misrepresentation, errors in or incompleteness of such information could adversely affect our business and financial performance.***

In deciding whether to extend credit or enter into other transactions with customers, we rely on information furnished to us by or on behalf of borrowers (including in relation to their financial transactions and past credit history). We may also rely on certain representations from borrowers as to the accuracy and completeness of that information. For ascertaining the creditworthiness and encumbrances on collateral, we may depend on the respective registrars and sub-registrars of assurances, credit information companies or credit bureaus and on independent valuers in relation to the value of the collateral, and our reliance on any misleading information given may affect our judgment of credit worthiness of potential borrowers, and the value of and title to the collateral, which may affect our business, prospects, results of operations and financial condition. We may receive inaccurate or incomplete information as a result of negligence or fraudulent misrepresentation on the part of our customers or employees. In addition, customers may misrepresent information in the loan application forms including in relation to the intended end use of the loans and may apply the loans disbursed for end uses different from those mentioned in the loan application form. Our risk management measures may not be adequate to prevent or deter such activities in all cases, which may adversely affect our business prospects, financial condition and results of operations.

Moreover, the availability of accurate and comprehensive credit information on retail customers and small businesses in India is more limited than for larger corporate customers, which reduces our ability to accurately assess the credit risk associated with such lending. Although as part of our credit policy, we are required to conduct credit checks of all our customers, including with credit bureaus, and conduct site-visits, wherever relevant, and personal discussions, there can be no assurance that such credit information will be accurate or comprehensive. There may be relatively less financial and credit information available on retail and rural individual borrowers, micro, small and medium enterprises and in relation to the possibility of double-financing obtained by any such clients, than may have been available in a more developed economy, and the availability of such financial and credit information in India may be considered to suffer from an absence of competitive pressure at present. We may be affected by failure of our employees to comply with our internal procedures relating to appraisal of credit and assessing the financial worth of our clients. Failure or inaccurate appraisal of credit or financial worth of our clients by our employees may result in a loan being sanctioned, which may eventually result in a gross stage 3 assets. In the event, we are unable to check the risks arising out of such lapses, it may have an adverse effect on our business and results of operations. Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our non-performing and restructured assets, which could adversely affect our business prospects, financial conditions and results of operations.

21. ***We are in the process of further upgrading our information technology systems and any failure to achieve intended results from such upgrades may adversely affect our operations and reputation.***

Our business is dependent upon increasingly complex and interdependent information technology systems and as part of our emphasis on data analytics and increasing use of electronic processes in our businesses, we are in the process of further upgrading such systems. See "*Our Business – Our Strengths – Strong digital and analytics infrastructure*" on pages 146-147. We have a loan management system to provide an integrated platform for loan origination and sourcing. Our loan management system is integrated with our in-house customized enterprise reporting tool, which enables us to service our customers seamlessly across locations. We have also entered into agreements with third parties such as IT companies to upgrade our IT infrastructure and are in the process of establishing new technology enabled centralized processing units. If our IT vendors are unable to fulfill their contractual obligations or if we encounter any failure in the timely implementation, performance or integration of such systems, we may not be able to recover the expenses we incurred, experience interruptions in our operations, loss of customers, damaged reputation and weakening of our competitive position.

Further, our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis, including adopting and implementing new technologies before our competitors. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products. Any failure to effectively maintain or improve or upgrade our technology systems in a timely manner could adversely affect our competitiveness, financial position and results of operations.

22. ***Any downgrade in our credit ratings could increase borrowing costs and adversely affect our access to capital and lending markets and could also affect our interest margins, business, results of operations and financial condition.***

The cost and availability of capital depends in part on our short-term and long-term credit ratings. Credit ratings reflect the opinions of rating agencies on our financial strength, operating performance, strategic position and ability to meet our obligations. Certain factors that influence our credit ratings may be outside of our control. For example, our credit ratings may depend on the financial performance and business prospects of our Promoter and its majority shareholding in our Company. CRISIL, CARE, India Ratings and ICRA have rated our Company's NCDs at CRISIL AAA/Stable, CARE AAA/Stable, IND AAA/Stable and ICRA AAA/Negative respectively. The rating on our Company's preference shares by CRISIL and CARE are at CRISIL AAA/Stable and CARE AAA (RPS)/Stable, respectively. The rating on our Company's commercial papers by CRISIL, CARE, India Ratings and ICRA are at CRISIL A1+, CARE A1+, IND A1+ and ICRA A1+ respectively. For further details, see "*Our Business – Description of Our Business – Our Credit Ratings*" on pages 160-161.

Credit ratings across the industries we operate may also depend on the underlying circumstances and economic environment around such industries. Any downgrade in our credit ratings could increase borrowing costs and adversely affect our access to capital and debt markets, which could in turn adversely affect our interest margins, our business and results of operations. In addition, any downgrade in our credit ratings could increase the probability that our lenders impose additional terms and conditions to any financing or refinancing arrangements we enter into in the future. However, these ratings are not recommendations to buy, sell or hold securities and prospective investors should take their own decisions.

23. ***We may require additional financing for our business operations, including for our Subsidiaries, and the failure to obtain additional financing on terms commercially acceptable to us may adversely affect our ability to grow and our future profitability.***

We may require additional capital for our business operations. The actual amount and timing of our future capital requirements may differ from estimates as a result of, among other things, unforeseen delays or cost overruns in developing our products, changes in business plans due to prevailing economic conditions, unanticipated expenses and regulatory changes, including any changes to RBI's monetary policies which are applicable to us. To the extent our planned expenditure requirements exceed our available resources; we will be required to seek additional debt or equity financing. Additional debt financing could increase our interest costs and require us to comply with additional restrictive covenants in our financing agreements. Additional equity financing could dilute our earnings per Equity Share and your interest in our Company and could adversely impact the trading price of our Equity Shares.

Our ability to obtain additional financing on favourable terms, if at all, will depend on a number of factors, including our future financial condition, results of operations and cash flows, the amount and terms of our existing indebtedness, security, our track record of compliance of the covenants contained in our financial agreements, general market conditions and market conditions for financing activities and the economic, political and other conditions.

We cannot assure you that we will be able to raise additional financing on acceptable terms in a timely manner or at all. Our failure to renew arrangements for existing funding or to obtain additional financing on acceptable terms and in a timely manner could adversely impact our ability to incur capital expenditure, our business, results of operations and financial condition.

24. ***We may experience difficulties in expanding our business into new regions and markets in and outside India.***

As part of our growth strategy, we continue to evaluate opportunities to expand our business into new markets in India. For our Rural Finance business we intend to expand our branch network services in the rural and semi-urban markets of India, as well as additional districts in the states in which we are present. Factors such as competition, customer requirements, regulatory regimes, business practices and customs in these new markets may differ from those in our existing markets, and our experience in our existing markets may not be applicable to these new markets. For instance, a number of states in India have enacted laws to regulate money lending transactions. These laws establish a maximum rate of interest that can be charged. There is ambiguity on whether NBFCs are required to comply with the provisions of these state money lending laws. There are severe civil and criminal penalties for non-compliance with the relevant money lending statutes. If it is judicially determined or clarified in law that such statutes apply to NBFCs, our expansion in such states could be hindered.

In addition, as we enter new markets and geographical regions, we are likely to compete with not only other banks and financial institutions but also the local unorganized or semi-organized private financiers, who are more familiar with local regulations, business practices and customs, and have stronger relationships with target customers.

As we plan to expand our geographic footprint, our business may also be exposed to additional challenges, including obtaining necessary governmental approvals, identifying and collaborating with local business partners with whom we may have no existing relationship; successfully marketing our products in markets in which we have no familiarity; attracting customers in a market in which we do not have significant experience or visibility; being subject to additional local and/or foreign taxes; attracting and retaining new employees; expanding our technological infrastructure; maintaining standardized systems and procedures; and adapting our marketing strategy and operations to new markets in and outside of India, in which different languages are spoken. To address these challenges, we may have to make significant investments that may not yield desired results or incur costs that we may not be able to recover. Our inability to expand our current operations may adversely affect our business, financial conditions, and results of operations.

25. ***We may develop new financial products which may not yield the intended results and which in turn may have an adverse effect on our business, prospects and results of operations.***

We may from time to time evaluate the introduction and launch of new financial products. Developing and commercializing a new product can be time consuming, costly and subject to numerous factors, including among others:

- ability to correctly anticipate customer demand and the market for such products;
- ability to develop products in a timely manner and in compliance with regulatory requirements;
- risk that any of our products that maybe under development, if and when fully developed and tested, will not perform as expected;
- competition;
- delays or unanticipated costs; and
- delay in locating and establishing collaborations with distributors or other channels to distribute our products in our targeted markets.

We cannot assure you that any expenses we incur in developing or distributing such products will be recovered, partially or at all, even if we are successful in launching such products. In the event we fail to successfully and timely develop, and launch new financial products, our business, prospects and results of operations may be adversely affected.

26. ***While we intend to merge two of our Subsidiaries into one of our other Subsidiary pursuant to a scheme of amalgamation, subject to receipt of necessary statutory and regulatory approvals, under applicable laws, there is no assurance that the merger will be approved or be successful.***

The board of directors of our wholly owned Subsidiaries, L&T Infrastructure Finance Company Limited ("**LTIFC**"), L&T Housing Finance Limited ("**LTHFC**") and L&T Finance Limited ("**LTFL**"), have approved the scheme of amalgamation of LTIFC and LTHFC with LTFL, at their respective meetings held on March 20, 2020 leading to creation of a single unified lending entity with appointed date of April 1, 2020 subject to requisite regulatory approvals ("**Scheme**"). The Scheme has subsequently been filed with the National Company Law Tribunal, Mumbai ("**NCLT**") to merge LTIFC and LTHFC into LTFL. However, such Scheme is pending to be approved by the NCLT. If we do not get a timely approval of the Scheme, it could prevent us from achieving our strategic and financial goals and operational synergies or could result in us not achieving the objective of such amalgamation, which in turn could have a material adverse effect on our business, results of operation, prospects and financial condition.

The proposed merger upon completion, will result in surrender of the RBI/ NHB licenses, as applicable, presently held by LTIFC and LTHFC and consequently affect the regulatory and tax benefits eligible to a NBFC – infrastructure finance company ("**NBFC-IFC**") and NBFC-HFC. In accordance with Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, L&T Infra Debt Fund Limited ("**LTIDF**"), one of our Subsidiaries, is sponsored by LTIFC, being an NBFC-IFC. Pursuant to the completion of proposed merger and the consequent surrender of NBFC-IFC license, LTIDF will not be able to continue with its status as an NBFC – infrastructure debt fund and accordingly, will not be able to avail the tax exemption under Section 10(47) of Income Tax Act.

We may not be able to sponsor LTIDF, our infra debt fund business, from the effective date of the proposed merger. Accordingly, we are exploring various options in relation to the IDF business.

27. ***We may make acquisitions of, investments in complementary businesses or products or divestments in existing businesses or products, or seek to engage in strategic transactions which may be on terms that may not be commercially advantageous, may not yield intended results, require additional debt or equity financing and affect our profitability, our business, financial condition, results of operations and cash flows.***

We periodically review potential acquisition of companies, products, product rights and complementary businesses and intend to continue to evaluate, potential product or business acquisitions including to expand our geographic presence and product portfolio. Further, we may seek to engage in strategic transactions with third parties, such as tie-ups, joint ventures, restructuring, business combinations, among others. In addition, we may also divest or discontinue businesses or products due to strategic reasons from time to time which may affect our profitability, our business, financial condition, results of operations and cash flows. We cannot assure you that we will be able to identify suitable acquisition, strategic transactions, investment or divestment opportunities. To the extent that we do identify opportunities that we believe to be suitable, we cannot assure you that we will be able to reach an agreement, that the terms we may agree to will be commercially advantageous to us, or that we will be able to successfully consummate such investments, acquisitions or transactions even after definitive documents have been signed.

If we require financing in order to fund such transaction, we cannot assure you that we will be able to obtain required financing when needed on commercially acceptable terms, or at all. Further, any such transactions may require us to incur non-recurring and other charges, increase our near and long-term expenditures, pose significant integration challenges, require additional expertise, result in dilution of our existing shareholders and disrupt our management and business, which may adversely affect our business, financial position and results of operations. We also may face significant competition in seeking appropriate investments or acquisitions. We cannot assure you that, following the consummation of such investments or acquisitions, these transactions will yield intended results.

28. ***We depend on the services of our management team and employees and our inability to recruit and retain them may adversely affect our business.***

Our future success depends substantially on the continued service and performance of members of our management team, and in particular, our Managing Director & CEO and Key Managerial Personnel and also upon our ability to manage key issues relating to human resource such as selecting and retaining key employees, developing managerial experience, addressing emerging challenges and ensuring a high standard of client service. There is intense competition for experienced senior management and other qualified personnel, particularly office managers, field executives and employees with local knowledge in client procurement, loan disbursement and instalment collections. If we cannot hire additional or retain existing management personnel and employees, our ability to expand our business will be impacted and our revenue could be adversely affected. Failure to train and motivate our employees properly may result in an increase in employee attrition rates, require additional hiring, divert management resources, adversely affect our origination and collection rates, increase our exposure to high-risk credit and impose significant costs on us. While we have an incentive based remuneration structure, employee stock option schemes and training and development programs designed to encourage employee retention, our inability to attract and retain talented professionals, or the resignation or loss of senior personnel, may have an adverse impact on our business, future financial performance.

As of September 30, 2020, we employed 22,079 permanent employees. Though we believe that we maintain good relationship with our employees, we cannot assure you that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and result operations.

29. ***Our business is heavily dependent on our operations in certain regions in India, and any adverse changes in the conditions affecting these regions can adversely impact our business, financial condition and results of operations.***

Our Housing Finance business is heavily dependent on the performance of the Mumbai Metropolitan Region and NCR with 51.4% and 50.3% of our outstanding housing finance loans as of September 30, 2020 and financial year ended March 31, 2020, respectively, arising from these regions. Further, our Rural Finance business has 16% and 17% of our outstanding loans in the state of Tamil Nadu, as of September 30, 2020 and Financial Year ended March 31, 2020, respectively, arising from these regions. In the event of a regional slowdown in the economic activity in these regions or factors such as a slowdown in sectors such as real estate or agriculture in these states, we may experience more pronounced effects on our financial condition and results of operations. Our business, financial condition and results of operations have been and will continue to be largely dependent on the performance of, and the prevailing conditions affecting, the economy in these regions. Therefore, any significant social, political or economic disruption, or natural calamities or civil disruptions in these regions, or changes in the policies in these regions may affect our business operations, require us to incur additional expenditure and change our business strategies.

30. ***We have presented in this Letter of Offer certain financial measures and other selected statistical information relating to our financial condition and operations which is not prepared under or required by Ind AS. These financial measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies.***

This Letter of Offer, including the sections "*Selected Statistical Information*", "*Summary of Business*" and "*Our Business*", includes financial measures and certain other statistical information of our financial condition and operations not prepared under or required by Ind AS, i.e., non-Ind AS financial information, which may not accurately represent our financial condition, performance and results of operations. We compute and disclose such non-Ind AS financial information relating to our financial condition and operations as we consider such information to be useful measures of our business and financial performance. Such non-Ind AS financial information is based on management accounts and internal financial information systems of our Company and is prepared by adjusting, based on management estimates, the financial measures in the audited or reviewed consolidated financial statements of our Company.

Further, the non-Ind AS financial information may be different from financial measures and statistical information disclosed or followed by other NBFCs and HFCs. The non- Ind AS financial information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other NBFCs, HFCs or other financial services companies. Accordingly, investors should not place undue reliance on the non-Ind AS financial information included in this Letter of Offer.

31. ***We enter into assignment transactions to transfer certain receivables from our outstanding loan portfolio. If such assignment of receivables is held to be unenforceable under applicable law, our business, financial condition and results of operations could be adversely affected.***

From time to time we novate or assign receivables from our outstanding loan portfolio to other NBFCs and banks for a consideration to, among other reasons, improve our liquidity and financial ratios. As of September 30, 2020, our portfolio of assigned outstanding loans was 0.97 crore, constituting 0.001% of our Company's Adjusted total loans and advances. In January 2009, the High Court of Gujarat held that the provisions of the Banking Regulation Act, 1949 do not permit banks to assign debt due to them, including the assignment of debt between two banks. However, on appeal, the Supreme Court of India reversed the decision of the High Court of Gujarat and held that assignment of debts by the banks inter-se is not barred by law. If in the future, one or more of the assignment transactions entered into by us is held to be unenforceable by a court of law, we may be required to terminate such assignment transactions. Such events may adversely affect our business, financial condition and results of operations.

32. ***We face difficulties and incur additional expenses in operating in rural and semi-urban markets, where infrastructure may be limited.***

Certain of our customers are from the rural and semi-urban markets, which may have limited infrastructure, particularly for transportation and electricity. At offices in remote markets, we may face difficulties in conducting operations, such as accessing power facilities, transporting people and equipment, implementing technology measures. We may also face increased costs in conducting our business and operations and implementing security measures. There can be no assurance that such costs will not increase in the future as we expand our network in rural and semi urban markets, which could adversely affect our profitability.

33. ***A decline in our Company's capital ratio or capital adequacy requirement could restrict our future business growth.***

As a NBFC-CIC-SI, our Company is required to maintain a capital ratio-requirement of at least 30% of our aggregate risk-weighted assets of our balance sheet (on-balance sheet and of risk adjusted value of off balance sheet items) on an ongoing basis. In addition, our subsidiaries, being financial institutions regulated by the RBI and/or NHB, are subject to certain capital adequacy ratios. The minimum capital requirement or capital adequacy ratios required to be maintained by us and our Subsidiaries, as well as the respective capital adequacy ratios of us and our Subsidiaries as at September 30, 2020 and March 31, 2020 are as follows:

	Category	Minimum capital requirement/ adequacy ratio	Capital adequacy ratio	
			September 30, 2020	March 31, 2020
L&T Finance Holdings Limited	NBFC-CIC-ND-SI	30%#	69.26%	67.75%
L&T Finance Limited	NBFC-ND-SI	15%	18.17%	18.31%
L&T Infrastructure Finance Company Limited	NBFC-ND-SI	15%	27.05%	27.15%
L&T Housing Finance Limited	HFC	14%	15.97%	17.80%
L&T Infra Debt Fund Limited	NBFC-IDF	15%	35.79%	31.17%

Capital ratio requirement for CICs

If we continue to grow our loan assets and asset base, we will be required to raise additional capital to continue to meet applicable capital adequacy ratios with respect to our business. We cannot assure you that we will be able to raise adequate additional capital in the future on terms favorable to us.

34. ***Our risk management measures may not be fully effective in mitigating our risks in all market environments or against all types of risks, which may adversely affect our business and financial performance.***

We are exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk and legal risk. The effectiveness of our risk management is limited by the quality and timeliness of available data. Our hedging strategies and other risk management techniques may not be fully effective in mitigating our risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated such as the risk of employee or human error. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, current, or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a number of transactions and events.

Some of our borrowers may not have any credit history supported by tax returns, bank or credit card statements, statements of previous loan exposures, or other related documents, have limited formal education, and may only be able to furnish limited information for us to assess their creditworthiness accurately. In addition, we may not receive updated information regarding any change in their financial condition or may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation. It is therefore, difficult to carry out credit risk analysis on our borrowers. Although we have established policies and procedures, they may not be fully effective. For further information, see "*Our Business – Strong risk management framework*" on page 147. Our future success will depend, in part, on our ability to respond to new technological advances and evolving NBFCs, standards and practices in the sectors we cater to, on a cost-effective and timely basis. The development and implementation of standards and practices entails significant technical and business risks. We cannot assure you that we will successfully implement new technologies or adapt our transaction-processing systems to customer requirements or evolving market standards.

35. ***Priority sector lending requirements adhered to by scheduled commercial banks may increase our cost of funding and adversely affect our business, results of operations and financial condition.***

Pursuant to the Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2020 dated September 4, 2020, scheduled commercial banks operating in India are required to maintain 40% of their adjusted net bank credit or credit equivalent of their off-balance sheet exposure, whichever is higher, as priority sector advances. These include loans to the agriculture, micro, small and medium enterprises, low-income housing projects, renewable energy, export credit and similar sectors where the Government seeks to encourage the flow of credit to stimulate economic development in India. Commercial banks in the past have relied on specialized institutions, including microfinance institutions and other financing companies including NBFCs, to provide them with access to qualifying advances through lending programs and loan assignments, which may lead to more competition for us and may adversely affect our business and results of operations.

Any such changes in priority sector guidelines by RBI may adversely affect our business and operations. While scheduled commercial banks may still choose to lend to NBFCs, they may charge higher rates to do so because these loans no longer count towards their priority sector lending requirements. This may lead to an increase in the rates at which such loans have historically been offered to us, thus increasing our borrowing costs and adversely affecting our financial condition and results of operation. As a result of such developments, our access to funds and the cost of our capital has been adversely affected and to the extent we are unable to secure replacement funding at similar cost or at all, our results of operations would be adversely affected.

36. ***Cyber-attacks or any failure, inadequacy or security breach in our information technology systems may adversely affect our business.***

Our operations depend on our ability to process a large number of transactions on a daily basis across our network of offices, most of which are connected through computer systems and servers to our head office. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are beyond our control, including a disruption of electrical or communications services, particularly in the rural and semi-urban markets in which we primarily operate. Our business is particularly susceptible to such disruptions because of our reliance on technology systems and processes, our mobility solutions and the higher cost of installation and implementation of technology in the rural and semi-urban markets for our Rural Finance business. For example, our two-wheeler finance business is conducted entirely through our mobile based technology relying on electronic customer checks, electronic data capture, online income assessment and automated processes. While we have implemented certain cyber security controls and we continue to monitor the threats arising due to various developments in the nature of cyber-attacks and failures, we cannot guarantee that our IT assets will be immune to or be able to completely control cyber-attacks. Any failure in these systems and inefficacy of our exiting controls may adversely affect our business.

Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, servers, software, including software licensed from vendors and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security and result in identity theft including customer data, customer KYC documents (including identity proofs, income and tax statements and bank account details), employee data and propriety business data, trade secrets or other intellectual property, for which we could potentially be liable. In addition, our systems are potentially vulnerable to data security breaches, whether by employees, who may have a lack of experience with our newer information technology systems, or others, that may expose sensitive data to unauthorized persons. Further, due to the recent social distancing measures and the lockdown imposed by the government, there has been a recent increase in electronic transactions as well as instances of people working from home which increases the risk of cyber-attacks. Although we have not experienced any significant disruptions to our information technology systems in the past, we cannot assure you that we will not encounter disruptions in the future. Any such security breaches or compromises of technology systems could result in institution of legal proceedings against us and potential imposition of penalties. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our technology systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation.

37. ***We utilize the services of certain third parties for our operations. Any deficiency or interruption in their services could adversely affect our business and reputation.***

We engage third party service providers from time to time for services including the valuation of assets and legal services, direct selling agents and collection agents. Such third parties are typically proprietorships or professionals. Our agreements with them typically do not provide for any exclusivity, and accordingly, they can work with other lenders, including our competitors. There can be no assurance that our direct selling agents will continue to provide a significant number of leads for loans to us in comparison with our competitors, or at all. Some third-party vendors may also be small companies which are likely to experience financial or operational difficulties than larger, well established companies due to limited financial and other resources. This may result in a delay of services or products delivered to us and we may be unable to find alternative vendors.

In addition we utilize third party vendors for our information technology systems and rely on such vendors for adequate and timely delivery of services, providing support and troubleshooting advice and maintaining adequate resources and bandwidth for the smooth running of our operations. Our ability to control the manner in which services are provided by third party service providers is limited and we may be held liable on account of any deficiency of services on the part of such service providers. We cannot assure you that we will be successful in continuing to receive uninterrupted and quality services from our third-party service providers. Any disruption or inefficiency in the services provided by our third-party service providers could affect our business and reputation.

38. ***We may face asset-liability mismatches, which could affect our liquidity and consequently may adversely affect our operations and profitability.***

We may face potential liquidity risks because our assets and liabilities mature over different periods. As is typical for NBFCs, we meet a portion of our funding requirements through short-term funding sources, such as by issuing commercial paper, short-term loans from banks, unsecured debentures. However, the majority of our loan assets mature over the medium term. Consequently, our inability to obtain additional credit facilities or renew our existing credit facilities in a timely and cost-effective manner or at all may lead to mismatches between our assets and liabilities, which in turn may adversely affect our operations and profitability.

39. ***There are outstanding litigation pending against us, which, if determined adversely, could affect our business, results of operations and financial condition.***

Our Subsidiaries are party to various legal proceedings. These legal proceedings are pending at different levels of adjudication before various courts, tribunals and statutory, regulatory and other judicial authorities in India, and, if determined against us, could adversely affect our business, results of operations and financial condition. We can give no assurance that these legal proceedings will be decided in our favour or that no further liability may arise from these claims in the future. Brief details of outstanding litigation that have been initiated against our Subsidiaries are set forth below:

Type of proceedings	**Number of cases**	**Amount (in ₹ crore)**
Criminal cases	43	Not quantifiable
Proceedings involving material violations of statutory regulations	7	57.53
Litigation involving an amount above the Materiality Threshold	3	1,962.21
Total	**53**	**2,019.74**

Should any new developments arise, such as any change in applicable Indian law or any rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase expenses and current liabilities, which could adversely affect our results of operations. See "*Outstanding Litigation and Defaults*" beginning on page 291 for a description of certain material proceedings involving our Subsidiaries.

40. ***We benefit from our relationship with our Promoter. Our Promoter will continue to retain majority shareholding in us after the Issue, which will allow it to exercise significant influence over us. Further, two of our Shareholders have pre-emptive rights on account of their shareholding in our Company.***

Upon completion of the Issue, our Promoter, Larsen & Toubro Limited, will continue to hold a controlling stake in our Company. As a result, our Promoter will continue to exercise significant influence over our business policies and affairs and all matters requiring ordinary shareholder approval. This concentration of ownership also may delay, defer or even prevent a change in control of our Company and may make some transactions more difficult or impossible without the support of our Promoter. Further, two of our Shareholders, BC Investments VI Limited and BC Asia Growth Investments, pursuant to the Investment Agreement dated September 21, 2015 executed with our Company, have certain special rights including appointment of nominee directors and pre-emptive rights.

In addition, we operate in a competitive environment, and we believe that our brand recognition is a significant competitive advantage to us. We leverage on the goodwill of the L&T group. We believe that this goodwill ensures a steady inflow of business. In the event Larsen & Toubro Limited significantly dilutes its shareholding in our Company, withdraws the use of its trademark and logo for our operations, is unable to maintain the quality of its services or brand name or its goodwill deteriorates for any reason whatsoever, our business and results of operations may be adversely affected. Further, Larsen & Toubro Limited has also provided a line of credit of ₹ 2,000 crore that may be availed by certain of our Subsidiaries.

In addition, in the event of any change of control, merger, consolidation, takeover or other business combination involving us, a transfer of shares by our Promoter, or actions such as a preferential allotment to any investor or a conversion of any convertible instruments, our ability to leverage the "Larsen & Toubro" brand may be adversely affected and the benefits of being a Larsen & Toubro group company, which includes access to capital and human resources, various operational synergies and our ability to leverage business from other Larsen & Toubro group companies, may no longer be possible and as a result of which, could adversely affect our business, future financial performance and results of operations.

41. ***We have entered into, and may continue to enter into, related party transactions and we cannot assure you that we could not have achieved more favorable terms had such transactions not been entered into with related parties.***

We have entered into transactions with several related parties, including our Promoter and companies in the L&T group. We can give no assurance that we could not have achieved more favorable terms had such transactions been entered into with parties that were not related parties. Furthermore, it is likely that we may enter into related party transactions in the future. We cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. The transactions we have entered into and any future transactions with our related parties have involved or could potentially involve conflicts of interest. For more information, see "*Financial Statements*" beginning on page 170.

42. ***Our Promoter and certain of our Directors hold Equity Shares in our Company and are therefore interested in our Company's performance in addition to their remuneration and reimbursement of expenses.***

Our Promoter and certain of our Directors are interested in our Company, in addition to regular remuneration or benefits and reimbursement of expenses, to the extent of their shareholding in our Company. We cannot assure you that our Promoter and such Directors will exercise their rights as shareholders to the benefit and best interest of our Company. Our Promoter and such Directors may take or block actions with respect to our business which may conflict with the best interests of our Company or that of minority shareholders.

43. ***Fluctuations in the market values of our investments and other asset portfolio could adversely affect our result of operations and financial condition.***

We maintain a portfolio of investments, which includes government securities, certificates of deposits and various mutual fund units. Any financial turmoil in the financial markets may adversely impact the economic activity in India and globally. Continued deterioration of the credit and capital markets could result in volatility of our investment earnings and impairments to our investment and asset portfolio, which could adversely affect our reported income and financial condition.

44. ***Any failure or significant weakness of our internal controls system could cause operational errors or incidents of fraud, which would materially and adversely affect our profitability and reputation.***

We are responsible for establishing and maintaining adequate internal measures commensurate with the size and complexity of operations. Our internal or concurrent audit functions are equipped to make an evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to our internal risk policies, compliance requirements and internal circular guidelines. While we periodically test and update, as necessary, our internal controls systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given the size of our operations, it is possible that errors may repeat or compound before they are discovered and rectified.

Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to correct such internal control weakness. We face operational risks in our various businesses and there may be losses due to failures or inadequacies of our internal controls systems. Failures in our internal controls systems may lead to deal errors, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. Such instances may also adversely affect our reputation, business and results of operations. Failures or material weaknesses in internal controls may also lead to incidents of fraud. There can also be no assurance that we would be able to prevent frauds in the future or that our existing internal mechanisms to detect or prevent fraud will be sufficient. Any fraud discovered in the future may have an adverse effect on our reputation, business, results of operations and financial condition.

45. ***We require certain statutory and regulatory approvals for conducting our business and our inability to obtain, retain or renew them in a timely manner, or at all, may adversely affect our operations.***

We require certain statutory and regulatory approvals for conducting our business and may also need additional approvals from regulators in connection with other fee-based products to our customers. For example, we are required to obtain and maintain a certificate of registration for carrying on business as an NBFC. We are also required to comply with the prescribed requirements including exposure limits, classification of NPAs, KYC requirements and other internal control mechanisms. We also require licenses and approvals to operate our various lines of business under our Subsidiaries. In the future, we will be required to maintain such permits and approvals and obtain new permits and approvals for any proposed expansion strategy or diversification into additional business lines or new financial products. We may not be able to obtain such approvals in a timely manner or at all.

In addition, our various offices, meeting centres and customer care centres are required to be registered under the relevant shops and establishments laws of the states and also require a trade license in municipal limits of certain states which are subject to periodic renewals, which we may not be able to obtain in a timely manner. The shops and establishment laws regulate various employment conditions, including working hours, holidays and leave and overtime compensation. A court, arbitration panel or regulatory authority may in the future find that we have not complied with applicable legal or regulatory requirements. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner or at all, our business may be adversely affected.

If we fail to comply, or a regulator claims we have not complied, with any of these conditions, our certificate of registration may be suspended or cancelled, and we shall not be able to carry on such activities. We may also incur substantial costs related to litigation if we are subject to significant regulatory action, which may adversely affect our business, future financial performance and results of operations.

46. ***Our insurance coverage may not adequately protect us against losses.***

We maintain insurance coverage that we believe is adequate for our operations. Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We cannot, however, assure you that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim.

A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a larger deductible or co- insurance requirement, could adversely affect our business, financial condition and results of operations.

47. ***We do not own the "L&T" trademark and logo. In the event that we are unable to use the "L&T" trademark and logo or if there are any unauthorized usage which may result in the dilution of the trademarks recognized with our Company and loss of reputation, our business and results of operations may be adversely affected.***

The "L&T" trademark is registered in favour of our Promoter. Pursuant to a trademark license agreement dated December 1, 2010, as amended from time to time (the "**Trademark License Agreement**"), with our Promoter, our Company and certain of our Subsidiaries have been granted a global non-exclusive, non-transferrable license to use the "L&T" trademark and logo for a consideration payable by each of the licensees of up to 0.15% of the assets, or 1.5% of the PAT for the first year, 0.15% of the assets or 3.0% of the PAT for the second year, 0.15% of the assets or 5.0% of PAT for the third year and onwards, of each of the licensees, whichever is lower, plus applicable tax. The payment of such consideration is made on an annual basis, unless otherwise agreed amongst the parties. The Trademark License Agreement can be terminated by the parties thereto upon written notice in accordance with its terms. Furthermore, the Trademark License Agreement can also be terminated by any party upon change in management control of any of the licensees or upon breach of the terms of the Trademark License Agreement by any of the licensees. In an event of termination of the Trademark License Agreement, we may have to discontinue the use of the "L&T" trademark and logo.

Further, third parties may infringe our intellectual property, causing damage to our business prospects, reputation and goodwill. Our efforts to protect our intellectual property may not be adequate and any third-party claim on any of our unprotected brands may lead to erosion of our business value and our operations could be adversely affected. We may need to litigate to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and a favorable outcome cannot be guaranteed. We may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect our intellectual property. We cannot assure you that any unauthorized use by third parties of the trademarks will not similarly cause damage to our business prospects, reputation and goodwill.

Our inability to use these trademarks and any unauthorized usage could result in the dilution of the trademarks recognized with our Company and loss of reputation, which may result in adverse effects to our business and results of operations.

48. ***Our subsidiaries, L&T Finance Limited, L&T Infrastructure Finance Company Limited, L&T Housing Finance Limited and L&T Infra Debt Fund Limited are entitled to certain additional tax benefits in the future as a result of the type of lending operations they conduct. These benefits may become unavailable as per future regulatory guidelines, which may affect our profits to the extent of the additional tax benefits currently availed.***

Our Subsidiaries, L&T Finance Limited, L&T Infrastructure Finance Company Limited and L&T Housing Finance Limited are entitled to benefit from certain tax regulations and incentives that accord favourable treatment to infrastructure and housing related activities including u/s 36(1)(viii) of the Income Tax Act. Further, our Subsidiary, L&T Infra Debt Fund Limited is notified by Central Board of Direct Taxes under section 10(47) of the Income Tax Act and hence, any income earned by L&T Infra Debt Fund Limited is exempt from tax. Therefore, our operations have been subject to relatively low tax liabilities.

There can be no assurance that our Subsidiaries would continue to be eligible for such lower tax rates or any other benefits. Further, a Government appointed task force submitted its report to the Finance Minister on the new Direct Tax Code in August 2019, which seeks to replace the existing Income tax Act. It is possible that the New Direct Tax Code, when notified, could significantly alter the taxation regime, including incentives and benefits, applicable to the subsidiaries. If the laws or regulations regarding the tax benefits applicable to the subsidiaries were to change, its taxable income and tax liability may increase to that extent, which would adversely affect its financial results. Additionally, if such tax benefits were not available or significantly reduced, our businesses could be considered less attractive which could negatively affect the sector and be detrimental to its business, prospects, results of operations and financial condition.

49. ***The grant of options under the ESOP 2010 and ESOP 2013 will result in a charge to our profit and loss account and may adversely impact our net income.***

Our Company has formulated two ESOP Schemes, namely, (i) ESOP 2010 pursuant to a special resolution passed by the shareholders of our Company on November 29, 2010 and subsequently ratified by the shareholders of our Company through a special resolution passed by way of postal ballot on June 14, 2012 post the initial public offering undertaken by our Company, and (ii) ESOP 2013 pursuant to a special resolution passed by the shareholders of our Company on April 4, 2014 (collectively, the "**ESOP Schemes**"). As on the date of this Letter of Offer, we have granted a total of 8,58,79,893 options under the ESOP Schemes. For further details, see "*Capital Structure*" beginning on page 61.

Our Company follows the fair value method for the accounting of employee compensation cost on options granted, pursuant to which the fair value of options on the date of grant is recognized in our profit and loss statement and accounted as employee compensation cost over the vesting period on a straight-line basis. As a result of future grants of options under ESOP 2010 and ESOP 2013, we will have to charge compensation cost based on the fair value as at grant date to our profit and loss statement, which may have an adverse impact on our net income. For the Financial Year 2020, the employee stock compensation cost on account of ESOPs was ₹ 88.63 crore.

Further, we may continue to introduce such employee stock option schemes in the future, where we issue options to our employees at substantial discount to the market price of Equity Shares, which may have an adverse impact on our results of operations and financial condition.

50. ***Our home loans business is subject to certain tax and fiscal benefits which may be discontinued in the future by the Government or State Governments relating to financing of purchase or construction of property.***

The rapid growth in the housing finance industry in India in recent periods has in part been due to tax and related fiscal benefits extended to homeowners by the Government of India or State Governments. Interest and principal repayments on capital borrowed for the purchase or construction of housing have been tax deductible up to certain limits and tax rebates have been available for borrowers of such capital up to specified income levels. We cannot assure you that the Government of India will continue to offer such tax benefits to borrowers at the current levels or at all, which may adversely affect the demand for housing and consequently housing finance. The Government of India has also provided incentives to the housing finance industry by extending priority sector status to certain housing loans and making funds available to housing finance companies at lower rates. We cannot assure you that the Government of India will continue to make such tax or fiscal benefits available to housing finance companies such as us or that it will continue to offer us low cost funding on the same terms or at all. If such low-cost funding is not made available to us, there may be an adverse effect on our cost of funds and consequently our operating margins and net interest margin.

51. ***Most of our offices and branches are located on leased premises and non-renewal of lease agreements or their renewal on terms unfavorable to us could adversely affect our operations.***

As of September 30, 2020, all our 207 branches are housed on leased premises and two offices which are owned. Lease agreements entered into in relation to such premises have provisions which allow us to renew the agreement on mutually agreed terms and contain provisions for issuance of notices subject to a notice period in case of termination or non-renewal. In the event, any of the owners of these premises do not renew the agreements under which we occupy the premises, or if they seek to renew such agreements on terms and conditions unfavorable to us, or if they terminate the agreement, we may suffer a disruption in our operations or increased costs, or both, which may adversely affect our business and results of operations. All or any of the leases may not be renewed on similar terms or at all, or we may be evicted from all or a number of these premises and be required to pay damages to the landlord. Further, there can be no assurance that we will be able to find alternate locations for the existing offices on similar terms, or at all. In the event we are unable to find suitable premises for relocation of existing offices, if required, or in relation to new or proposed offices, in time or at all, our operations may be disrupted and we may be required to increase costs, which may adversely impact our business and financial condition. In addition, lease agreements are required to be duly registered and adequately stamped under Indian law and if our lease agreements are not duly registered and adequately stamped, we may face challenges in enforcing them and they may be inadmissible as evidence in a court in India or attract penalties prescribed under applicable Indian law.

52. ***Our Company has incurred significant indebtedness and may incur additional debt. The conditions and restrictions imposed by our financing agreements could adversely impede our flexibility in conducting our business.***

As of September 30, 2020, our Company, at a consolidated level, had Total Borrowings (includes debt securities, borrowings and subordinated liabilities) of ₹ 92,925.91 crore. Our level of indebtedness has important consequences to us, such as:

- increasing our vulnerability to general adverse economic, industry and competitive conditions;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry;
- affecting our credit rating;
- limiting our ability to borrow further now and in the future;
- affecting our capital adequacy requirements; and
- increasing our interest expenditure.

Most of our financing arrangements are secured by charge on receivables from our outstanding loans and other business operations. Certain of our financing agreements also include certain conditions and covenants requiring us to maintain stipulated financial ratios and obtain consents from lenders prior to carrying out certain activities and entering into certain transactions. For instance, certain of our Subsidiaries are typically required to obtain prior written consents from their respective lenders for, among others, the following matters:

- to declare or pay dividend to any of their shareholders whether equity or preference, during any financial year unless they have paid to the lender the dues payable by them in that year;
- to change their capital structure;
- to undertake or permit any merger, amalgamation or compromise with their shareholders, creditors or effect any scheme of amalgamation or reconstruction;
- to amend their MOA and AOA or alter their constitution;
- to undertake substantial change in general nature of business
- to change their ownership or control; and
- to make any major investments by way of deposits, loans or share capital in any manner

Compliance with the various terms of our loans is subject to interpretation and we cannot assure you that we have requested, received or will receive all consents from our lenders that would be advisable under our financing documents. As a result, it is possible that a lender could assert that we have not complied with certain terms under our financing documents. Any failure to service our indebtedness, comply with a requirement to obtain consent or perform any condition or covenant could impede our flexibility in conducting our business, which may have an adverse effect on our business and results of operations.

53. ***Our funding requirements and the proposed deployment of Net Proceeds have not been appraised and our management will have broad discretion over utilization of the Net Proceeds.***

Our Company intends to use the Net Proceeds for various purposes, including but not limited to, repayment of commercial papers issued by our Company, infusion of funds in our Subsidiary, for repayment of certain commercial papers issued by such Subsidiary, redemption of preference shares of our Company and general corporate purposes. Our proposed deployment of Net Proceeds has not been appraised and is based on management estimates.

Our management will have broad discretion to use the Net Proceeds. Various risks and uncertainties, including those set forth in this "*Risk Factors*" section including inability to obtain necessary approvals for undertaking proposed activities, may limit or delay our efforts to use the Net Proceeds to achieve profitable growth in our business. For instance, in the event that the Net Proceeds are utilized for the purpose of infusing capital into our Subsidiaries, such infusion may result in change in the capital structure of such Subsidiaries which may require prior consents of relevant lenders of such Subsidiaries under the applicable financing agreements and such consents may or may not be received in accordance with the terms of the said financing agreements in a timely manner or at all.

Further, we cannot assure you that use of the Net Proceeds to meet our future capital requirements, fund our growth and for other purposes identified by our management would result in actual growth of our business, increased profitability or an increase in the value of our business and your investment.

54. ***Our Company proposes to utilize a portion of the Net Proceeds for repayment of commercial papers issued by our Company, infusion of funds in our Subsidiary, for repayment of certain commercial papers issued by such Subsidiary and redemption of preference shares of our Company and the utilization of that portion of the Net Proceeds will not result in creation of any tangible assets.***

Our Company intends to use certain portion of the Net Proceeds for the purposes of repayment of commercial papers issued by our Company, infusion of funds in our Subsidiary, for repayment of certain commercial papers issued by such Subsidiary and redemption of preference shares of our Company. Accordingly, the said portion of the Issue would not result in creation of fresh tangible assets.

Further, one of our Directors, Pradeep Vasudeo Bhide, holds certain preference shares of our Company which may be redeemed from the Net Proceeds and accordingly may be deemed to be interested in the objects of the Issue, to that extent. The details of the commercial papers proposed to be repaid by our Company, our Subsidiary and the preference shares to be redeemed using the Net Proceeds have been disclosed in "*Objects of the Issue*" beginning on page 63.

55. ***Our inability to detect money-laundering and other illegal activities fully and on a timely basis may expose us to additional liability and adversely affect our business and reputation.***

We are required to comply with applicable anti-money-laundering ("**AML**") and anti-terrorism laws and other regulations in India. In the ordinary course of our operations, we run the risk of failing to comply with the prescribed know your customer ("**KYC**") procedures, fraud and money laundering by dishonest customers. We cannot assure you that we will be able to fully control instances of any potential or attempted violation despite having internal policies, processes and controls in place to prevent and detect any AML activity and ensure KYC compliance. Any inability or inefficacy of our control system to detect such activities fully and on a timely basis, may subject us to regulatory actions including imposition of fines and penalties and adversely affect our business and reputation.

56. ***Case papers of certain litigation involving L&T Finance Limited and L&T Infrastructure Finance Company Limited, our Subsidiaries included in the section "Outstanding Litigation and Defaults" of this Letter of Offer are unavailable.***

Certain documents supporting the information included and in connection with litigation involving L&T Finance Limited and L&T Infrastructure Finance Company Limited, as disclosed in the section "*Outstanding Litigation and Defaults*" beginning on page 291 are unavailable. Such details are supported by a certificate obtained from the local advocate handling the relevant litigation.

57. ***We have commissioned industry report from third party agency, which have been used for industry related data in this Letter of Offer and such data has not been independently verified by us.***

We have not independently verified data from industry publications contained herein, including the report, "*Industry Overview*", dated January, 2021 prepared by CRISIL and commissioned by us. Although we believe these sources to be reliable, we cannot assure you that they are complete or reliable. Such data may also be produced on a different basis from comparable information compiled with regards to other countries. Therefore, discussions of matters relating to India, the Indian economy, as well as NBFCs, the housing industry, the automobile industry and mutual funds industry that are included herein are subject to the caveat that the statistical and other data upon which such discussions are based have not been verified by us and may be incomplete, inaccurate or unreliable. Further, the report has been prepared based on information as of specific dates and may no longer be current or reflect current trends. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced elsewhere and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, elsewhere.

58. ***We have availed certain unsecured loans that are recallable by the lenders, subject to the terms and conditions of their grant, at any time.***

We have outstanding unsecured loans and other instruments, amounting to ₹ 4,190 crore as of September 30, 2020, which are recallable on demand by our lenders. In such cases, the lenders are empowered to require repayment of the facility at any point in time during the tenure. In case any of such loans are recalled on demand by our lenders and we are unable to repay the outstanding amounts under the facility at that point, it would constitute an event of default under the respective loan agreements. See "*Financial Statements"* beginning on page 170.

59. ***Certain loans and debt raised by us entail interest at variable rates and any increases in interest rates may adversely affect our results of operations.***

There are certain loans and debt, including NCDs raised by us, aggregating to ₹ 32,668 crore as of September 30, 2020, interest rates for which are either fully floating or partially floating in nature, expressed as a base rate and interest spread, which is variable. Further, financing agreements in relation to such debt include provisions providing for interest rates to be periodically reset or changed based on the lender's internal policies. We are susceptible to fluctuations in interest rates and associated risks for such debt. As such, any increase in interest rates may have an adverse effect on our business, results of operations, cash flows and financial condition.

60. ***We have experienced negative cash flows in relation to our operating activities and investment activities in recent years/periods. Any negative cash flows in the future could adversely affect our results of operations and financial condition.***

We had a cash inflow from operating activities of ₹ 1,643.93 crore and ₹ 2,161.76 crore for the six-month period ended September 30, 2020 and for Financial Year ended March 31, 2020, respectively. Further, we had a cash inflow/ (outflow) from investing activities of (₹ 2,052.61) crore and ₹ 159.52 crore for the six-month period ended September 30, 2020 and for Financial Year ended March 31, 2020, respectively. If we experience any cash outflow in the future, this could adversely affect our business prospects, financial condition and results of operations. For further information, see "*Financial Statements*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on pages 170 and 259, respectively.

61. ***In the event there is a disallowance of certain tax benefits availed by us, we may face increased tax expenses and litigation costs and consequently our business and financial condition may be adversely affected.***

Our former subsidiaries L&T FinCorp Limited and L&T Finance Limited were amalgamated with our subsidiary, Family Credit Limited (now known as L&T Finance Limited) by way of a scheme of amalgamation, the appointed date being April 1, 2016. Pursuant to the amalgamation, certain distribution and customer network rights were recognized as an intangible asset, valued at ₹ 438.80 crore and ₹ 2,828.51 crore was recorded as goodwill on amalgamation. We have elected to amortize such intangible assets on a straight-line basis over a period of five years with effect from April 1, 2016. The tax benefits arising from the amalgamation are subject to assessment under applicable income tax laws and we may be subject to further scrutiny from income tax authorities. In the event there is a disallowance of the amortization of intangible assets pursuant to the amalgamation, or any other tax benefits arising from the amalgamation, we may face increased tax expenses and litigation costs and consequently our business and financial condition may be adversely affected.

62. ***We have certain contingent liabilities, which, if materialized, may adversely affect our financial condition.***

As of September 30, 2020, we had certain contingent liabilities not provided for, amounting to ₹ 2,294.13 crore determined in accordance with our accounting policies as disclosed under our significant accounting policies and notes to the accounts. Further, the contingent liability of amounts disclosed in our audited financial statements represents estimates and assumptions of our management based on advice received. In the event that any of these contingent liabilities materialize, our financial condition may be adversely affected. For further information on such contingent liabilities, see "*Financial Statements*".

63. ***Our ability to pay dividends in the future will depend on our future earnings, cash flows, working capital requirements, capital expenditures and financial condition.***

In the Financial Year 2020, our Board declared and paid an interim dividend at 8.95%, 8.50%, 8.35%, 8.15%, 8.00%, 7.95%, 7.60% and 7.50%, as applicable, on the eleven series of cumulative compulsorily redeemable non-convertible preference shares of face value of ₹ 100 each amounting to a total of ₹ 113.22 crore. Further, our Board declared and paid an interim dividend of ₹ 0.90 per Equity Share. The amount of our future dividend payments, if any, will depend on various factors such as our future earnings, cash flows, financial condition, working capital requirements, capital expenditures, change in regulatory norms pertaining to calculation of amount available to be paid as dividend, limit on dividend payment, if any, specified in accordance with applicable laws. We may decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on the Equity Shares. The amounts paid as dividends in the past are not necessarily indicative of our Company's dividend policy or the dividend amounts, if any, in the future. There is no guarantee that any dividends will be declared or paid or that the amount thereof will not be decreased in the future.

64. ***Some of our Subsidiaries have incurred losses in the past.***

Certain of our Subsidiaries including L&T Finance Limited, Mudit Cement Private Limited, L&T Mutual Fund Trustee Limited and L&T Infra Investment Partners have incurred certain losses in the past. We cannot assure you that our Subsidiaries will not continue to incur losses in future, that their net worth will be positive in the future or that any of the foregoing will not adversely affect our business, future financial performance and results of operations.

65. ***Compliance with data privacy norms may require us to incur expenditure, which may adversely impact its financial condition and cash flows.***

We are subject to data privacy laws, rules and regulations that regulate the use of customer data. Compliance with these laws, rules and regulations may require us to incur expense and devote considerable time to compliance efforts. The existing data privacy regulations limit the extent to which we can use personal identifiable information and limit our ability to use third-party firms in connection with customer data. Certain of these laws, rules and regulations are relatively new and their interpretation and application remain uncertain. Data privacy laws, rules and regulations are also subject to change and may become more restrictive in the future. For instance, the Personal Data Protection Bill, 2018 ("**PDP Bill**"), applies to processing of personal data, which has been collected, disclosed, shared or processed within India. It imposes restrictions and obligations on data fiduciaries, resulting from dealing with personal data and further, provides for levy of penalties for breach of obligations prescribed under the PDP Bill. Changes or further restrictions in data privacy laws, rules and regulations could have an adverse effect on our business, results of operations and financial performance. The cost and operational consequences of implementing further data protection measures could be significant and this may have an adverse effect on our business, results of operations and financial performance.

66. ***Our Company is not, and does not intend to become, regulated as an investment company under the U.S. Investment Company Act and related rules.***

Our Company has not been and does not intend to become registered as an investment company under the U.S. Investment Company Act. Accordingly, unlike registered investment companies, our Company will not be subject to the vast majority of the provisions of the U.S. Investment Company Act, including provisions that require investment companies to have a majority of disinterested directors, provide limitations on leverage and limit transactions between investment companies and their affiliates. None of these protections or restrictions is or will be applicable to our Company.

If our Company was to become subject to the U.S. Investment Company Act because of a change of law or otherwise, the various restrictions imposed by the U.S. Investment Company Act, and the substantial costs and burdens of compliance therewith, could adversely affect our operating results and financial performance. Moreover, parties to a contract with an entity that has improperly failed to register as an investment company under the U.S. Investment Company Act may be entitled to cancel or otherwise void their contracts with the unregistered entity, and shareholders in that entity may be entitled to withdraw their investment.

Our Company is relying on the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act to avoid being required to register as an investment company under the U.S. Investment Company Act and related rules. In order to help ensure compliance with the exemption provided by Section 3(c)(7) of the U.S. Investment Company Act, our Company has implemented restrictions on the ownership and transfer of Equity Shares by any persons acquiring our Equity Shares in the Issue who are in the United States or who are U.S. Persons (as defined in Regulation S under the U.S. Securities Act, except for these purposes, U.S. Persons include Persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)), which may materially affect your ability to transfer our Equity Shares. See "*Restrictions on Purchases and Resales*" beginning on page 337.

EXTERNAL RISKS

Risks Relating to India

67. ***Our business is affected by prevailing economic, political and other prevailing conditions in India and the markets we currently service.***

Our Company is incorporated in India, and the majority of our assets and employees are located in India. As a result, we are dependent on prevailing economic conditions in India and our results of operations are affected by factors influencing the Indian economy. Factors that may adversely affect the Indian economy, and hence our results of operations, may include:

- any increase in Indian interest rates or inflation;
- any exchange rate fluctuations;
- any scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India and scarcity of financing of our developments and expansions;
- volatility in, and actual or perceived trends in trading activity on, India's principal stock exchanges;
- adverse geo-political conditions, political instability, terrorism or military conflict in India or in countries in the region or globally, including with India's neighbouring countries;
- changes in India's tax, trade, fiscal or monetary policies;
- political instability, terrorism or military conflict in India or in countries in the region or globally, including in India's various neighboring countries;
- occurrence of natural or man-made disasters;
- infectious disease outbreaks, epidemics, pandemics or other serious public health concerns;
- prevailing regional or global economic conditions, including in India's principal export markets; and
- other significant regulatory or economic developments in or affecting India or its financial services sectors.

Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact our business, results of operations and financial condition and the price of the Equity Shares. Our performance and the growth of our business depend on the performance of the Indian economy and the economies of the regional markets we currently serve. These economies could be adversely affected by various factors, such as political and regulatory changes including adverse changes in liberalization policies, social disturbances, religious or communal tensions, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in these economies could adversely affect the ability of our customers to afford our services, which in turn would adversely impact our business and financial performance and the price of the Equity Shares.

In addition, the Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly those of emerging market countries in Asia. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy.

Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. The loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could influence the Indian economy and could adversely impact our business and financial performance and the price of the Equity Shares.

68. ***It may not be possible for you to enforce any judgment obtained outside India against us, our management or any of our respective affiliates in India, except by way of a suit in India on such judgment.***

We are incorporated under the laws of India and our Directors and executive officers reside in India. A substantial majority of our assets, and the assets of our Directors and officers, are also located in India. As a result, you may be unable to:

- effect service of process outside of India upon us and our Directors and officers; or
- enforce in courts outside of India judgments obtained in such courts against us and our Directors and officers.

69. ***A third party could be prevented from acquiring control of us because of anti-takeover provisions under Indian law.***

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to our shareholders, such a takeover may not be attempted or consummated because of Takeover Regulations.

70. ***Differences exist between Ind AS and other accounting principles, such as U.S. GAAP and IFRS, which may be material to investors' assessments of our financial condition.***

Our audited financial statements contained in this Letter of Offer have been prepared and presented in accordance with Ind AS and no attempt has been made to reconcile any of the information given in this Letter of Offer to any other principles or to base it on any other standards. Ind AS differs from accounting principles and auditing standards with which prospective investors may be familiar in other countries, such as U.S. GAAP and IFRS. Significant differences exist between Ind AS and U.S. GAAP and IFRS, which may be material to the financial information prepared and presented in accordance with Ind AS contained in this Letter of Offer. Accordingly, the degree to which the financial information included in this Letter of Offer will provide meaningful information is dependent on your familiarity with Ind AS and the Companies Act. Any reliance by persons not familiar with Ind AS on the financial disclosures presented in this Letter of Offer should accordingly be limited.

71. ***Companies operating in India are subject to a variety of central and state government taxes and surcharges.***

Tax and other levies imposed by the central and state governments in India that affect our tax liability include income tax and indirect taxes on goods and services such as goods and services tax ("**GST**"), surcharge and cess currently being collected by the central and state governments, which are introduced on a temporary or permanent basis from time to time. Recently, the government pursuant to the Taxation Laws (Amendment) Act, 2019 amended the Income Tax Act to reduce the corporate income tax rate in certain cases. The statutory corporate income tax in India for companies opting for reduced tax rate may range up to 25.168 %. The central or state government may vary the corporate income tax in the future. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could materially and adversely affect our business, financial condition and results of operations.

GST has been implemented with effect from July 1, 2017 and has replaced the indirect taxes on goods and services, such as central excise duty, service tax, central sales tax, state value added tax, surcharge and excise, collected by the central and state governments. GST has increased administrative compliance for companies, which is a consequence of increased registration and form filing requirements. As the taxation system is relatively new and could be subject to further amendments in the short term for the purposes of streamlining compliance, the consequential effects on us cannot be determined as of now and there can be no assurance that such effects would not adversely affect our business and future financial performance.

72. ***The taxation system in India could adversely affect our business, financial condition, cash flows and results of operations.***

The provisions relating to the General Anti-Avoidance Rules ("**GAAR**") were introduced in the Finance Act 2012 and have been applicable since financial year commencing from April 1, 2017. The GAAR provisions intend to catch arrangements declared as "impermissible avoidance arrangements", which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights, or obligations, which are not normally created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which is not normally employed for bona fide purposes. The tax consequences of the GAAR could result in denial of tax benefits and other consequences, and if the GAAR is made applicable to us, it may have an adverse tax impact on us. Any increases in or amendments in the tax applicable to us due to the GAAR may result in additional taxes becoming payable by us.

73. ***U.S. regulation of investment activities may negatively affect the ability of banking entities to purchase our Equity Shares.***

The Volcker Rule, generally prohibits certain banking entities from acquiring or retaining an ownership interest in, sponsoring or having certain relationships with covered funds, subject to certain exclusions and exemptions. As we are relying on an analysis that our Company does not come within the definition of an "investment company" under the U.S. Investment Company Act because of the exception provided under section 3(c)(7) thereunder, our Company may be considered a "covered fund" for purposes of the Volcker Rule. The following would be considered a "banking entity" subject to the Volcker Rule: (i) any U.S. insured depository institution, (ii) any company that controls an U.S. insured depository institution, (iii) any non-U.S. company that is treated as a bank holding company for purposes of Section 8 of the International Banking Act of 1978 (i.e., a non-U.S. company that maintains a branch, agency or commercial lending office in the U.S.) and (iv) any affiliate or subsidiary of any of the foregoing under the U.S. Bank Holding Company Act, other than a covered fund that is not itself a banking entity under clauses (i), (ii) or (iii).

There may be limitations on the ability of banking entities to purchase or retain our Equity Shares in the absence of an applicable Volcker Rule exemption. Consequently, depending on market conditions and the banking entity status of potential purchasers of our Equity Shares from time to time, the Volcker Rule restrictions could negatively affect the liquidity and market value of our Equity Shares.

Each investor must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to purchase or retain our Equity Shares. Investors are responsible for analyzing their own regulatory position and none of our Company, the Lead Managers or any other person connected with the Offer makes any representation to any prospective investor or holder of our Equity Shares regarding the treatment of our Company under the Volcker Rule, or to such investor's investment in the our Company at any time in the future.

74. ***U.S. holders should consider the impact of the passive foreign investment company rules in connection with an investment in our Equity Shares.***

A foreign corporation will be treated as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes for any taxable year in which either: (i) at least 75% of its gross income is "passive income" or (ii) at least 50% of its gross assets during the taxable year (generally based on the average of the fair market values of the assets determined at the end of each quarterly period) are "passive assets," which generally means that they produce passive income or are held for the production of passive income.

Our Company is likely to be treated as a PFIC for the current taxable year and future taxable years. However, we cannot assure you that our Company will or will not be considered a PFIC in the current or future years. The determination whether or not our Company is a PFIC is a factual determination that is made annually based on the types of income we earn and the value of our assets. Assuming our Company is considered a PFIC, U.S. holders of the Equity Shares would be subject to special rules and a variety of potentially adverse tax consequences under the U.S. Internal Revenue Code of 1986, as amended.

Risks Relating to the Equity Shares and this Issue

75. ***Failure to exercise or sell the Rights Entitlements will cause the Rights Entitlements to lapse without compensation and result in a dilution of shareholding.***

The Rights Entitlements that are not exercised prior to the end of the Issue Closing Date will expire and become null and void, and Eligible Equity Shareholders will not receive any consideration for them. The proportionate ownership and voting interest in our Company of Eligible Equity Shareholders who fail (or are not able) to exercise their Rights Entitlements will be diluted. Even if you elect to sell your unexercised Rights Entitlements, the consideration you receive for them may not be sufficient to fully compensate you for the dilution of your percentage ownership of the equity share capital of our Company that may be caused as a result of the Issue. Renouncee(s) may not be able to apply in case of failure in completion of renunciation through off-market transfer in such a manner that the Rights Entitlements are credited to the demat account of the Renouncee(s) prior to the Issue Closing Date. Further, in case, the Rights Entitlements do not get credited in time, in case of On Market Renunciation, such Renouncee will not be able to apply in this Issue with respect to such Rights Entitlements.

76. ***No market for the Rights Entitlements may develop and the price of the Rights Entitlements may be volatile.***

No assurance can be given that an active trading market for the Rights Entitlements will develop on the Stock Exchanges during the Renunciation Period or that there will be sufficient liquidity in Rights Entitlements trading during this period. The trading price of the Rights Entitlements will not only depend on supply and demand for the Rights Entitlements, which may be affected by factors unrelated to the trading in the Equity Shares, but also on the quoted price of the Equity Shares, amongst others. Factors affecting the volatility of the trading price of the Equity

Shares may magnify the volatility of the trading price of the Rights Entitlements, and a decline in the price of the Equity Shares may have an adverse impact on the trading price of the Rights Entitlements.

77. ***The Rights Entitlement of Eligible Equity Shareholders holding Equity Shares in physical form ("Physical Shareholders") may lapse in case they fail to furnish the details of their demat account to the Registrar.***

In accordance with the circular SEBI Circular SEBI/HO/CFD/DIL2/CIR/P/2020/13 dated January 22, 2020, the credit of Rights Entitlement and Allotment of Equity Shares shall be made in dematerialised form only. Accordingly, the Rights Entitlements of the Physical Shareholders shall be credited in a suspense escrow demat account opened by our Company during the Issue Period. The Physical Shareholders are requested to furnish the details of their demat account to the Registrar not later than two Working Days prior to the Issue Closing Date to enable the credit of their Rights Entitlements in their demat accounts at least one day before the Issue Closing Date. The Rights Entitlements of the Physical Shareholders who do not furnish the details of their demat account to the Registrar not later than two Working Days prior to the Issue Closing Date, shall lapse. Further, pursuant to a press release dated December 3, 2018 issued by the SEBI, with effect from April 1, 2019, a transfer of listed Equity Shares cannot be processed unless the Equity Shares are held in dematerialized form (except in case of transmission or transposition of Equity Shares).

78. ***Our Company will not distribute this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form and other Issue related materials to certain categories of overseas Equity Shareholders.***

In accordance with the SEBI ICDR Regulations, SEBI Rights Issue Circulars and the MCA Circular, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Further, this Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

However, the Companies Act requires companies to serve documents at any address, which may be provided by the members as well as through e-mail. Presently, there is lack of clarity under the Companies Act and the rules made thereunder with respect to distribution of the Issue materials in overseas jurisdictions where such distribution may be prohibited under the applicable laws of such jurisdictions. However, we cannot assure you that the regulator or authorities would not adopt a different view with respect to compliance with the Companies Act and may subject us to fines or penalties.

79. ***Applicants to this Issue are not allowed to withdraw their Applications after the Issue Closing Date.***

In terms of the SEBI ICDR Regulations, Applicants in this Issue are not allowed to withdraw their Applications after the Issue Closing Date. The Allotment in this Issue and the credit of such Equity Shares to the Applicant's demat account with its depository participant shall be completed within such period as prescribed under the applicable laws. There is no assurance, however, that material adverse changes in the international or national monetary, financial, political or economic conditions or other events in the nature of force majeure, material adverse changes in our business, results of operation, cash flows or financial condition, or other events affecting the Applicant's decision to invest in the Equity Shares, would not arise between the Issue Closing Date and the date of Allotment in this Issue. Occurrence of any such events after the Issue Closing Date could also impact the market price of our Equity Shares. The Applicants shall not have the right to withdraw their applications in the event of any such occurrence. We cannot assure you that the market price of the Equity Shares will not decline below the Issue Price. To the extent the market price for the Equity Shares declines below the Issue Price after the Issue Closing Date, the shareholder will be required to purchase Equity Shares at a price that will be higher than the actual market price for the Equity Shares at that time. Should that occur, the shareholder will suffer an immediate unrealized loss as a result. We may complete the Allotment even if such events may limit the Applicants' ability to sell our Equity Shares after this Issue or cause the trading price of our Equity Shares to decline.

80. ***The R-WAP facility proposed to be used for this Issue may be exposed to risks, including risks associated with payment gateways.***

In accordance with SEBI Relaxation Circulars, a separate R-WAP facility (accessible at www.linkintime.co.in), has been instituted for making an Application in this Issue by resident Investors (only in the event such Investors are not able to utilize the ASBA facility for making an Application despite their best efforts). Further, R-WAP is only an additional option and not a replacement of the ASBA process. On R-WAP, the resident Investors can access and fill the Application Form in electronic mode and make online payment using the internet banking or UPI facility from their own bank account thereat. For details, see *"Terms of the Issue - Making of an Application through the Registrar's Web-based Application Platform ("R-WAP") process"* beginning on page 312. Such payment gateways and mechanisms are faced with risks such as:

- keeping information technology systems aligned and up to date with the rapidly evolving technology in the payment services industries;
- scaling up technology infrastructure to meet requirements of growing volumes;
- applying risk management policies effectively to such payment mechanisms;
- keeping users' data safe and free from security breaches; and
- effectively managing payment solutions logistics and technology infrastructure.

Further, R-WAP is a new facility which has been instituted due to challenges arising out of the COVID-19 pandemic. We cannot assure you that R-WAP will not suffer from any unanticipated system failure or breakdown or delay, including failure on part of the payment gateway, and therefore, your Application may not be completed or may be rejected. These risks are indicative and any failure to manage them effectively can impair the efficacy and functioning of the payment mechanism for this Issue. Since Application process through R-WAP is different from the ASBA process, there can be no assurance that investors will not find difficulties in accessing and using the R-WAP.

81. ***SEBI has recently, by way of circulars dated January 22, 2020, May 6, 2020 and July 24, 2020, streamlined the process of rights issues. You should follow the instructions carefully, as stated in such SEBI circulars, and in this Letter of Offer.***

The concept of crediting Rights Entitlements into the demat accounts of the Eligible Equity Shareholders has recently been introduced by the SEBI. Accordingly, the process for such Rights Entitlements has been recently devised by capital market intermediaries. Eligible Equity Shareholders are encouraged to exercise caution, carefully follow the requirements as stated in the SEBI circulars dated January 22, 2020, May 6, 2020 and July 24, 2020, and ensure completion of all necessary steps in relation to providing/updating their demat account details in a timely manner. Further, while in accordance with the SEBI Rights Issue Circulars, the credit of Rights Entitlements shall be made into the demat accounts of the Eligible Equity Shareholders as on the Record Date, such Eligible Equity Shareholders shall be participate in the Issue only in accordance with the applicable laws in their respective jurisdictions. For details, see "*Terms of the Issue*" beginning on page 308.

In accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI Rights Issue Circulars, the credit of Rights Entitlements and Allotment of Equity Shares shall be made in dematerialized form only. Prior to the Issue Opening Date, our Company shall credit the Rights Entitlements to (i) the demat accounts of the Eligible Equity Shareholders holding the Equity Shares in dematerialised form; and (ii) a demat suspense escrow account (namely, "LTFHL Rights 2021 Demat Escrow Account") opened by our Company, for the Eligible Equity Shareholders which would comprise Rights Entitlements relating to (a) Equity Shares held in the account of the IEPF authority; or (b) the demat accounts of the Eligible Equity Shareholder which are frozen or the Equity Shares which are lying in the unclaimed suspense account (including those pursuant to Regulation 39 of the SEBI Listing Regulations) or details of which are unavailable with our Company or with the Registrar on the Record Date; or (c) Equity Shares held by Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date where details of demat accounts are not provided by Eligible Equity Shareholders to our Company or Registrar; or (d) credit of the Rights Entitlements returned/reversed/failed; or (e) the ownership of the Equity Shares currently under dispute, including any court proceedings, if any; or (f) non-institutional equity shareholders in the United States.

82. ***The Eligible Equity Shareholders holding Equity Shares in physical form will have no voting rights in respect of Equity Shares to be Allotted in the Issue until they provide details of their demat account and Equity Shares to be Allotted in the Issue are transferred to such demat account from the demat suspense account thereafter.***

The Equity Shares will be credited to a demat suspense account to be opened by our Company, in case of Allotment in respect of resident Eligible Equity Shareholders holding Equity Shares in physical form and who have not provided the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date. Such Eligible Equity Shareholders are required to send, among others, details of their demat accounts to our Company or the Registrar. Unless and until such Eligible Equity Shareholders provide details of their demat account and the Equity Shares are transferred from demat suspense account to such demat accounts thereafter, they will have no voting rights in respect of Equity Shares Allotted in the Issue. For details, see *"Terms of the Issue"* beginning on page 308.

Further, in case, bank accounts of the aforesaid Eligible Equity Shareholders cannot be identified due to any reason or bounce back from such bank accounts, our Company may use payment mechanisms such as cheques, demand drafts etc. to remit the proceeds of sale of the Equity Shares to such Eligible Equity Shareholders. If such bank account from which Application Money was received is closed or non-operational, the sale proceeds will be transferred to IEPF in accordance with practice on Equity Shares and as per applicable law.

83. ***Investors will be subject to market risks until the Equity Shares credited to the investors demat account are listed and permitted to trade.***

Investors can start trading the Equity Shares allotted to them only after they have been credited to an investor's demat account, are listed and permitted to trade. Since the Equity Shares are currently traded on the Stock Exchanges, investors will be subject to market risk from the date they pay for the Equity Shares to the date when trading approval is granted for the same. Further, there can be no assurance that the Equity Shares allocated to an investor will be credited to the investor's demat account or that trading in the Equity Shares will commence in a timely manner.

84. ***Overseas shareholders may not be able to participate in our Company's future rights offerings or certain other equity issues.***

If our Company offers or causes to be offered to holders of its Equity Shares rights to subscribe for additional Equity Shares or any right of any other nature, our Company will have discretion as to the procedure to be followed in making such rights available to holders of the Equity Shares or in disposing of such rights for the benefit of such holders and making the net proceeds available to such holders. For instance, our Company may not offer such rights (including their credit) to the holders of Equity Shares who have a registered address in the United States unless: (i) a registration statement is in effect, if a registration statement under the U.S. Securities Act is required in order for our Company to offer such rights to holders and sell the securities represented by such rights; or (ii) the offering and sale of such rights or the underlying securities to such holders are exempt from registration under the provisions of the U.S. Securities Act and the U.S. Investment Company Act. Our Company has no obligation to prepare or file any registration statement. Accordingly, shareholders who have a registered address in the United States may be unable to participate in future rights offerings and may experience a dilution in their holdings as a result.

85. ***Investors may be subject to Indian taxes arising out of capital gains on the sale of our Equity Shares.***

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Previously, any gain realised on the sale of listed equity shares on or before March 31, 2018 on a stock exchange held for more than 12 months was not subject to long-term capital gains tax in India if securities transaction tax ("**STT**") was paid on the sale transaction. However, the Finance Act, 2018, now seeks to tax on such long-term capital gains exceeding ₹ 100,000 arising from sale of equity shares on or after April 1, 2018, while continuing to exempt the unrealised capital gains earned up to January 31, 2018 on such Equity Shares. Accordingly, you may be subject to payment of long-term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which our Equity Shares are sold. Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India. Capital gains arising from the sale of our Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of our Equity Shares Rights Entitlements.

Further, the Finance Act, 2019, which has been notified with effect from April 1, 2019, stipulates the sale, transfer and issue of securities through exchanges, depositories or otherwise to be charged with stamp duty. The Finance Act has also clarified that, in the absence of a specific provision under an agreement, the liability to pay stamp duty in case of sale of securities through stock exchanges will be on the buyer, while in other cases of transfer for consideration through a depository, the onus will be on the transferor. The stamp duty for transfer of securities other than debentures, on a delivery basis is specified at 0.015% and on a non-delivery basis is specified at 0.003% of the consideration amount. These amendments have been notified on December 10, 2019, however these amendments will come into effect from July 1, 2020. The Finance Act, 2020 has also provided a number of amendments to the direct and indirect tax regime, including, without limitation, a simplified alternate direct tax regime and that dividend distribution tax will not be payable in respect of dividends declared, distributed or paid by a domestic company after March 31, 2020, and accordingly, such dividends would not be exempt in the hands of the shareholders, both resident as well as non-resident.

86. ***Holders of Equity Shares could be restricted in their ability to exercise pre-emptive rights under Indian law and could thereby suffer future dilution of their ownership position.***

Under the Companies Act, any company incorporated in India must offer its holders of equity shares pre-emptive rights to subscribe and pay for a proportionate number of equity shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the equity shares who have voted on such resolution. However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, your proportional interests in us would be reduced.

87. ***Fluctuations in the exchange rate between the Rupee and the U.S. Dollar could have an adverse effect on the value of our Equity Shares, independent of our operating results.***

Our Equity Shares are quoted in Rupees on the Stock Exchanges. Any dividends in respect of our Equity Shares will be paid in Rupees and subsequently converted into U.S. Dollars for repatriation, as required. Any adverse movement in exchange rates during the time it takes to undertake such conversion may reduce the net dividend to investors in terms of domicile currency of the investor. In addition, any adverse movement in exchange rates during a delay in repatriating the proceeds from a sale of Equity Shares outside India, for example, because of a delay in regulatory approvals that may be required for the sale of Equity Shares, may reduce the net proceeds received by shareholders. The exchange rate between the Rupee and the U.S. dollar has changed substantially in the last two decades and could fluctuate substantially in the future, which may have an adverse effect on the value of our Equity Shares and returns from our Equity Shares, independent of our operating results.

88. ***Foreign investors are subject to foreign investment restrictions under Indian law that limit our ability to attract foreign investors, which may adversely affect the trading price of our Equity Shares.***

Under the foreign exchange regulations currently in force in India, transfers of shares between non-residents and residents are freely permitted (subject to certain exceptions) if they comply with the requirements specified by the RBI. If the transfer of shares is not in compliance with such requirements or falls under any of the specified exceptions, then prior approval of the RBI will be required. In addition, shareholders who seek to convert the Rupee proceeds from a sale of shares in India into foreign currency and repatriate that foreign currency from India will require a no-objection or tax clearance certificate from the income tax authority. Additionally, the Indian government may impose foreign exchange restrictions in certain emergency situations, including situations where there are sudden fluctuations in interest rates or exchange rates, where the Indian government experiences extreme difficulty in stabilizing the balance of payments or where there are substantial disturbances in the financial and capital markets in India. These restrictions may require foreign investors to obtain the Indian government's approval before acquiring Indian securities or repatriating the interest or dividends from those securities or the proceeds from the sale of those securities. There can be no assurance that any approval required from the RBI or any other government agency can be obtained on any particular terms or at all.

89. ***There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

The Equity Shares will be subject to a daily circuit breaker imposed on listed companies by all stock exchanges in India, which does not allow transactions beyond a certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on the Equity Shares' circuit breaker will be set by the stock exchanges based on historical volatility in the price and trading volume of the Equity Shares. The stock exchanges are not required to inform us of the percentage limit of the circuit breaker and they may change the limit without our knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

90. ***Any future issuance of Equity Shares by us or sales of our Equity Shares by any of our significant shareholders may adversely affect the trading price of our Equity Shares.***

Any future issuance of our Equity Shares by us could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares and could impact our ability to raise capital through an offering of our securities. We cannot assure you that we will not issue further Equity Shares or that the shareholders will not dispose of, pledge or otherwise encumber their Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

91. ***The Equity Shares to be allotted may not be credited to your demat account in a timely manner and cannot be traded unless the listing and trading approval is received or at all.***

The Equity Shares that you purchase in the Issue may not be credited to your demat account with the depository participants until approximately 15 days from the Issue Closing Date. You can start trading such Equity Shares only after receipt of the listing and trading approval in respect thereof. There can be no assurance that the Equity Shares allocated to you will be credited to your demat account, or that trading in the Equity Shares will commence within the specified time period, subjecting you to market risk for such period.

SECTION III: INTRODUCTION

THE ISSUE

The Issue has been authorized by way of a resolution passed by our Board on November 9, 2020, pursuant to section 62(1)(a) of the Companies Act, 2013 and other applicable provisions. The terms of the Issue including the Record Date and Rights Entitlement Ratio, have been approved by a resolution passed by our Board at its meeting held on [●], 2021.

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, detailed information included in "*Terms of the Issue*" beginning on page 308.

Equity Shares being offered by our Company	Up to [●] Equity Shares
Rights Entitlement	[●] Equity Share for every [●] fully paid-up Equity Share(s) held on the Record Date
Record Date	[●]
Face value per Equity Share	₹ 10 each
Issue Price	₹ [●] per Equity Share (including a premium of ₹ [●] per Equity Share)
Dividend	Such dividend as may be declared by our Board and our shareholders, as per applicable law
Issue Size	Up to ₹ 3,000 crore# #*To be adjusted as per the Rights Entitlement ratio*
Equity Shares subscribed, paid–up and outstanding prior to the Issue	2,00,69,79,075 Equity Shares. For details, see "*Capital Structure*" beginning on page 61
Equity Shares subscribed, paid–up and outstanding after the Issue (assuming full subscription for and Allotment of the Rights Entitlement)	[●]
Security codes for the Equity Shares	ISIN for Equity Shares: INE498L01015 BSE Code: 533519 NSE Code: L&TFH
ISIN for Rights Entitlements	[●]
Terms of the Issue	For details, see "*Terms of the Issue*" beginning on page 308
Use of Issue Proceeds	For details, see "*Objects of the Issue*" beginning on page 63

For details in relation fractional entitlements, see "*Terms of the Issue – Fractional Entitlements*" beginning on page 325.

Terms of Payment

Due Date	Amount payable per Equity Shares (including premium)
On the Issue application (i.e. along with the Application Form)	[●]

SELECTED STATISTICAL INFORMATION

This Letter of Offer, including this section "Selected Statistical Information", includes financial measures and certain other statistical information of our financial condition and operations not prepared under or required by Ind AS, i.e., non-Ind AS financial information, which may not accurately represent our financial condition, performance and results of operations. Non-Ind AS information should not be considered in isolation from, or as a substitute for, financial information presented in the Audited Consolidated Financial Statements and Unaudited Consolidated September Financial Results of our Company. The non-Ind AS financial information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other non-banking financial companies, housing finance companies or financial services companies. Accordingly, investors should not place undue reliance on the non-Ind AS financial information included in this Letter of Offer.

The following information is included for analytical purposes and should be read in conjunction with the Audited Consolidated Financial Statements and Unaudited Consolidated September Financial Results included in this Letter of Offer, as well as the sections "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 143 and 259, respectively.

For updates in relation to financial and operational performance as of and for the period ended December 31, 2020, see "Recent Developments" beginning on page 54.

Financial Performance Summary (Consolidated)

(in ₹ crore)

Summary Profit & Loss	For the quarter ended September 30, 2020	For the quarter ended June 30, 2020	For the year ended March 31, 2020	For the quarter ended September 30, 2019
Interest Income	3,205.51	3,212.41	13,079.91	3,253.90
Interest Expense	1,894.23	1,977.18	7,512.55	1,891.43
Net Interest Margin	1,311.29	1,235.23	5,567.37	1,362.47
Fee and Other Income	308.64	190.30	1,576.11	470.37
Net Interest Margin, Fee and Other Income	1,619.93	1,425.53	7,143.48	1,832.84
Operating Expenses	453.25	418.40	1,890.54	448.47
Earnings before credit cost	1,166.68	1,007.13	5,252.94	1,384.37
Credit Cost (excluding COVID-19 & Macro Prudential)	374.55	318.27	2,342.04	623.60
Credit Cost (for COVID-19 & Macro Prudential)	446.27	576.72	233.91	-
PAT before exceptional items	**288.44**	**148.31**	**2,173.13**	**647.15**
Exceptional items (DTA and Others)	23.32	-	472.95	472.95
PAT attributable to owners of our Company	**265.12**	**148.31**	**1,700.17**	**174.20**

Particulars	As on September 30, 2020	As on June 30, 2020	As on March 31, 2020	As on September 30, 2019
Adjusted loans and advances	98,822.84	98,878.86	98,384.00	1,00,257.79
Net worth	15,154.97	14,880.84	14,692.42	13,980.84
Adjusted loans and advances value per share (₹)	75.53	74.22	73.28	69.89

Key Ratios (Consolidated)

(in ₹ crore)

Key Ratios	For the quarter ended September 30, 2020	For the quarter months ended June 30, 2020	For the year ended March 31, 2020	For the quarter ended September 30, 2019
Yield	12.84%	13.03%	13.09%	13.01%
Net Interest Margin	5.25%	5.01%	5.57%	5.45%
Fee & Other Income	1.24%	0.77%	1.58%	1.88%
Net Interest Margin, Fee and Other Income	6.49%	5.78%	7.15%*	7.33%*
Operating Expenses	1.81%	1.70%	1.89%	1.79%

Key Ratios	For the quarter ended September 30, 2020	For the quarter months ended June 30, 2020	For the year ended March 31, 2020	For the quarter ended September 30, 2019
Earnings before credit cost	4.67%	4.09%	5.26%	5.53%
Credit Cost (excluding COVID-19 and Macro Prudential)	1.50%	1.29%	2.34%	2.49%
Credit Cost (for COVID-19 and Macro Prudential)	1.79%	2.34%	0.23%	-
Return on Assets	1.04%	0.53%	2.05%	2.44%
Debt / Equity	5.57	5.70	5.81	6.15
Return on Equity	**7.58%**	**3.94%**	**14.96%**	**18.13%**

* *Excluding one-time impact, Net Interest Margin, Fee and Other Income will be 6.95% for the year ended March 31, 2020 and 6.86% for the three months ended September 30, 2019.*

Capital Adequacy	As on September 30, 2020	As on June 30, 2020	As on March 31, 2020	As on September 30, 2019
Tier I	17.29%	17.23%	17.70%	15.49%
Tier II	4.08%	3.95%	3.90%	3.37%
CRAR	21.37%	21.18%	21.60%	18.87%

Disbursements (Consolidated)

(in ₹ crore)

Segments	For the quarter ended September 30, 2020	For the quarter ended June 30, 2020	For the year ended March 31, 2020	For the quarter ended September 30, 2019
Farm equipment	1,089.08	589.59	3,820.59	686.20
Two-wheeler finance	1,102.14	310.46	4,901.02	1,113.50
Micro loans	1,353.74	6.57	9,884.01	2,838.77
Consumer loans	61.88	5.94	154.20	-
Rural Finance business	**3,606.84**	**912.56**	**18,759.83**	**4,638.46**
Home loans	322.94	66.10	2,612.47	651.98
Loan against property	113.25	2.09	591.37	141.85
Real estate finance	177.95	248.46	4,877.32	1,238.30
Housing Finance business	**614.13**	**316.65**	**8,081.16**	**2,032.13**
Infrastructure finance	2,908.10	647.88	9,017.37	2,436.13
Infra debt fund (IDF)	-	441.32	1,302.10	672.01
Infrastructure Finance business	**2,908.10**	**1,089.21**	**10,319.47**	**3,108.14**
Focused business	**7,129.07**	**2,318.41**	**37,160.46**	**9,778.73**
Defocused Business	-	-	-	-
Total Disbursement	**7,129.07**	**2,318.41**	**37,160.46**	**9,778.73**

Adjusted Loans and Advances (Consolidated)

(in ₹ crore)

Segments	As on September 30, 2020	As on June 30, 2020	As on March 31, 2020	As on September 30, 2019
Farm equipment	9,190.93	8,403.09	8,437.88	7,747.22
Two-wheeler finance	6,708.48	6,385.90	6,574.80	6,008.77
Micro loans	12,261.79	12,531.29	12,495.02	12,840.53
Consumer loans	209.64	155.42	153.67	-
Rural Finance business	**28,370.83**	**27,475.69**	**27,661.36**	**26,596.52**
Home loans	7,823.96	7,830.08	7,769.71	7,024.19
Loan against property	3,911.10	3,907.86	3,880.61	4,076.34
Real estate finance	15,506.21	15,215.70	14,933.20	15,885.43
Housing Finance	**27,241.28**	**26,953.64**	**26,583.52**	**26,985.96**
Infrastructure finance	29,714.62	30,130.88	30,113.21	30,660.39
Infra debt fund (IDF)	8,845.51	9,145.61	8,795.93	8,811.95
Infrastructure Finance	**38,560.13**	**39,276.48**	**38,909.14**	**39,472.34**
Focused Business	**94,172.25**	**93,705.82**	**93,154.02**	**93,054.82**
Defocused Business	4,650.59	5,173.04	5,229.98	7,202.97
Total Adjusted Loans & Advances	**98,822.84**	**98,878.86**	**98,384.00**	**1,00,257.79**

Asset Quality (Consolidated)

Asset Quality	As on September 30, 2020	As on June 30, 2020	As on March 31, 2020	As on September 30, 2019
Gross NPA (gross stage 3 assets) (₹ crore)	4,920.73	4,938.64	5,037.16	5,745.40
Gross NPA (gross stage 3 assets) %	5.19%	5.24%	5.36%	5.98%
Net NPA (net stage 3 assets) (₹ crore)	1,530.41	1,553.14	2,078.15	2,631.95
Net NPA (net stage 3 assets) %	1.67%	1.71%	2.28%	2.83%
Provision coverage ratio	68.90%	68.55%	58.74%	54.19%

Cost of Borrowings (Consolidated)

Particulars	For the quarter ended September 30, 2020	For the quarter ended June 30, 2020	For the year ended March 31, 2020	For the quarter months ended September 30, 2019
Average cost of Borrowings	8.32%	8.49%	8.54%	8.61%

Assets Under Management

(in ₹ crore)

Particulars	For the quarter ended September 30, 2020	For the quarter ended June 30, 2020	For the year ended March 31, 2020	For the quarter ended September 30, 2019
Equity (Other than ELSS)	32,550.24	30,453.06	25,663.72	37,159.13
Equity – ELSS	3,084.71	2,841.71	2,346.28	3,282.72
Income	18,741.91	16,891.68	18,236.42	16,731.45
Liquid	9,192.39	9,616.50	8,556.57	8,495.34
Gilt	278.39	253.47	133.64	128.16
Total	**63,847.63**	**60,056.42**	**54,936.63**	**65,796.80**

Average Assets Under Management

(in ₹ crore)

Particulars	For the quarter ended September 30, 2020	For the quarter ended June 30, 2020	For the year ended March 31, 2020	For the quarter ended September 30, 2019
Equity (Other than ELSS)	32,087.08	28,279.20	34,698.47	36,355.75
Equity –ELSS	3,036.29	2,624.19	3,178.86	3,215.54
Income	17,971.87	17,237.40	20,322.59	16,682.22
Liquid	9,629.91	10,030.17	12,731.15	12,829.47
Gilt	332.04	190.97	124.70	130.43
Total	**63,057.20**	**58,361.93**	**71,055.79**	**69,213.42**

Additional Provisions (Consolidated)

(in ₹ crore)

Particulars	For the quarter ended September 30, 2020	For the quarter ended June 30, 2020
Macro Prudential provisions	1,100.00	650.00
Covid-19 Provisions @10% on 1-90 DPD book with moratorium	482.67	486.40
Enhanced ECL provisions on stage 1 & 2 assets basis higher LGD assumptions	174.56	108.15
Total	**1,757.23**	**1,244.55**

Additional Provisions

(in ₹ crore)

Particulars	For the quarter ended September 30, 2020
Micro Loan Book	1,079.25
Housing Finance Book	517.74

RECENT DEVELOPMENTS

[●]

GENERAL INFORMATION

Our Company was originally incorporated as L&T Capital Holdings Limited in Mumbai on May 1, 2008 as a public limited company under the Companies Act, 1956, and was granted the certificate of incorporation by the Registrar of Companies, Maharashtra at Mumbai. Our Company received the certificate for commencement of business on May 15, 2008. Subsequently, the name of our Company was changed to L&T Finance Holdings Limited and a fresh certificate of incorporation consequent upon change of name was granted by the Registrar of Companies, Maharashtra at Mumbai on September 6, 2010. Our Company is registered as a systematically important core investment company with RBI pursuant to a certificate of registration dated September 11, 2013 (not valid for accepting deposits) issued by RBI under Section 45 IA of the Reserve Bank of India Act, 1934. The Registered Office of our company changed from L&T House, N. M. Marg, Ballard Estate, Mumbai – 400 001, Maharashtra, India to Brindavan, Plot No. 177, C.S.T. Road, Kalina, Santacruz (East), Mumbai – 400 098, Maharashtra, India with effect from June 15, 2017.

Registered and Corporate Office, CIN and registration number of our Company

Brindavan, Plot No.177
C.S.T Road, Kalina
Santacruz (East)
Mumbai 400 098
Telephone: +91 22 6212 5000
Website: www.ltfs.com
Corporate Identity Number: L67120MH2008PLC181833
Registration number:181833
E-mail: igrc@ltfs.com

Address of the RoC

Our Company is registered with the RoC, which is situated at the following address:

Registrar of Companies
Everest, 5th Floor
100, Marine Drive
Mumbai 400 002

Company Secretary and Compliance Officer

Apurva Rathod
Company Secretary and Compliance Officer
L&T Finance Holdings Limited
Brindavan, Plot No. 177, C.S.T Road
Kalina, Santacruz (East)
Mumbai 400 098
Telephone: +91 22 6212 5000
E-mail: igrc@ltfs.com

Joint Statutory Auditors to our Company

Deloitte Haskins & Sells LLP, Mumbai
One International Center
32nd Floor, Tower 3
Senapati Bapat Marg, Elphinstone Mill Compound
Elphinstone (West)
Mumbai 400 013
Telephone: +91 022 6185 4000
E-mail: nedaruwalla@deloitte.com

B. K. Khare & Co., Mumbai
706/708, Sharda Chambers
New Marine Lines
Mumbai 400 020
Telephone: +91 22 6243 9500
E-mail: shirishrahalkar@bkkhareco.com, amjoshi@bkkhareco.com

Lead Managers to the Issue

Axis Capital Limited
1st Floor, Axis House
C-2 Wadia International Centre
P.B. Marg, Worli
Mumbai 400 025
Telephone: +91 (22) 4325 2183
E-mail: ltfh.rights@axiscap.in
Investor grievance e-mail: complaints@axiscap.in
Contact person: Ankit Bhatia
Website: www.axiscapital.co.in
SEBI registration Number: INM000012029

BOB Capital Markets Limited
1704, B Wing, 17th Floor
Parinee Crescenzo, Plot No. C - 38/39, G Block
Bandra Kurla Complex, Bandra (East)
Mumbai 400 051
Telephone: +91 22 6138 9300
E-mail: ltfh.rights@bobcaps.in
Investor grievance e-mail: investorgrievance@bobcaps.in
Contact person: Nivedika Chavan
Website: www.bobcaps.in
SEBI registration number: INM000009926

Citigroup Global Markets India Private Limited
1202, 12th Floor, First International Financial Centre
Plot No. C54 and C55, G Block
Bandra Kurla Complex, Bandra (East)
Mumbai 400 098
Telephone: +91 (22) 6175 9999
E-mail: LTFH.rights@citi.com
Investor grievance e-mail: LTFH.rights@citi.com
Contact person: Pallavi Garg
Website: www.online.citibank.co.in
SEBI registration number: INM000010718

Credit Suisse Securities (India) Private Limited
9th Floor, Ceejay House
Plot F, Shivsagar Estate
Dr. Annie Besant Road
Worli, Mumbai 400 018
Telephone: +91 (22) 6777 3885
E-mail: list.projectoctavius@credit-suisse.com
Investor grievance e-mail: list.igcellmer-bnkg@credit-suisse.com
Contact person: Abhishek Joshi
Website: www.credit-suisse.com
SEBI registration number: INM000011161

HSBC Securities and Capital Markets (India) Private Limited
52/60, Mahatma Gandhi Road
Fort, Mumbai 400 001
Telephone: +91 (22) 2268 5555
E-mail: ltfhrights@hsbc.co.in
Investor grievance e-mail: investorgrievance@hsbc.co.in
Contact person: Sanjana Maniar
Website: https://www.business.hsbc.co.in/en-gb/in/generic/ipo-open-offer-and-buyback
SEBI registration number: INM000010353

ICICI Securities Limited
ICICI Centre
H.T. Parekh Marg, Churchgate
Mumbai 400 020
Telephone: +91 22 2288 2460
E-mail: ltfh.rights@icicisecurities.com
Investor grievance e-mail: customercare@icicisecurities.com
Contact person: Arjunn A Mehrotra/Nidhi Wangnoo
Website: www.icicisecurities.com
SEBI registration number: INM000011179

Motilal Oswal Investment Advisors Limited
Motilal Oswal Tower
Rahimtullah Sayani Road, Opposite Parel ST Depot
Prabhadevi
Mumbai 400 025
Telephone: +91 22 7193 4380
E-mail: ltfh.rights@motilaloswal.com
Investor grievance e-mail: moiaplredressal@motilaloswal.com
Contact person: Subodh Mallya/ Kristina Dias
Website: www.motilaloswalgroup.com
SEBI registration number: INM000011005

SBI Capital Markets Limited
202, Maker Tower 'E'
Cuffe Parade
Mumbai 400 005
Telephone: +91 22 2217 8300
E-mail: ltfh.rights@sbicaps.com
Investor grievance e-mail: investor.relations@sbicaps.com
Contact person: Gaurav Mittal / Karan Savardekar
Website: www.sbicaps.com
SEBI registration number: INM000003531

UBS Securities India Private Limited
2/F, 2 North Avenue
Maker Maxity, Bandra Kurla Complex, Bandra (East)
Mumbai 400 051
Telephone: +91 22 6155 6000
E-mail: ol-project_octavius@ubs.com
Investor grievance e-mail: customercare@ubs.com
Contact person: Aditya Singh
Website: www.ubs.com
SEBI registration number: INM000010809

Legal Advisor to our Company as to Indian law

Cyril Amarchand Mangaldas
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Telephone: +91 (22) 2496 4455

Legal Advisor to the Lead Managers as to Indian law

Khaitan & Co
One World Centre
10th & 13th Floor, Tower 1C
841, Senapati Bapat Marg
Mumbai 400 013
Telephone: +91 (22) 6636 5000

Special Purpose International Legal Advisor to the Lead Managers

Sidley Austin LLP
Level 31
Six Battery Road
Singapore 049 909
Telephone: +65 6230 3900

Registrar to the Issue

Link Intime India Private Limited
C-101, 247 Park, L.B.S. Marg
Vikhroli (West)
Mumbai 400 083
Telephone: +91 (22) 4918 6200
E-mail: lntfinance.rights@linkintime.co.in
Investor grievance e-mail: lntfinance.rights@linkintime.co.in
Website: www.linkintime.co.in
Contact Person: Sumeet Deshpande
SEBI registration number: INR000004058

Investors may contact the Registrar to the Issue or our Company Secretary and Compliance Officer for any pre-Issue or post-Issue related matters. All grievances relating to the ASBA process or R-WAP may be addressed to the Registrar to the Issue, with a copy to the SCSB (in case of ASBA process), giving full details such as name, address of the Applicant, contact number(s), e-mail address of the sole/ first holder, folio number or demat account, number of Equity Shares applied for, amount blocked (in case of ASBA process) or amount debited (in case of R-WAP process), ASBA Account number and the Designated Branch of the SCSB where the Application Forms, or the plain paper application, as the case may be, was submitted by the Investors along with a photocopy of the acknowledgement slip (in case of ASBA process), and copy of the e-acknowledgement (in case of R-WAP process). For details on the ASBA process and R-WAP process, see "*Terms of the Issue*" beginning on page 308.

Experts

Our Company has received a written consent dated [●] from our Joint Statutory Auditors, Deloitte Haskins & Sells LLP, Mumbai and B.K. Khare & Co., Mumbai, to include their names in this Letter of Offer as an *"expert"*, as defined under applicable laws, to the extent and in their capacity as statutory auditors, and in respect of the reports issued by them and the Statement of Tax Benefits, included in this Letter of Offer. Such consent has not been withdrawn as on the date of this Letter of Offer. However, the term *"expert"* shall not be construed to mean an *"expert"* as defined under the U.S. Securities Act.

Banker(s) to the Issue

Axis Bank Limited
Axis Bank Kalina Branch
Ground floor & Mezzanine, Manek Plaza
CST Road, Santacruz (East)
Mumbai – 400 055
Telephone: +91 (22) 2652 3006

E-mail: kalina.branchhead@axisbank.com
Website: www.axisbank.com
Contact Person: Vijay Seshadri

Self-Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as the SCSBs for the ASBA process is provided on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 and updated from time to time. For a list of branches of the SCSBs named by the respective SCSBs to receive the ASBA Forms from the Designated Intermediaries, please refer to the above-mentioned link.

Issue Schedule

Last Date for credit of Rights Entitlements	[●]
Issue Opening Date	[●]
Last date for On Market Renunciation of Rights Entitlements #	[●]
Issue Closing Date*	[●]
Finalization of Basis of Allotment (on or about)	[●]
Date of Allotment (on or about)	[●]
Date of credit (on or about)	[●]
Date of listing (on or about)	[●]

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.

* *Our Board or a duly authorized committee thereof will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

Please note that if Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar not later than two Working Days prior to the Issue Closing Date, *i.e.*, [●] to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date, *i.e.*, [●].

Further, in accordance with the SEBI Rights Issue Circulars, (a) the Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date; or (b) the Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date and who have not furnished the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, desirous of subscribing to Rights Entitlements may also apply in this Issue during the Issue Period. For further details, see "*Terms of the Issue - Process of making an Application in the Issue*" beginning on page 309.

Investors are advised to ensure that the Application Forms are submitted on or before the Issue Closing Date. Our Company, the Lead Managers or the Registrar will not be liable for any loss on account of non-submission of Application Forms on or before the Issue Closing Date. Further, it is also encouraged that the applications are submitted well in advance before Issue Closing Date, due to prevailing COVID-19 related conditions. For details on submitting Application Forms, see "*Terms of the Issue - Process of making an Application in the Issue*" beginning on page 309.

The details of the Rights Entitlements with respect to each Eligible Equity Shareholders can be accessed by such respective Eligible Equity Shareholders on the website of the Registrar at www.linkintime.co.in. after keying in their respective details along with other security control measures implemented thereat. For further details, see "*Terms of the Issue- Credit of Rights Entitlements in demat accounts of Eligible Equity Shareholders*" beginning on page 322.

Monitoring Agency

Our Company has appointed Axis Bank Limited as the Monitoring Agency, in accordance with Regulation 82 of the SEBI ICDR Regulations, to monitor the utilization of Net Proceeds.

Axis Bank Limited
Axis Bank Kalina Branch
Ground floor & Mezzanine, Manek Plaza
CST Road, Santacruz (East)
Mumbai – 400 055
Telephone: +91 22 2652 3006
E-mail: kalina.branchhead@axisbank.com
Website: www.axisbank.com

Inter se allocation of responsibilities among the Lead Managers

The following table sets forth the responsibilities of the Lead Managers for various activities in relation to the Issue:

S. No.	Activity	Responsibility	Coordination
1.	Capital structuring with the relative components and formalities such as type of instrument, number of instruments to be issued, etc.	Lead Managers	Axis Capital Limited
2.	Coordination for drafting and design of the Letter of Offer as per the SEBI ICDR Regulations, SEBI Listing Regulations and other stipulated requirements and completion of filings with the Stock Exchanges and SEBI.	Lead Managers	Axis Capital Limited
3.	Drafting, design and distribution of the Abridged Letter of Offer, the Application Form and memorandum containing salient features of the Letter of Offer.	Lead Managers	Axis Capital Limited
4.	Drafting, design and distribution of the Rights Entitlement Form.	Lead Managers	Axis Capital Limited
5.	Selection of various agencies connected with the Issue, namely Registrar to the Issue, Escrow Bank/ Banker(s) to the Issue, Advertising Agency, Monitoring Agency and coordination of execution of related agreements.	Lead Managers	Axis Capital Limited
6.	Drafting and approval of all statutory advertisements.	Lead Managers	Axis Capital Limited
7.	Drafting and approval of all publicity material including corporate advertisement, brochure, corporate films, etc.	Lead Managers	SBI Capital Markets Limited
8.	Formulating and Coordination of International marketing strategy.	Lead Managers	HSBC Securities and Capital Markets (India) Private Limited
9.	Formulating and Coordination of Domestic Institutional marketing strategy.	Lead Managers	Motilal Oswal Investment Advisors Limited
10.	Formulating retail strategy which will cover, inter alia, distribution of publicity and Issue materials including application form, brochure and Letter of Offer and coordination for queries related to retail investors.	Lead Managers	SBI Capital Markets Limited
11.	Submission of 1% security deposit.	Lead Managers	Axis Capital Limited
12.	Co-ordination with stock exchanges and formalities for use of online software, bidding terminal, mock trading, etc.	Lead Managers	Axis Capital Limited
13.	Post-Issue activities, which shall involve essential follow-up steps including follow-up with Escrow Bank/ Banker(s) to the Issue and the SCSBs to get quick estimates of collection and advising our Company about the closure of the Issue, finalization of the Basis of Allotment, technical rejections or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-issue activity such as Registrar to the Issue, Escrow Bank/ Banker(s) to the Issue, SCSBs, etc., and coordination for filing of media compliance report, if any, release of 1% security deposit.	Lead Managers	Axis Capital Limited

Minimum Subscription

The objects of the Issue involve financing other than financing of capital expenditure for a project and our Promoter has undertaken to subscribe to the full extent of its respective Rights Entitlements, subject to compliance with the minimum public shareholding requirements, as prescribed under the SCRR. In addition, our Promoter reserves the right to subscribe to the unsubscribed portion in the Issue, if any, to the extent that the amount involved in such subscription of the unsubscribed portion in the Issue does not exceed ₹ 1,000 crore, subject to compliance with the Companies Act, the SEBI ICDR Regulations, the SEBI Takeover Regulations and other applicable laws. Accordingly, in terms of the SEBI ICDR Regulations, the requirement of minimum subscription in the Issue is not applicable. As on the date of this Letter of Offer, members of our Promoter Group (other than our Promoter), do not hold any Equity Shares in our Company and accordingly, they will not participate in the Issue.

Any participation by our Promoter, over and above its Rights Entitlements, shall not result in a breach of the minimum public shareholding requirements prescribed under applicable law.

Filing

This Letter of Offer is being filed with the Stock Exchanges as per the provisions of the SEBI ICDR Regulations. Further our Company will simultaneously do an online filing with SEBI through the SEBI intermediary portal at https://siportal.sebi.gov.in in terms of the circular (No. SEBI/HO/CFD/DIL1/CIR/P/2018/011) dated January 19, 2018 issued by the SEBI. Further, in light of the SEBI notification dated March 27, 2020, our Company will submit a copy of this Letter of Offer to the e-mail address: cfddil@sebi.gov.in.

CAPITAL STRUCTURE

The share capital of our Company as at the date of this Letter of Offer, and the details of the Equity Shares proposed to be issued in the Issue, and the issued, subscribed and paid up share capital after the Issue, are set forth below:

(in ₹ crore, except share data)

		Aggregate value at face value	Aggregate value at Issue Price
A	**AUTHORISED SHARE CAPITAL**		
	5,00,00,00,000 Equity Shares of ₹10 each	5,000.00	NA
	50,00,00,000 preference shares of ₹100 each	5,000.00	NA
B	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE ISSUE**		
	2,00,69,79,075 Equity Shares of ₹10 each fully paid up	2,006.98	NA
	11,24,10,000 preference shares(1) of ₹100 each fully paid up	1,124.10	NA
C	**PRESENT ISSUE IN TERMS OF THIS LETTER OF OFFER** (2)		
	Up to [●] Equity Shares, each at a premium of ₹ [●] per Equity Share, i.e., at a price of ₹ [●] per Equity Share (3)	[●]	[●]
D	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE ISSUE**#(3)(4)		
	[●] Equity Shares of ₹10 each fully paid up	[●]	
E	**SECURITIES PREMIUM ACCOUNT**		
	Before the Issue		5,162.88
	After the Issue#		[●]

\# *Assuming full subscription for and Allotment of the Equity Shares*

(1) *The preference shares of our Company consist of cumulative compulsorily redeemable non-convertible preference shares bearing rates of dividend ranging from 7.50% per annum to 8.95% per annum.*

(2) *The Issue has been authorised by our Board pursuant to resolution dated November 9, 2020. The terms of the Issue including the Record Date and Rights Entitlement Ratio, have been approved by a resolution passed by our Board at its meeting held on [●], 2021.*

(3) *To be determined upon finalisation of the Issue Price.*

(4) *Since the Issue is of the Equity Shares, the issued, subscribed and paid up capital after the Issue reflects the Equity Shares only.*

\# *Subject to Basis of Allotment.*

Notes to the Capital Structure

1. **Shareholding Pattern of our Company as per the last filing with the Stock Exchanges in compliance with the provisions of the SEBI Listing Regulations:**

    (i) The shareholding pattern of our Company as on September 30, 2020, can be accessed on the website of the BSE at https://www.bseindia.com/stock-share-price/lt-finance-holdings-ltd/ltfh/533519/shareholding-pattern/; and the NSE at https://www1.nseindia.com/corporates/corporateHome.html?id=spatterns&radio_btn=company&param=L%26TFH.

    (ii) The statement showing holding of Equity Shares of persons belonging to the category "Promoter and Promoter Group" including the details of lock-in, pledge of and encumbrance thereon, as on September 30, 2020, can be accessed on the website of the BSE at https://www.bseindia.com/corporates/shpPromoterNGroup.aspx?scripcd=533519&qtrid=107.00&QtrName=September%202020 and the NSE at https://www1.nseindia.com/corporates/corporateHome.html?id=spatterns&radio_btn=company&param=L%26TFH.

    (iii) The statement showing holding of securities (including Equity Shares, warrants, convertible securities) of persons belonging to the category "Public" including Equity Shareholders holding more than 1% of the total number of Equity Shares as on September 30, 2020, as well as details of shares which remain unclaimed for public can be accessed on the website of the BSE, at https://www.bseindia.com/corporates/shpPublicShareholder.aspx?scripcd=533519&qtrid=107.00&QtrName=September%202020 and the NSE at https://www1.nseindia.com/corporates/corporateHome.html?id=spatterns&radio_btn=company&param=L%26TFH.

2. **Details of outstanding instruments**

Employee stock option schemes

Our Company has formulated two ESOP Schemes, namely, (i) ESOP 2010 pursuant to a special resolution passed by the shareholders of our Company on November 29, 2010 and subsequently ratified by the shareholders of our Company through a special resolution passed by way of postal ballot on June 14, 2012 post the initial public offering undertaken by our Company, and (ii) ESOP 2013 pursuant to a special resolution passed by the shareholders of our Company on April 4, 2014 (collectively, the "**ESOP Schemes**"). The purpose of the ESOP Schemes is to reward those employees who contribute significantly to our Company's profitability and shareholders' value as well as encourage improvement in performance and retention of talent.

The following table sets forth details in respect of the ESOP Schemes as on December 31, 2020:

Sr. No.	Particulars	Number of Options	
		ESOP 2010	ESOP 2013
1.	Total number of options	8,58,79,893	
2.	Total number of options granted	2,44,33,500	8,48,73,240
3.	Options vested	1,54,57,199	3,36,65,784
4.	Options exercised	1,20,83,911	1,36,44,815
5.	Options lapsed or forfeited or cancelled	1,00,90,839	3,09,93,332
6.	Total number of options outstanding	22,58,750	4,02,35,093

3. **Intention and extent of participation by our Promoter**

Our Promoter has undertaken to subscribe to the full extent of its respective Rights Entitlements, subject to compliance with the minimum public shareholding requirements, as prescribed under the SCRR. In addition, our Promoter reserves the right to subscribe to the unsubscribed portion in the Issue, if any, to the extent that the amount involved in such subscription of the unsubscribed portion in the Issue does not exceed ₹ 1,000 crore, subject to compliance with the Companies Act, the SEBI ICDR Regulations, the SEBI Takeover Regulations and other applicable laws. As on the date of this Letter of Offer, members of our Promoter Group (other than our Promoter), do not hold any Equity Shares in our Company and accordingly, they will not participate in the Issue.

Any participation by our Promoter, over and above its Rights Entitlements, shall not result in a breach of the minimum public shareholding requirements prescribed under applicable law.

4. The ex-rights price of the Equity Shares as per Regulation 10(4)(b) of the Takeover Regulations is ₹[●].

5. At any given time, there shall be only one denomination of the Equity Shares of our Company, excluding any equity shares with superior rights, if any, issued by our Company.

6. All Equity Shares are fully paid-up as on the date of this Letter of Offer and the Equity Shares Allotted pursuant to the Issue shall be fully paid-up. For details on the terms of this Issue, see "*Terms of the Issue*" beginning on page 308.

7. **Details of the Equity Shareholders holding more than 1% of the issued and paid-up Equity Share capital**

The table below sets forth details of Equity Shareholders holding more than 1% of the issued and paid-up Equity Share capital of our Company, as on January 1, 2020:

	Name of the Equity Shareholders	Number of Equity Shares held	Percentage of Equity Shares held (%)
1.	Larsen & Toubro Limited	1,27,75,20,203	63.65
2.	Citigroup Global Markets Mauritius Private Limited - ODI	6,62,12,494	3.30
3.	BC Asia Growth Investments	6,38,20,990	3.18
4.	ICICI Prudential Life Insurance Company Limited	5,81,26,928	2.90
5.	Life Insurance Corporation of India	3,52,65,144	1.76
6.	BC Investments VI Limited	3,18,36,971	1.59

OBJECTS OF THE ISSUE

Our Company intends to utilize the Net Proceeds from the Issue towards the following objects:

1. Repayment of certain commercial papers issued by our Company;
2. Infusion of funds in our Subsidiary, for repayment of certain commercial papers issued by such Subsidiary;
3. Redemption of preference shares issued by our Company; and
4. General corporate purposes.

The main objects clause as set out in the Memorandum of Association enables our Company to undertake (i) its existing business activities; (ii) activities for which the funds are being raised by our Company through this Issue; and (iii) activities for which borrowings were availed and which are proposed to be repaid from the Net Proceeds.

Issue Proceeds

The details of the Issue Proceeds are set forth in the following table:

(in ₹ crore)

Particulars	Estimated amount (up to)
Gross proceeds*	3,000.00
Less: Estimated Issue related expenses**	11.50
Net Proceeds**	2,988.50

* *Assuming full subscription in the Issue and subject to finalization of the Basis of Allotment and to be adjusted per the Rights Entitlement ratio.*
** *Estimated and subject to change for factors including,GST input credit.*

Requirement of funds and utilisation of Net Proceeds

The Net Proceeds are proposed to be used in accordance with the details set forth in the following table:

(in ₹ crore)

Particulars	Estimated amount (up to)
Repayment of certain commercial papers issued by our Company	1,150.00
Infusion of funds in our Subsidiary for repayment of certain commercial papers issued by such Subsidiary	600.00
Redemption of preference shares issued by our Company	500.00
General corporate purposes*	738.50
Total**	**2,988.50**

* *Subject to the finalization of the Basis of Allotment and the Allotment. The amount is subject to adjustment upon finalization of Issue related expenses, however, in no event, shall general corporate purposes exceed 25% of the Net Proceeds.*
** *Assuming full subscription in the Issue and subject to finalization of the Basis of Allotment and to be adjusted per the Rights Entitlement ratio.*

Means of Finance

The funding requirements mentioned above are based on *inter alia* our Company's internal management estimates and have not been appraised by any bank, financial institution or any other external agency. They are based on current circumstances of our business and our Company may have to revise these estimates from time to time on account of various factors beyond our control, such as market conditions, competitive environment, costs of commodities, interest or exchange rate fluctuations. Our Company proposes to meet the entire funding requirements for the proposed objects of the Issue from the Net Proceeds and identifiable internal accruals. Therefore, our Company is not required to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Issue.

Proposed schedule of implementation and deployment of Net Proceeds

We propose to deploy the Net Proceeds towards the objects of the Issue in accordance with the estimated schedule of implementation and deployment of funds as follows:

(*₹ in crore*)

Particulars	Amount to be funded from the Net Proceeds (up to)	Estimated deployment of the Net Proceeds^		
		Fiscal 2022	Fiscal 2023	Fiscal 2024
Repayment of certain commercial papers issued by our Company	1,150.00	1,150.00	-	-
Infusion of funds in our Subsidiary for repayment of certain commercial papers issued by such Subsidiary	600.00	600.00	-	-
Redemption of preference shares issued by our Company	500.00	250.00	250.00	-
General corporate purpose#	738.50	114.40	419.10	205.00
Total*	**2,988.50**	2,114.40	669.10	205.00

^ *Any portion of the Net Proceeds may be utilized by the Company towards the objects of the Issue, ahead of the estimated schedule of deployment.*

Subject to the finalization of the Basis of Allotment and the Allotment. The amount is subject to adjustment upon finalization of Issue related expenses, however, in no event, shall general corporate purposes exceed 25% of the Net Proceeds.

* *Assuming full subscription in the Issue and subject to finalization of the Basis of Allotment and to be adjusted per the Rights Entitlement ratio.*

Note: The deployment of Net Proceeds towards redemption of preference shares may be accelerated prior to their respective redemption dates, subject to fulfilment of applicable requirements.

Our Company's funding requirements and deployment schedules are subject to revision in the future at the discretion of our Board. If additional funds are required for the purposes mentioned above, such requirement may be met through internal accruals, additional capital infusion, debt arrangements or any combination of them. Further, in the event of any shortfall of funds for any of the activities proposed to be financed out of the Net Proceeds, our Company may re-allocate the Net Proceeds to the activities where such shortfall has arisen, subject to compliance with applicable laws. Our Company may also utilize any portion of the Net Proceeds, towards the aforementioned objects of the Issue, ahead of the estimated schedule of deployment specified above.

In the event that the estimated utilization of the Net Proceeds in a scheduled fiscal year is not completely met, the same shall be utilised in the next fiscal year, as may be determined by our Company, in accordance with applicable laws. If the actual utilisation towards any of the Objects is lower than the proposed deployment such balance will be used for future growth opportunities including funding other existing objects, if required and towards general corporate purposes to the extent that the total amount to be utilised towards general corporate purposes will not exceed 25% of the Net Proceeds in accordance with the SEBI ICDR Regulations.

Utilization of Net Proceeds

The details in relation to utilization of Net Proceeds of the Issue are set forth herein below.

1. Repayment of certain commercial papers issued by our Company

Our Company has entered into various financing arrangements with banks, financial institutions and other entities. The borrowing arrangements entered into by our Company comprises *inter alia* non-convertible debentures and commercial papers. As of December 31, 2020, we had total borrowings amounting to ₹ 2,989.93 crore. For details of the total borrowings, see "*Financial Statements*" beginning on page 170. Our Company intends to utilise a part of the Net Proceeds amounting to up to ₹ 1,150.00 crore towards full or partial repayment of certain commercial papers issued by our Company.

The table below provides details of certain commercial papers issued by our Company which are outstanding as on December 31, 2020 and are proposed to be repaid by our Company, in full or in part, from the Net Proceeds. The amounts outstanding against the commercial papers disclosed below may vary from time to time depending on the period and the interest rates. Our Company may refinance/ roll over some or all of such commercial papers or avail new commercial papers in the ordinary course of business depending on the requirements of our Company. Accordingly, our Company may utilise the Net Proceeds for repayment of such refinanced/rolled over commercial papers or fresh borrowings obtained by our Company which are in the nature of commercial papers. Our Company will utilise the Net Proceeds amounting to up to ₹ 1,150.00 crore to repay, either fully or partly, the commercial papers disclosed below or any new commercial papers availed in accordance with commercial considerations and other factors. Payment of interest, prepayment penalty or premium, if any, and other related costs shall be made by us out of the Net Proceeds. The selection of commercial papers proposed to be repaid provided below will be based on various factors, including (i) cost of commercial papers, including applicable interest rates; (ii) provisions of any law, rules, regulations governing such commercial papers, and (iii) other commercial considerations including, among others, outstanding amount and the remaining tenure of the borrowing.

We believe that repayment of commercial papers will help reduce our outstanding indebtedness and debt-servicing costs, assist us in maintaining a favourable debt to equity ratio and enable utilisation of our internal accruals for further investment. In addition, we believe that the leverage capacity of our Company will improve our ability to raise further resources in the future to expand our business.

Sr. No.	ISIN number	Nature of the borrowing	Principal amount outstanding as at December 31, 2020 (in ₹ crore) (1)	Interest (in %)	Purpose(1)
1.	INE498L14AM3	Commercial papers	250.00	4.45	To meet the working capital requirements.
2.	INE498L14AN1		500.00	3.53	
3.	INE498L14AO9		400.00	3.45	
4.	INE498L14AP6		50.00	3.80	
5.	INE498L14AQ4		150.00	4.13	
6.	INE498L14AR2		100.00	3.41	
Total			**1,450.00**	-	

(1) *B.K Khare & Co., Mumbai, pursuant to their certificate dated [●] have confirmed that these borrowings have been utilised for the purposes for which they were availed, as provided in the relevant borrowing documents. These commercial papers are repayable during the Fiscal 2021 and Fiscal 2022 and could be repaid or rolled over or refinanced through short term borrowings and accordingly, in such an event such rolled over or refinanced borrowings would be repaid through Net Proceeds.*

2. Infusion of funds in our Subsidiary for repayment of certain commercial papers issued by such Subsidiary

Our Company intends to utilise a part of the Net Proceeds amounting to up to ₹ 600.00 crore towards infusion of funds in our Subsidiary, L&T Housing Finance Limited ("**LTHF**"), for full or partial repayment of certain commercial papers issued by LTHF.

The table below provides details of certain commercial papers issued by our Subsidiary, LTHF which are outstanding as on December 31, 2020, and are proposed to be repaid, in full or in part, from the Net Proceeds. The amounts outstanding against the commercial papers disclosed below may vary from time to time depending on the period and the interest rates. Our Subsidiary, LTHF may refinance/ roll over some or all of such commercial papers or avail new commercial papers in the ordinary course of business depending on its requirements. Accordingly, our Subsidiary, LTHF may utilise the Net Proceeds for repayment of such refinanced/rolled over commercial papers or fresh borrowings obtained by LTHF which are in the nature of commercial papers. LTHF will utilise the Net Proceeds amounting to up to ₹ 600.00 crore to repay, either fully or partly, the commercial papers disclosed below or any new commercial papers availed in accordance with commercial considerations and other factors. Payment of interest, prepayment penalty or premium, if any, and other related costs shall be made by us out of the Net Proceeds. To the extent the Net Proceeds of the Issue are utilized to repay the commercial papers issued by our Subsidiary LTHF, we shall be deploying the Net Proceeds of the Issue in LTHF in the form of equity and/ or debt or a combination thereof or in any other manner as may be mutually decided by the Company and LTHF. The manner of infusion of the portion of the Net Proceeds allocated towards this object by our Company into LTHF has not been finalized as on the date of this Letter of Offer. The selection of commercial papers proposed to be repaid provided below will be based on various factors, including (i) cost of commercial papers, including applicable interest rates; (ii) provisions of any law, rules, regulations governing such commercial papers, and (iii) other commercial considerations including, among others, outstanding amount and the remaining tenure of the borrowing.

We believe that repayment of commercial papers will help reduce our outstanding indebtedness and debt-servicing costs, assist us in maintaining a favourable debt to equity ratio and enable utilisation of our internal accruals for further investment. In addition, we believe that the leverage capacity of LTHF will improve our ability to raise further resources in the future to expand our business.

Sr. No.	ISIN number	Nature of the borrowing	Principal amount outstanding as at December 31, 2020 (in ₹ crore) (1)	Interest (in %)	Purpose(1)
1.	INE476M14CZ5	Commercial papers	500.00	6.60	To meet the working capital requirements.
2.	INE476M14DH1		350.00	3.48	
3.	INE476M14DL3		200.00	3.24	
4.	INE476M14DM1		100.00	3.24	

Sr. No.	ISIN number	Nature of the borrowing	Principal amount outstanding as at December 31, 2020 (in ₹ crore) (1)	Interest (in %)	Purpose(1)
5.	INE476M14DO7		200.00	3.27	
6.	INE476M14DP4		200.00	3.30	
7.	INE476M14DQ2		250.00	3.85	
Total			**1,800.00**	-	

(1) *B.K. Khare & Co., Mumbai, pursuant to their certificate dated [●] have confirmed that these borrowings have been utilised for the purposes for which they were availed, as provided in the relevant borrowing documents. These commercial papers are repayable during the Fiscal 2021 and Fiscal 2022 and could be repaid or rolled over or refinanced through short term borrowings and accordingly, in such an event such rolled over or refinanced borrowings would be repaid through Net Proceeds.*

3. Redemption of preference shares issued by our Company

We intend to utilise up to ₹ 500.00 crore from the Net Proceeds towards redemption of certain preference shares issued by our Company and repayment to the holders of certain preference shares on the date of redemption. The table below provides the details of preference shares of face value ₹100 which are proposed to be redeemed out of the Net Proceeds:

Sr. No.	Number of preference shares	Date of allotment	Tenure	Listed/ Unlisted	Aggregate Amount (in ₹ crore)	Dividend rate (%)	Redemption Date
1.	2,50,00,000	October 12, 2018	36 months from deemed date of allotment	Listed	250.00	8.95	October 12, 2021
2.	1,45,40,000	May 17, 2019	42 months from the date of allotment	Listed	145.40	8.00	November 17, 2022
3.	63,70,000	June 3, 2019	42 months from the date of allotment	Listed	63.70	7.95	December 2, 2022
4.	1,00,00,000	September 16, 2019	39 months from the date of allotment	Listed	100.00	7.95	December 16, 2022
5.	1,50,00,000	September 20, 2019	40 months from the date of allotment	Listed	150.00	7.95	January 20, 2023
6.	1,50,00,000	September 27, 2019	1,232 days from the date of allotment	Listed	150.00	7.95	February 10, 2023
7.	60,00,000	December 5, 2019	1,096 days from the date of allotment	Listed	60.00	7.60	December 5, 2022
8.	2,05,00,000	December 23, 2019	40% i.e. INR 40 per preference share shall be redeemed after 1,278 days from the date of allotment and balance 60% i.e. INR 60 per preference share shall be redeemed after 1,460 days from the date of allotment	Listed	205.00	7.50	40% i.e. INR 40 per preference share shall be redeemed on June 23, 2023 and balance 60% i.e. INR 60 per preference share shall be redeemed on December 22, 2023
Total			-	-	**1,124.10**	-	-

As provided in "- *Proposed schedule of implementation and deployment of Net Proceeds*" on pages 63-64, the deployment of Net Proceeds towards redemption of preference shares may be accelerated prior to their respective redemption dates, subject to fulfilment of applicable requirements. We believe by redemption of preference shares, we will be able to honour our obligations towards such preference shareholders and reduce the payment obligations of our Company.

4. General corporate purposes

The remaining Net Proceeds, if any, shall be utilised towards general corporate purposes and the amount to be utilized for general corporate purposes shall not exceed 25% of the Net Proceeds. Such utilisation towards general corporate purposes shall be to drive our business growth, including, amongst other things, funding growth opportunities, including strategic initiatives, acquiring assets such as furniture and fixtures, leasehold improvements and intangibles, prepayment or repayment of borrowings availed by our Company and Subsidiaries, working capital requirements, redemption of preference shares, meeting of exigencies which our Company may face in the course of any business, brand building and other marketing expenses and any other purpose as permitted by applicable laws; subject to meeting regulatory requirements and obtaining necessary approvals / consents, as applicable.

The quantum of utilization of funds towards any of the above purposes will be determined based on the amount actually available under this head and the business requirements of our Company, from time to time. Our Board will have flexibility in utilizing surplus amounts, if any.

Estimated Issue related expenses

The Issue related expenses include, among others, fees to various advisors, advertisement expenses, and registrar and depository fees. The estimated Issue related expenses are as follows:

Sr. No.	Activity expense	Amount (in ₹ crore)*	%age of total estimated Issue Expenditure	%age of Issue Size
1.	Lead Managers fees	3.07	26.68	0.10
2.	Registrar to the Issue	0.32	2.77	0.01
3.	Fees to the legal advisors and other professional service providers' fees	2.90	25.23	0.10
4.	Advertising and marketing expenses, printing and dispatch of issue related documents	0.42	3.66	0.01
5.	Regulators including Stock Exchanges and depositories	4.42	38.43	0.15
6.	Other expenses (including miscellaneous expenses and stamp duty)	0.37	3.23	0.01
	Total estimated issue related expenses*	**11.50**	**100.00**	**0.38**

* *Subject to finalisation of Basis of Allotment and actual Allotment. In case of any difference between the estimated Issue related expenses and actual expenses incurred, the shortfall or excess shall adjusted with the amount allocated towards general corporate purposes. All Issue related expenses will be paid out of the Gross Proceeds from the Issue.*

* *Estimated and subject to change for factors including, GST input credit.*

Interim use of proceeds

Our Company shall deposit the Net Proceeds, pending utilisation (for the stated objects) with scheduled commercial banks included in the second schedule of the Reserve Bank of India Act, 1934 or in any such other manner as permitted under the SEBI ICDR Regulations or as may be permitted by SEBI.

Monitoring of Utilisation of Funds

Our Company has appointed Axis Bank Limited as the Monitoring Agency for the Issue. Our Board and the Monitoring Agency shall monitor the utilisation of the proceeds of the Issue and the Monitoring Agency shall submit a report to our Board as required under the relevant SEBI ICDR Regulations. Our Company shall publicly disseminate such report in such manner and within such timeline as prescribed under the SEBI ICDR Regulations. Pursuant to the SEBI Listing Regulations, our Company shall, on a quarterly basis, disclose to the Audit Committee, the uses and applications of the Net Proceeds. The Audit Committee shall make recommendations to our Board for further action, if necessary.

Further, according to the SEBI Listing Regulations, our Company shall furnish to the Stock Exchanges, on a quarterly basis, a statement on material deviations and variations, if any, in the utilization of the proceeds of the Issue from the objects of the Issue as stated above. Our Company will disclose the utilization of the Net Proceeds under an appropriate separate head along with details in our balance sheet(s) until such time as the Net Proceeds remain unutilized clearly specifying the purpose for which such Net Proceeds have been utilized. This information will also be published in newspapers simultaneously with the interim or annual financial results after review by the Audit Committee and its explanation in the director's report.

Other confirmations

Except our Director, Pradeep Vasudeo Bhide, who holds certain preference shares of our Company which may be redeemed from the Net Proceeds, none of our Promoter and members of the Promoter Group or the Directors are interested in the objects of the Issue, as on the date of this Letter of Offer.

There are no material existing or anticipated transactions in relation to utilization of Net Proceeds with our Promoter, our Directors, Key Managerial Personnel and our Associate Company.

Our Company does not require any material government and regulatory approvals in relation to the objects of the Issue.

STATEMENT OF SPECIAL TAX BENEFITS

DELOITTE HASKINS & SELLS LLP
Chartered Accountants
One International Center, Tower 3
27th – 32nd Floor, Senapati Bapat Marg
Elphinstone Road (West),
Mumbai 400013.

B. K. KHARE & CO.
Chartered Accountants
706/708, Sharda Chambers
New Marine Lines
Mumbai 400004.

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO L&T FINANCE HOLDINGS LIMITED ("THE COMPANY") AND THE SHAREHOLDERS OF THE COMPANY UNDER THE APPLICABLE TAX LAWS IN INDIA

Date: [●]

The Board of Directors
L&T Finance Holdings Limited
Brindavan, Plot No. 177
C.S.T Road, Kalina
Santacruz (East)
Mumbai – 400098.

Subject: Statement of Special tax benefits ("the Statement") available to L&T FINANCE HOLDINGS LIMITED ("the Company")and the shareholders of the Company in connection with the proposed rights issue of equity shares of the Company under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) 2018, as amended ("Regulations")

Dear Sirs,
We, the joint statutory auditors of the Issuer, have been requested by the Company to issue a report on the special tax benefits available to the Company and its shareholders attached for inclusion in the Letter of Offer in connection with the proposed rights issue of equity shares of the Company (the "Issue"). The Statement has been prepared by the management of the Company and initialed by us for identification purpose only.

The statement showing the current position of special direct tax benefits available to the Company and the shareholders of the Company as per the provisions of Income-tax Act 1961 ("IT Act") (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2020 and Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 and special indirect tax benefits solely in relation to the Issue as per the provisions of the Goods and Services Tax Act, 2017 ("GST Act") as amended by Finance Act, 2020, i.e. applicable for the assessment year AY 2021-22 relevant to the financial year 2020-21 for inclusion in the Letter of Offer ("LOF") for the issue of rights shares is annexed herewith, which we have initialed for identification purposes only.

These possible special tax benefits are dependent on the Company and the shareholders of the Company fulfilling the conditions prescribed under the relevant provisions of the corresponding tax laws. Hence, the ability of the Company and the shareholders of the Company to derive these possible special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives, the Company may face in the future and accordingly, the Company and the shareholders of the Company may or may not choose to fulfill. Further, certain tax benefits may be optional and it would be at the discretion of the Company or the shareholders of the Company to exercise the option by fulfilling the conditions prescribed under the tax laws. The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure I are based on the information and explanations obtained from the Company. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the offer. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

We do not express any opinion or provide any assurance whether:
(i) The Company or the shareholders of the Company will continue to obtain these benefits in future;
(ii) The conditions prescribed for availing the benefits have been/would be met;
(iii) The revenue authorities/courts will concur with the views expressed herein.

The statement is intended solely for information and the inclusion in the Letter of Offer in connection with the rights issue of equity shares of the Company and is not be used, referred to or distributed for any other purpose, without our prior consent, provided the below statement of limitation is included in the Letter of Offer.
Limitation

Our views expressed herein are based on the facts and assumptions indicated to us. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of the tax laws and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to the Company for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to the Company and any other person in respect of this Statement, except as per applicable law.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Neville Daruwalla
Partner
(Membership No. 118784)
UDIN:

For B. K. KHARE & CO.
Chartered Accountants
(Firm's Registration No. 105102W)

Shirish Rahalkar
Partner
(Membership No. 111212)
UDIN:

Date:

Place:

Annexure – I

STATEMENT OF SPECIAL TAX BENEFITS

The information provided below sets out the possible direct and indirect tax benefits (indirect tax benefits solely in relation to the Issue) in the hands of L&T FINANCE HOLDINGS LIMITED ("the Company") and the shareholders of the Company in a summary manner only and is not a complete analysis or listing of all potential tax benefits, under the current tax laws presently in force in India. Several of these benefits are dependent upon their fulfilling the conditions prescribed under the relevant direct and indirect tax laws. Hence, the ability of the Company and the shareholders of the Company to derive the direct and indirect tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Company may face in the future and accordingly, the Company and the shareholders of the Company may or may not choose to fulfill. Further, certain tax benefits may be optional and it would be at the discretion of the Company or the shareholders of the Company to exercise the option by fulfilling the conditions prescribed under the Tax laws. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

The tax benefits stated below are as per the Income-tax Act, 1961 ("IT Act") as amended from time to time and applicable for financial year 2020-21 relevant to assessment year 2021-22 (AY 2021-22) and special indirect tax benefits solely in relation to the Issue as per the provisions of the Goods and Services Tax Act, 2017 as amended from time to time and applicable for financial year 2020-21.

A. SPECIAL TAX BENEFITS UNDER THE IT ACT IN THE HANDS OF COMPANY AND THE SHAREHOLDERS OF THE COMPANY

I. Direct Tax

<u>Special tax benefits available to the Company under IT Act</u>

- Below are key special tax benefits available to the Company under the IT Act as amended by Finance Act 2020, i.e. applicable for the Financial Year 2020-21 relevant to the assessment year 2021-22

- A new section 115BAA has been inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 i.e. AY 2020-21 granting an option to domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail specified exemptions/incentives and comply with other conditions specified in section 115BAA. The Amendment Act, 2019 further provides that domestic companies availing such option will not be required to pay Minimum Alternate Tax ("MAT") on its book profits under section 115JB. The Company has exercised the above option.

- With respect to a resident corporate shareholder, a new section 80M is inserted in the Finance Act, 2020 w.e.f. 1st April 2021, which provides that where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139.

Special tax benefits available to the shareholders

- The Company would be required to deduct tax at source on the dividend paid to the shareholders, at applicable rates. The shareholders would be eligible to claim the credit of such tax in their return of income.

- The non-resident shareholders can offer the dividend income to tax under the beneficial provisions of the Double Taxation Avoidance Agreement, if any. Further, the non-resident shareholders would be eligible to claim the foreign tax credit, based on the local laws of the country of which the shareholder is the resident.

- There are no other special tax benefits available to the shareholders (other than resident corporate shareholder) of the Company arising out of the proposed rights issue

- With respect to a resident corporate shareholder, a new section 80M is inserted in the Finance Act, 2020 w.e.f. 1st April 2021, which provides that where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company or a foreign company or a business trust, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company or foreign company or business trust as does not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139.

II. Indirect Tax

Special tax benefits available to the Company and its shareholders under GST Act

Solely in relation to the Issue, there are no special indirect tax benefits available to the Company or it's shareholders.

Note: For the purpose of reporting here, we have not considered the general tax benefits available to the Company or shareholders under the GST and neither any special tax benefits available to the Company or shareholders under the GST Act other than for the Issue.

Note:

Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

This statement has been prepared solely in connection with the Rights Issue under the Regulations as amended.

For and on behalf of the Board of Directors

L&T FINANCE HOLDINGS LIMITED

Name:

Designation: **Chief Financial Officer**

Place: Mumbai

Date:

NOTES:

1. All the above benefits are as per the current tax laws and any change or amendment in the laws/regulation, which when implemented would impact the same.
2. This statement does not discuss any tax consequences in the country outside India of an investment in the Equity Shares. The subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible income tax consequences that apply to them.
3. The above statement covers only above-mentioned special tax laws benefits and does not cover any general direct tax law benefits or benefit under any other law.
4. This statement does not cover analysis of provisions of Chapter X-A of the Act dealing with General Anti- Avoidance Rules and provisions of Multilateral Instruments
5. This statement is only intended to provide general information to the investors and is neither exhaustive or comprehensive nor designed or intended to be a substitute for a professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

6. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.
7. In respect of non-residents, the rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.
8. The above statement covers only above-mentioned tax laws benefits and does not cover any benefit under any other law.
9. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

STATEMENT OF SPECIAL TAX BENEFITS FOR A MATERIAL SUBSIDIARY

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO A MATERIAL SUBSIDIARY OF L&T FINANCE HOLDINGS LIMITED (NAMELY "L&T INFRASTRUCTURE FINANCE COMPANY LIMITED") AND THE SHAREHOLDERS OF SUCH MATERIAL SUBSIDIARY UNDER THE APPLICABLE TAX LAWS IN INDIA

Date: [●]

The Board of Directors
L&T Finance Holdings Limited
Brindavan, Plot No. 177
C.S.T Road, Kalina
Santacruz (East)
Mumbai – 400098.

Subject: Statement of Special tax benefits ("the Statement") available to a Material Subsidiary of L&T FINANCE HOLDINGS LIMITED ("the Issuer"/"Company") (Namely, "L&T INFRASTRUCTURE FINANCE COMPANY LIMITED") and the shareholders of such material subsidiary as mentioned above in connection with the proposed rights issue of equity shares of the Company under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) 2018, as amended ("Regulations")

Dear Sirs,

We, the statutory auditors of the Issuer, have been requested by the Company to issue a report on the special tax benefits available to a material subsidiary of the Issuer (as defined under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended) namely, L&T INFRASTRUCTURE FINANCE COMPANY LIMITED (referred to as "Material Subsidiary") and its shareholders attached for inclusion in the Letter of Offer in connection with the proposed rights issue of equity shares of the Company (the "Issue"). The Statement has been prepared by the management of the Issuer and initialed by us for identification purpose only.
The statement showing the current position of special direct tax benefits available to the certain material subsidiaries and the shareholders of the Material Subsidiary as per the provisions of Income-tax Act 1961 ("IT Act") (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2020 and Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 and special indirect tax benefits solely in relation to the Issue as per the provisions of the Goods and Services Tax Act, 2017 ("GST Act") as amended by Finance Act, 2020, i.e. applicable for the assessment year AY 2021-22 relevant to the financial year 2020-21 for inclusion in the Letter of Offer ("LOF") for the issue of rights shares is annexed herewith, which we have initialed for identification purposes only.

These possible special tax benefits are dependent on the Material Subsidiary and the shareholders of the Material Subsidiary fulfilling the conditions prescribed under the relevant provisions of the corresponding tax laws. Hence, the ability of the Material Subsidiary and the shareholders of the Material Subsidiary to derive these possible special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives, the Material Subsidiary may face in the future and accordingly, the Material Subsidiary and the shareholders of the Material Subsidiary may or may not choose to fulfill. Further, certain tax benefits may be optional and it would be at the discretion of the Material Subsidiary or the shareholders of the Material Subsidiary to exercise the option by fulfilling the conditions prescribed under the tax laws.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure I are based on the information and explanations obtained from the Material Subsidiary. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the offer. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

We do not express any opinion or provide any assurance whether:

(i) Material Subsidiary or the shareholders of the Material Subsidiary will continue to obtain these benefits in future;
(ii) The conditions prescribed for availing the benefits have been/would be met;
(iii) The revenue authorities/courts will concur with the views expressed herein.

The statement is intended solely for information and the inclusion in the Letter of Offer in connection with the rights issue of equity shares of the Issuer and is not be used, referred to or distributed for any other purpose, without our prior consent, provided the below statement of limitation is included in the Letter of Offer.

Limitation

Our views expressed herein are based on the facts and assumptions indicated to us. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of the tax laws and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to the Issuer and/or its Material Subsidiary for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to the Issuers, its Material Subsidiary and any other person in respect of this Statement, except as per applicable law.

For **B K KHARE & Co.**
Chartered Accountants
(Firm's Registration No: XXX)

XXX
Partner

Place: (Membership No.XXXXX)
Date: (UDIN:

Annexure – I

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible direct and indirect tax benefits (indirect tax benefits solely in relation to the Issue) in the hands of Material Subsidiary of L&T FINANCE HOLDINGS LIMITED ("the Company"/ "Issuer") (Material Subsidiary is "L&T INFRASTRUCTURE FINANCE COMPANY LIMITED") (collectively, "Material Subsidiary") and the shareholders of the such Material Subsidiary in a summary manner only and is not a complete analysis or listing of all potential tax benefits, under the current tax laws presently in force in India. Several of these benefits are dependent upon their fulfilling the conditions prescribed under the relevant direct and indirect tax laws. Hence, the ability of the certain material subsidiaries and the shareholders of the Material Subsidiary to derive the direct and indirect tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the Material Subsidiary may face in the future and accordingly, the Material Subsidiary and the shareholders of the certain material subsidiaries may or may not choose to fulfill. Further, certain tax benefits may be optional and it would be at the discretion of the Material Subsidiary or the shareholders of the Material Subsidiary to exercise the option by fulfilling the conditions prescribed under the Tax laws. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

The tax benefits stated below are as per the Income-tax Act, 1961 ("IT Act") as amended from time to time and applicable for financial year 2020-21 relevant to assessment year 2021-22 (AY 2021-22) and special indirect tax benefits solely in relation to the Issue as per the provisions of the Goods and Services Tax Act, 2017 as amended from time to time and applicable for financial year 2020-21.

SPECIAL TAX BENEFITS UNDER IN THE HANDS OF MATERIAL SUBSIDIARY OF THE ISSUER AND THE SHAREHOLDERS OF SUCH MATERIAL SUBSIDIARY

L&T Infrastructure Finance Company Limited:

I. Direct Tax

Special tax benefits available to L&T Infrastructure Finance Company Limited Limited under IT Act

- Below are key special tax benefits available to the Company under the IT Act as amended by Finance Act 2020, i.e. applicable for the Financial Year 2020-21 relevant to the assessment year 2021-22
- A new section 115BAA has been inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 i.e. AY 2020-21 granting an option to domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail specified exemptions/incentives and comply with other conditions specified in section 115BAA. The Amendment Act, 2019 further provides that domestic companies availing such option will not be required to pay Minimum Alternate Tax ("MAT") on its book profits under section 115JB. The Company has exercised the above option.

- Under section 36(1)(vii) of the Act, the amount of any bad debts, or part thereof, written off as irrecoverable in the accounts of the LTF for the previous year are allowable as deduction. The deduction is limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the Act.

- Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii)/36(1)(viia) of the Act, then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession under section 41 of the Act and is taxable accordingly to the extent it exceeds the deduction earlier allowed.

- Under section 36(1)(viia) of the Act, in respect of any provision made for bad and doubtful debts, LTF is entitled to a deduction for such provision not exceeding five percent of the total income (computed before making any deduction under this section and chapter VI-A)

- As per provisions of section 36(1)(viii) of the Act, any other financial corporation including a public company are allowed a deduction of 20 percent of profits derived from the business of providing long term finance in India for development of infrastructure facility in India and such amount should be carried to special reserve account created and maintained by the Company (computed before making any deduction under this section). The aforesaid deduction shall not be allowed in case where the amount in special reserve exceeds twice the amount of paid-up capital and general reserve. LTF is entitled to such deduction.

- Section 43D is a special provision for taxability of interest income in relation to prescribed categories of bad and doubtful debts and provides that interest income shall be chargeable to tax in the previous year in which it is credited by such public financial institution or scheduled bank or a co-operative bank or in the year in which it is received, whichever is earlier. The scope of Section 43D was also extended by Finance Act, 2019 to deposit taking non-banking financial company or a systematically important non-deposit taking non-banking financial company.

Special tax benefits available to the shareholders of L&T Infrastructure Finance Company Limited

- The Company would be required to deduct tax at source on the dividend paid to the shareholders, at applicable rates. The shareholders would be eligible to claim the credit of such tax in their return of income.

- There are no other special tax benefits available to the shareholders (other than resident corporate shareholder) of the Company arising out of the proposed rights issue

- With respect to a resident corporate shareholder, a new section 80M is inserted in the Finance Act, 2020 w.e.f. 1st April 2021, which provides that where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company as does not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139.

II. Indirect Tax

Special tax benefits available to L&T Infrastructure Finance Company Limited and its shareholders under GST Act

Solely in relation to the Issue, there are no special indirect tax benefits available to the L&T Infrastructure Finance Company Limited or it's shareholders.

Note: For the purpose of reporting here, we have not considered the general tax benefits available to L&T Infrastructure Finance Company Limited or shareholders under the GST and neither any special tax benefits available to L&T Infrastructure Finance Company Finance Limited or shareholders under the GST Act other than for the Issue.

Note:

Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.

This statement has been prepared solely in connection with the Rights Issue under the Regulations as amended.

For and on behalf of the Board of Directors

L&T FINANCE HOLDINGS LIMITED

Name:

Designation: **Chief Financial Officer**

Place: Mumbai

Date:

NOTES:

1. All the above benefits are as per the current tax laws and any change or amendment in the laws/regulation, which when implemented would impact the same.
2. This statement does not discuss any tax consequences in the country outside India of an investment in the Equity Shares. The subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible income tax consequences that apply to them.
3. The above statement covers only above-mentioned special tax laws benefits and does not cover any general direct tax law benefits or benefit under any other law.
4. This statement does not cover analysis of provisions of Chapter X-A of the Act dealing with General Anti- Avoidance Rules and provisions of Multilateral Instruments
5. This statement is only intended to provide general information to the investors and is neither exhaustive or comprehensive nor designed or intended to be a substitute for a professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.
6. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.
7. In respect of non-residents, the rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.
8. The above statement covers only above-mentioned tax laws benefits and does not cover any benefit under any other law.
9. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

STATEMENT OF SPECIAL TAX BENEFITS FOR CERTAIN MATERIAL SUBSIDIARIES

STATEMENT OF SPECIAL TAX BENEFITS AVAILABLE TO CERTAIN MATERIAL SUBSIDIARIES OF L&T FINANCE HOLDINGS LIMITED (NAMELY, "L&T FINANCE LIMITED" AND "L&T HOUSING FINANCE LIMITED") AND THE SHAREHOLDERS OF SUCH CERTAIN MATERIAL SUBSIDIARIES UNDER THE APPLICABLE TAX LAWS IN INDIA

Date: [●]

The Board of Directors
L&T Finance Holdings Limited
Brindavan, Plot No. 177
C.S.T Road, Kalina
Santacruz (East)
Mumbai – 400098.

Subject: Statement of Special tax benefits ("the Statement") available to certain Material Subsidiaries OF L&T FINANCE HOLDINGS LIMITED ("the Issuer"/"Company") (Namely, "L&T FINANCE LIMITED" AND "L&T HOUSING FINANCE LIMITED") and the shareholders of such certain material subsidiaries as mentioned above in connection with the proposed rights issue of equity shares of the Company under Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) 2018, as amended ("Regulations")

Dear Sirs,

We, the statutory auditors of the Issuer, have been requested by the Company to issue a report on the special tax benefits available to certain material subsidiaries of the Issuer (as defined under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended) namely, (i) L&T FINANCE LIMITED, and (ii) L&T HOUSING FINANCE LIMITED (collectively, "Certain Material Subsidiaries") and its shareholders attached for inclusion in the Letter of Offer in connection with the proposed rights issue of equity shares of the Company (the "Issue"). The Statement has been prepared by the management of the Issuer and initialed by us for identification purpose only.
The statement showing the current position of special direct tax benefits available to the certain material subsidiaries and the shareholders of the certain material subsidiaries as per the provisions of Income-tax Act 1961 ("IT Act") (read with Income Tax Rules, circulars, notifications) as amended by the Finance Act, 2020 and Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act, 2020 and special indirect tax benefits solely in relation to the Issue as per the provisions of the Goods and Services Tax Act, 2017 ("GST Act") as amended by Finance Act, 2020, i.e. applicable for the assessment year AY 2021-22 relevant to the financial year 2020-21 for inclusion in the Letter of Offer ("LOF") for the issue of rights shares is annexed herewith, which we have initialed for identification purposes only.

These possible special tax benefits are dependent on the certain material subsidiaries and the shareholders of the certain material subsidiaries fulfilling the conditions prescribed under the relevant provisions of the corresponding tax laws. Hence, the ability of the certain material subsidiaries and the shareholders of the certain material subsidiaries to derive these possible special tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives, the certain material subsidiaries may face in the future and accordingly, the certain material subsidiaries and the shareholders of the certain material subsidiaries may or may not choose to fulfill. Further, certain tax benefits may be optional and it would be at the discretion of the certain material subsidiaries or the shareholders of the certain material subsidiaries to exercise the option by fulfilling the conditions prescribed under the tax laws.

The benefits discussed in the enclosed statement are neither exhaustive nor conclusive. The contents stated in the Annexure I are based on the information and explanations obtained from the certain material subsidiaries. This statement is only intended to provide general information to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the offer. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

We do not express any opinion or provide any assurance whether:

(i) Certain material subsidiaries or the shareholders of the certain material subsidiaries will continue to obtain these benefits in future;

(ii) The conditions prescribed for availing the benefits have been/would be met;

(iii) The revenue authorities/courts will concur with the views expressed herein.

The statement is intended solely for information and the inclusion in the Letter of Offer in connection with the rights issue of equity shares of the Issuer and is not be used, referred to or distributed for any other purpose, without our prior consent, provided the below statement of limitation is included in the Letter of Offer.

Limitation

Our views expressed herein are based on the facts and assumptions indicated to us. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of the tax laws and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to the Issuer and/or its certain material subsidiaries for any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to the Issuers, its certain material subsidiaries and any other person in respect of this Statement, except as per applicable law.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No: 117366W/W-100018)

Neville Daruwalla
Partner

Place: (Membership No.118784)
Date: (UDIN:

Annexure – I

STATEMENT OF TAX BENEFITS

The information provided below sets out the possible direct and indirect tax benefits (indirect tax benefits solely in relation to the Issue) in the hands of certain Material Subsidiaries of L&T FINANCE HOLDINGS LIMITED ("the Company"/ "Issuer") (Certain material subsidiaries are Namely, "L&T FINANCE LIMITED"AND "L&T HOUSING FINANCE LIMITED") (collectively, "Certain Material Subsidiaries") and the shareholders of the such certain material subsidiaries in a summary manner only and is not a complete analysis or listing of all potential tax benefits, under the current tax laws presently in force in India. Several of these benefits are dependent upon their fulfilling the conditions prescribed under the relevant direct and indirect tax laws. Hence, the ability of the certain material subsidiaries and the shareholders of the certain material subsidiaries to derive the direct and indirect tax benefits is dependent upon their fulfilling such conditions, which is based on business imperatives the certain material subsidiaries may face in the future and accordingly, the certain material subsidiaries and the shareholders of the certain material subsidiaries may or may not choose to fulfill. Further, certain tax benefits may be optional and it would be at the discretion of the certain material subsidiaries or the shareholders of the certain material subsidiaries to exercise the option by fulfilling the conditions prescribed under the Tax laws. The following overview is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultant with respect to the tax implications of an investment in the shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

The tax benefits stated below are as per the Income-tax Act, 1961 ("IT Act") as amended from time to time and applicable for financial year 2020-21 relevant to assessment year 2021-22 (AY 2021-22) and special indirect tax benefits solely in relation to the Issue as per the provisions of the Goods and Services Tax Act, 2017 as amended from time to time and applicable for financial year 2020-21.

A. SPECIAL TAX BENEFITS UNDER IN THE HANDS OF CERTAIN MATERIAL SUBSIDIARIES OF THE ISSUER AND THE SHAREHOLDERS OF SUCH CERTAIN MATERIAL SUBSIDIARIES

(i) L&T Finance Limited:

I. Direct Tax

<u>Special tax benefits available to L&T Finance Limited under IT Act</u>

- Below are key special tax benefits available to the Company under the IT Act as amended by Finance Act 2020, i.e. applicable for the Financial Year 2020-21 relevant to the assessment year 2021-22

- A new section 115BAA has been inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 i.e. AY 2020-21 granting an option to domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail specified exemptions/incentives and comply with other conditions specified in section 115BAA. The Amendment Act, 2019 further provides that domestic companies availing such option will not be required to pay Minimum Alternate Tax ("MAT") on its book profits under section 115JB. The Company has exercised the above option.

- Under section 36(1)(vii) of the Act, the amount of any bad debts, or part thereof, written off as irrecoverable in the accounts of the LTF for the previous year are allowable as deduction. The deduction is limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the Act.

- Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii)/36(1)(viia) of the Act, then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession under section 41 of the Act and is taxable accordingly to the extent it exceeds the deduction earlier allowed.

- Under section 36(1)(viia) of the Act, in respect of any provision made for bad and doubtful debts, LTF is entitled to a deduction for such provision not exceeding five percent of the total income (computed before making any deduction under this section and chapter VI-A)

- As per provisions of section 36(1)(viii) of the Act, any other financial corporation including a public company are allowed a deduction of 20 percent of profits derived from the business of providing long term finance in India for development of infrastructure facility in India and such amount should be carried to special reserve account created and maintained by the Company (computed before making any deduction under this section). The aforesaid deduction shall not be allowed in case where the amount in special reserve exceeds twice the amount of paid-up capital and general reserve. LTF is entitled to such deduction.

- Section 43D is a special provision for taxability of interest income in relation to prescribed categories of bad and doubtful debts and provides that interest income shall be chargeable to tax in the previous year in which it is credited by such public financial institution or scheduled bank or a co-operative bank or in the year in which it is received, whichever is earlier. The scope of Section 43D was also extended by Finance Act, 2019 to deposit taking non-banking financial company or a systematically important non-deposit taking non-banking financial company.

Special tax benefits available to the shareholders of L&T Finance Limited

- The Company would be required to deduct tax at source on the dividend paid to the shareholders, at applicable rates. The shareholders would be eligible to claim the credit of such tax in their return of income.

- The non-resident shareholders can offer the dividend income to tax under the beneficial provisions of the Double Taxation Avoidance Agreement, if any. Further, the non-resident shareholders would be eligible to claim the foreign tax credit, based on the local laws of the country of which the shareholder is the resident.

- There are no other special tax benefits available to the shareholders (other than resident corporate shareholder) of the Company arising out of the proposed rights issue

- With respect to a resident corporate shareholder, a new section 80M is inserted in the Finance Act, 2020 w.e.f. 1st April 2021, which provides that where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company as does not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139.

II. Indirect Tax

Special tax benefits available to L&T Finance Limited and its shareholders under GST Act

Solely in relation to the Issue, there are no special indirect tax benefits available to the L&T Finance Limited or it's shareholders.

Note: For the purpose of reporting here, we have not considered the general tax benefits available to L&T Finance Limited or shareholders under the GST and neither any special tax benefits available to L&T Finance Limited or shareholders under the GST Act other than for the Issue.

(ii) L&T Housing Finance Limited:

I. Direct Tax

Special tax benefits available to L&T Housing Finance Limited under IT Act

- Below are key special tax benefits available to the Company under the IT Act as amended by Finance Act 2020, i.e. applicable for the Financial Year 2020-21 relevant to the assessment year 2021-22

- A new section 115BAA has been inserted by the Taxation Laws (Amendment) Act, 2019 ("the Amendment Act, 2019") w.e.f. April 1, 2020 i.e. AY 2020-21 granting an option to domestic companies to compute corporate tax at a reduced rate of 25.17% (22% plus surcharge of 10% and cess of 4%), provided such companies do not avail specified exemptions/incentives and comply with other conditions specified in section 115BAA. The Amendment Act, 2019 further provides that domestic companies availing such option will not be required to pay Minimum Alternate Tax ("MAT") on its book profits under section 115JB. The Company has exercised the above option.

- Under section 36(1)(vii) of the Act, the amount of any bad debts, or part thereof, written off as irrecoverable in the accounts of the LTHF for the previous year are allowable as deduction. The deduction is limited to the amount by which such debt or part thereof exceeds the credit balance in the provision for bad and doubtful debts account made under section 36(1)(viia) of the Act.

- Where a deduction has been allowed in respect of a bad debt or part thereof under the provisions of section 36(1)(vii)/36(1)(viia) of the Act, then, if any amount is subsequently recovered, the said amount is deemed to be profits and gains of business or profession under section 41 of the Act and is taxable accordingly to the extent it exceeds the deduction earlier allowed.

- Under section 36(1)(viia) of the Act, in respect of any provision made for bad and doubtful debts, LTHF is entitled to a deduction for such provision not exceeding five percent of the total income (computed before making any deduction under this section and chapter VI-A)

- As per provisions of section 36(1)(viii) of the Act, a housing finance company is allowed a deduction of 20 percent of profits derived from the business of providing long term finance in India for the construction or purchase of houses in India for residential purposes (computed before making any deduction under this section). Such amount should be carried to special reserve account created and maintained by LTHF. The aforesaid deduction shall not be allowed in case where the amount in special reserve exceeds twice the amount of paid-up capital and general reserve.

- Section 43D is a special provision for taxability of interest income in relation to prescribed categories of bad and doubtful debts and provides that interest income shall be chargeable to tax in the previous year in which it is credited by such public financial institution or scheduled bank or a co-operative bank or in the year in which it is received, whichever is earlier. The scope of Section 43D was also extended by Finance Act, 2019 to deposit taking non-banking financial company or a systematically important non-deposit taking non-banking financial company.

Special tax benefits available to the shareholders of L&T Housing Finance Limited

- The Company would be required to deduct tax at source on the dividend paid to the shareholders, at applicable rates. The shareholders would be eligible to claim the credit of such tax in their return of income.

- The non-resident shareholders can offer the dividend income to tax under the beneficial provisions of the Double Taxation Avoidance Agreement, if any. Further, the non-resident shareholders would be eligible to claim the foreign tax credit, based on the local laws of the country of which the shareholder is the resident.

- There are no other special tax benefits available to the shareholders (other than resident corporate shareholder) of the Company arising out of the proposed rights issue

- With respect to a resident corporate shareholder, a new section 80M is inserted in the Finance Act, 2020 w.e.f. 1st April 2021, which provides that where the gross total income of a domestic company in any previous year includes any income by way of dividends from any other domestic company, there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of such domestic company, a deduction of an amount equal to so much of the amount of income by way of dividends received from such other domestic company as does not exceed the amount of dividend distributed by it on or before the due date. The "due date" means the date one month prior to the date for furnishing the return of income under sub-section (1) of section 139.

II. Indirect Tax

<u>Special tax benefits available to L&T Housing Finance Limited and its shareholders under GST Act</u>

Solely in relation to the Issue, there are no special indirect tax benefits available to the L&T Housing Finance Limited or it's shareholders.

Note: For the purpose of reporting here, we have not considered the general tax benefits available to L&T Housing Finance Limited or shareholders under the GST and neither any special tax benefits available to L&T Housing Finance Limited or shareholders under the GST Act other than for the Issue.

Note:
Our views expressed in this statement are based on the facts and assumptions as indicated in the statement. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on this statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the proposed issue relying on this statement.
This statement has been prepared solely in connection with the Rights Issue under the Regulations as amended.

For and on behalf of the Board of Directors

L&T FINANCE HOLDINGS LIMITED

Name:

Designation: **Chief Financial Officer**

Place: Mumbai

Date:

NOTES:

1. All the above benefits are as per the current tax laws and any change or amendment in the laws/regulation, which when implemented would impact the same.
2. This statement does not discuss any tax consequences in the country outside India of an investment in the Equity Shares. The subscribers of the Equity Shares in the country other than India are urged to consult their own professional advisers regarding possible income tax consequences that apply to them.
3. The above statement covers only above-mentioned special tax laws benefits and does not cover any general direct tax law benefits or benefit under any other law.
4. This statement does not cover analysis of provisions of Chapter X-A of the Act dealing with General Anti- Avoidance Rules and provisions of Multilateral Instruments
5. This statement is only intended to provide general information to the investors and is neither exhaustive or comprehensive nor designed or intended to be a substitute for a professional tax advice. In view of the individual nature of tax consequences and the changing tax laws, each investor is advised to consult his or her or their own tax consultant with respect to the specific tax implications arising out of their participation in the issue.
6. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.
7. In respect of non-residents, the rates and the consequent taxation mentioned above shall be further subject to any benefits available under the applicable Double Taxation Avoidance Agreement, if any, between India and the country in which the non-resident has fiscal domicile.
8. The above statement covers only above-mentioned tax laws benefits and does not cover any benefit under any other law.
9. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

SECTION IV: ABOUT OUR COMPANY

INDUSTRY OVERVIEW

The information in this section is derived from the CRISIL Report. We commissioned the CRISIL Report for the purposes of confirming our understanding of the Indian fashion industry in connection with the Issue. Neither we nor any other person connected with the Issue has verified the information in the CRISIL Report or other publicly available information cited in this section. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. While industry sources take due care and caution while preparing their reports, they do not guarantee the accuracy, adequacy or completeness of the data and are not responsible for any errors or omissions or for the results obtained from the use of the data or their report. Accordingly, Investors should not place undue reliance on, or base their investment decision solely on, this information.

India's Macroeconomic Overview

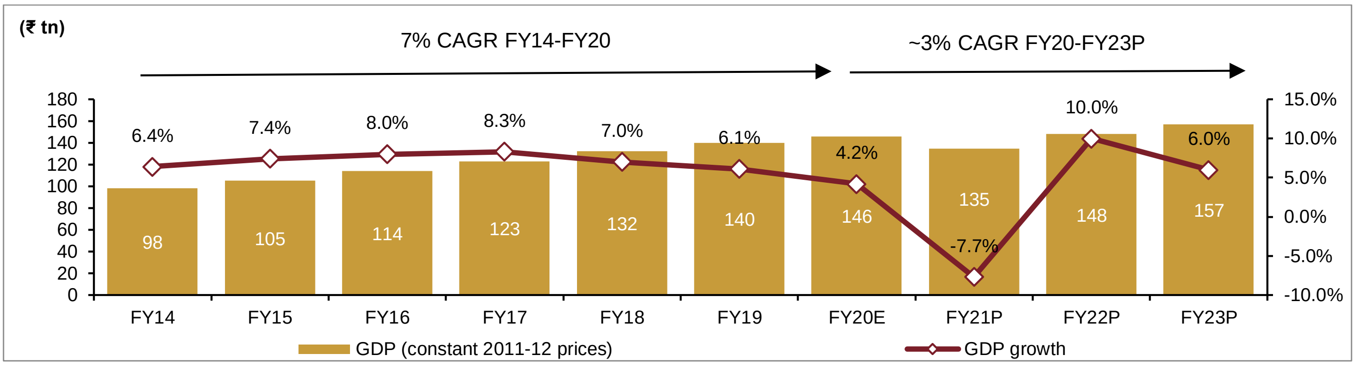
Covid-19 pandemic derails world and Indian economy

Fiscal 2020 was volatile for the global economy. The first three quarters were ensnared in trade protectionist policies and disputes among major trading partners, volatile commodity and energy prices, and economic uncertainties arising from Brexit. Hopes of broad-based recovery in the fourth quarter were dashed by the Covid-19 pandemic, which has infected more than 74.9 million people in more than 200 countries (as of December 17, 2020) and counting, leading to considerable human suffering and economic disruption.

Growing restrictions on the movement of people and lockdowns in the affected countries have led to demand, supply and liquidity shocks. While the lockdowns in India have gradually been lifted and economic activity seems to be reviving, globally, especially in Europe, there is a second wave of cases.

CRISIL estimates the Indian economy will shrink 7.7% this fiscal on account of the pandemic. After sluggish growth in first half of the fiscal owing to rising Covid-19 cases, gross domestic product (GDP) growth could move into a positive territory towards the end of this fiscal with economic activity picking up gradually. Over the coming months, manufacturing is expected to revive faster compared with services. Agricultural GDP is expected to grow 2.5% on-year this fiscal, given normal and a largely well-distributed monsoon, and a healthy sowing and ground water situation. While agriculture does not have the heft to offset the sharp contraction in the non-agricultural sector (accounting for 85% of GDP), it punches more than its weight in GDP, as its share in employment remains the highest at 44%. Despite some support from the rural economy, consumption is expected to sink this fiscal. Consumption of some services, especially contact-based ones such as travel, sports and entertainment, will continue to remain muted. Having said that, growth is expected to rebound to 10% in fiscal 2022, on the back of a very weak base and some benefit from a rising-global-tide-lifting-all-boats effect. For fiscal 2023, GDP growth is expected at 6%.

GDP growth outlook for India has been severely impacted by the pandemic



Note: E - Estimated and P - Projected

Source: National Statistics Office (NSO), International Monetary Fund (IMF) and CRISIL Research estimates

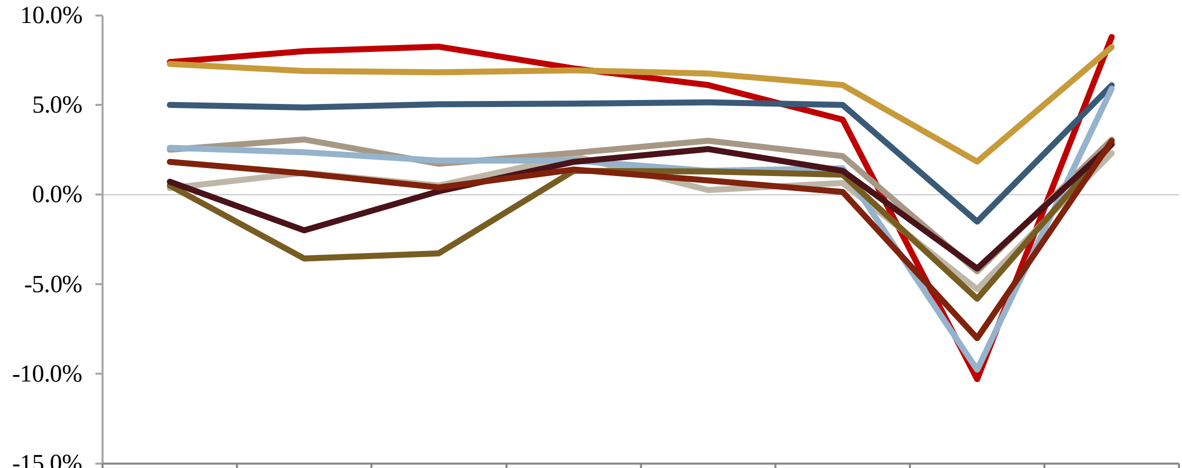
India's GDP to recover sharply

India is one of the fastest-growing economies in the world. Over the past four fiscals, India's macroeconomic situation has gradually improved: the twin deficits (current account and fiscal) have been narrowing and the growth-inflation mix has improved, and durably so. Both fiscal and monetary policies are more prudent, focusing on raising the quality and not just the rate of growth. The government has adopted an inflation-targeting framework that provides an institutional mechanism for inflation control, while modernising central banking. Fiscal policy has managed to stay mildly growth-focused, while managing a gradual reduction in the deficit. The upshot is that India's macroeconomic variables are a lot more stable, and with sufficiently large foreign exchange reserves, the economy is pretty resilient to any global shock today, than it was during the Taper Tantrum of 2013.

Going forward, rapid urbanisation, rising consumer aspiration and increasing digitisation coupled with government support in the form of reforms and policies is expected to support growth. For example, the government has recently announced production-linked incentives across identified sectors with an aim to propel the growth of India as a manufacturing destination. At a macro level, digitalization has led to various benefits like linkage to aadhaar identity cards, direct benefit transfer and various other government benefits.

As of October, 2020 the International Monetary Fund (IMF) forecast India's GDP to decline 10.3% in the current calendar year from 1.8% growth estimated in April 2020. The pandemic is expected to shrink world output by 4.4% in calendar 2020. However, the IMF also forecasts that India's GDP will recover sharply and grow at 8.8% in calendar 2021.

India is one of the fastest-growing major economies (GDP growth, % on-year)



	2014	2015	2016	2017	2018	2019	2020	2021P
India	7.4%	8.0%	8.3%	7.0%	6.1%	4.2%	-10.3%	8.8%
China	7.3%	6.9%	6.8%	6.9%	6.8%	6.1%	1.9%	8.2%
Indonesia	5.0%	4.9%	5.0%	5.1%	5.2%	5.0%	-1.5%	6.1%
Japan	0.4%	1.2%	0.5%	2.2%	0.3%	0.7%	-5.3%	2.3%
USA	2.5%	3.1%	1.7%	2.3%	3.0%	2.2%	-4.3%	3.1%
UK	2.6%	2.4%	1.9%	1.9%	1.3%	1.5%	-9.8%	5.9%
Brazil	0.5%	-3.5%	-3.3%	1.3%	1.3%	1.1%	-5.8%	2.8%
Russia	0.7%	-2.0%	0.2%	1.8%	2.5%	1.3%	-4.1%	2.8%
South Africa	1.8%	1.2%	0.4%	1.4%	0.8%	0.2%	-8.0%	3.0%

Note: GDP growth is based on constant prices, P: Projected

Source: IMF (World Economic Outlook - October 2020 update), CRISIL Research

Rural India Economy

Rural economy is becoming structurally far more resilient

At a time when the Indian economy has been severely impacted by the Covid-19 pandemic, the rural economy has been a harbinger of hope. The rural economy is far more resilient today due to two consecutive years of good monsoon, increased spends under MNREGA and irrigation programmes, direct benefit transfer (DBT), the PM-Kisan scheme, PM Ujwala Yojana for cooking gas, PM Awas Yojana for housing, and Ayushman Bharat scheme for healthcare. To supplement this, there has been a continuous improvement in rural infrastructure such as electricity and roads. These government initiatives has led to lesser leakages and higher incomes in the hands of the rural populace, thereby enhancing their ability and willingness to spend on discretionary products and services. The structural changes, combined with a positive macro environment, will improve rural business prospects, provide lending opportunities for financiers and drive the long term growth of the economy.

….and has been relatively less impacted by Covid-19

The rural economy accounts for almost half of India's GDP and has performed much better than urban India in the aftermath of Covid-19. There are three reasons for this.

First, agricultural activity has continued largely unhindered, normal monsoons and lower spread of Covid-19 in rural areas given the lower population density. Second, the government has pitched in with support by making available an additional Rs 50,000 crore of funding towards the Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) and also disbursing Rs 570 billion towards the PM-Kisan scheme. Third, the structure of the non-agriculture rural economy has helped it bear the Covid-induced shock better. Rural economy contributes to 51% of India's manufacturing GDP, but the rural share in services GDP (excluding public administration, defence and utilities) is much lower at around 26%. With services, especially contact-based services being impacted more compared to manufacturing post Covid-19, rural India's relatively higher dependence on both manufacturing and agriculture has helped partly buttress the impact of Covid.

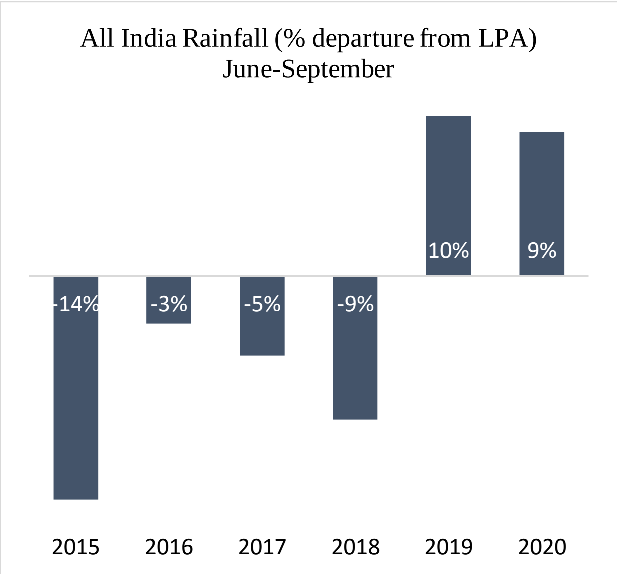
Within the rural economy, agriculture itself is set to grow at ~2.5% on-year in fiscal 2021, close to its trend rate. In large part, the strong agriculture growth will be borne out by the timely onset and well spread south-west monsoon. This means a lot to Indian farmers, a majority of whom depend on rains for kharif sowing and production - that makes up about half of India's annual agricultural output. Further, higher government procurement of foodgrains expected this year, to support the Pradhan Mantri Garib Kalyan Anna Yojana, should also spur higher production. Finally, an increase in minimum support prices (MSPs) promises better returns to farmers.

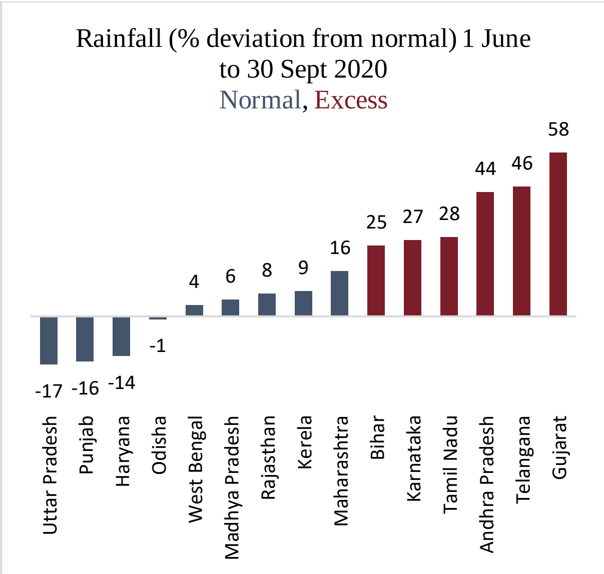
Overall, agriculture appeared to be one of the few bright spots for the second straight quarter amid a grim GDP performance clocking a growth of 3.4 percent at constant prices in the July- September quarter as per the data released by the National Statistical Office (NSO).

Rainfall Performance

Three words sum-up this year's monsoon performance – on-time, abundant and well-spread.

The season began with copious rainfall, which was 15% above LPA as of end-June at the all-India level. July also saw heavy downpour, with some moderation towards the last two weeks. But rains caught up soon after to end the season at 9% above LPA. Region-wise, rains were most abundant (at 29% above LPA) in the south, with 4 key states – Andhra Pradesh, Telangana, Karnataka and Tamil Nadu – seeing a surplus. The northwestern region saw rains 16% below LPA, the eastern region 6% above LPA, and the central region 15% above LPA. At the regional level, rains are considered normal if they are within 20% of the LPA. Last year had also seen abundant rains, making 2020 the second consecutive year with above-normal monsoon rainfall. Although a mild deficiency in rains was recorded in some parts (mainly in the northwestern region, such as West Uttar Pradesh), these regions have a good irrigation cover, which helped cushion the loss in farm output.



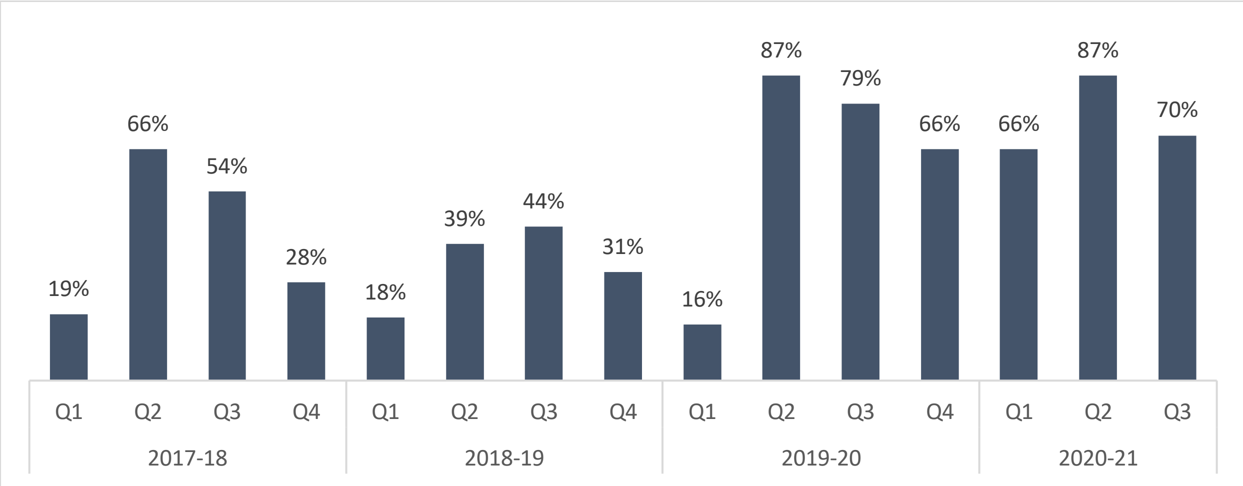


Source: IMD, CRISIL Research

Healthy water levels support positive rural sentiments during the rabi cycle

The total live storage capacity of 128 reservoirs monitored by Central Water Commission is 172.132 BCM which is about 66.77% of the live storage capacity of 257.812 BCM which is estimated to have been created in the country. As per reservoir storage bulletin, live storage available in these reservoirs as of December 2020 is 119.644 BCM, which is 70% of total live storage capacity of these reservoirs.

Storage as a per cent of live capacity at FRL (full reservoir level)

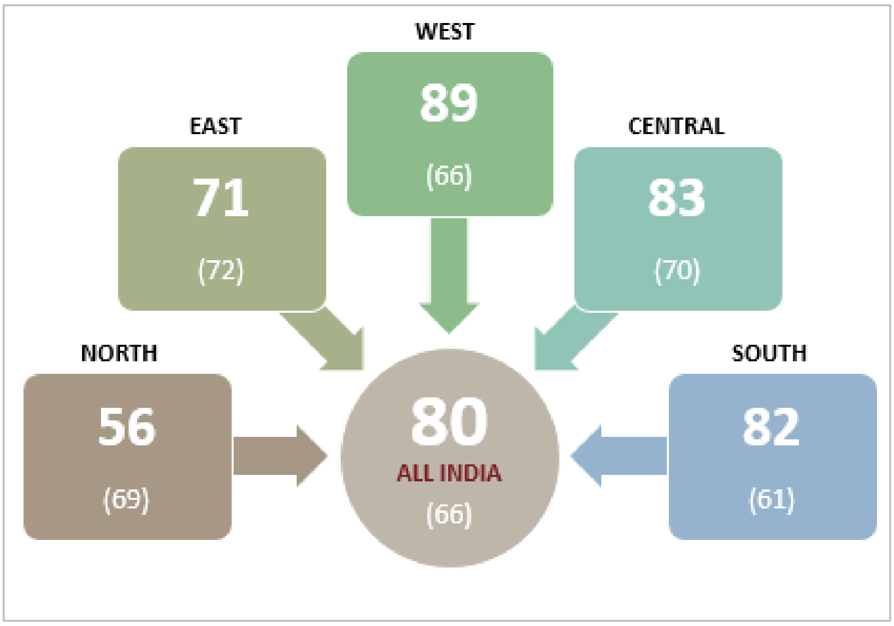


Source: CWC, CRISIL Research

Healthy reservoir levels in fiscal 2020 led to a record high rabi production and improved crop yields. Further, with two consecutive years of normal monsoon the reservoir levels for the current year are almost similar to last year, thus indicating a good rabi output and also expectation of positive rural sentiments to continue for the remainder part of fiscal 2021.

Region-wise storage as a per cent of live capacity at FRL

The live storage available in 128 reservoirs as of December-end is 91% of the live storage of corresponding period of last year and 120% of storage of average of last ten years.



Source: CWC, CRISIL Research

Note: (xx) denotes last 10 year average storage as a per cent of live capacity at FRL

Period: Status of current storage as on 30th November 2020

Farm Income: A silver lining among dark clouds

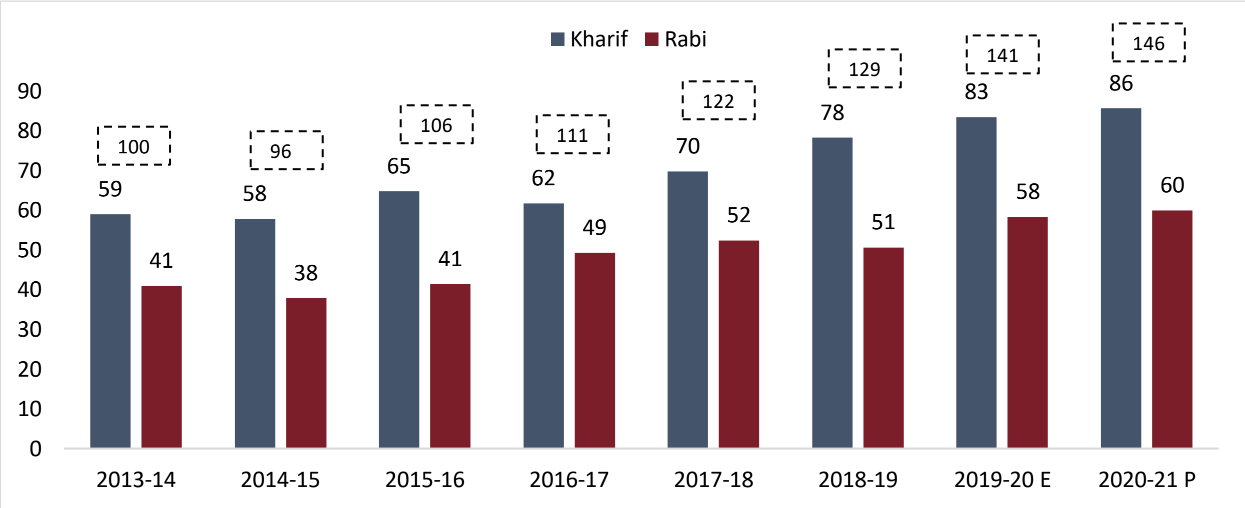
CRISIL Research expects kharif farm income to rise 3-5% on-year in fiscal 2021. The growth in income is expected to be driven by an increase in acreage as well as crop prices, following a good monsoon and expected rise in government procurement.

Overall kharif acreage has marginally increased on-year from 1085 lakh hectares in fiscal 2020 to 1095 lakh hectares in fiscal 2021, which is the highest in the past five years, following good monsoon rains and availability of labour. Productivity is estimated to increase by 0-2% following an increase in hybridisation, higher seed replacement and adequate water availability during the critical crop growth stages. Overall kharif output is estimated to increase by 0-2% on-year.

Further, rabi acreage in fiscal 2021 is expected to increase by 0-2% on-year following good reservoir levels and weather conditions. As on 8th January, 2021 overall rabi sowing is higher by 3% on-year at 644 lakh hectares, however the overall increase in sowing is expected to be lower for the season on account of delayed sowing last year. Due to timely rainfall and kharif harvest, rabi sowing progress in India has been excellent. Overall rabi production in fiscal 2021 is expected to be marginally higher as compared to the record high production last year.

Increase in minimum support prices as well as mandi prices to aid better cash flow in rural India. Further, payments received by the farmers have been faster as compared to last year, thus improving liquidity. High investment by farmers on agriculture activities amid absence of any other investment opportunities due to COVID-19 outbreak has positively impacted the rural economy.

Higher crop prices to increase farm income for fiscal 2021

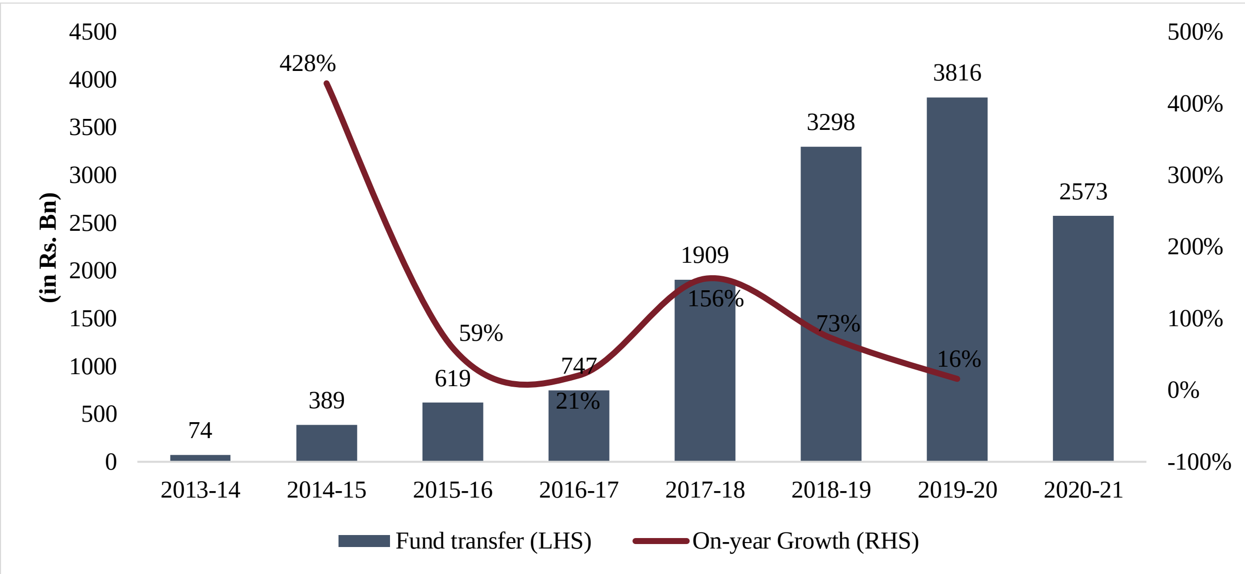


Source: CRISIL Research

Note: Above chart represents farm income which has been indexed to 100 at 2013-14

Government support has been influential in boosting rural income - Enhanced focus on direct benefit transfer (DBT) to the beneficiaries

DBT fund transfer witnessed a robust growth across all years



Source: DBT Bharat, CRISIL Research

Note: Fund transfer includes transfers done in cash and in-kind

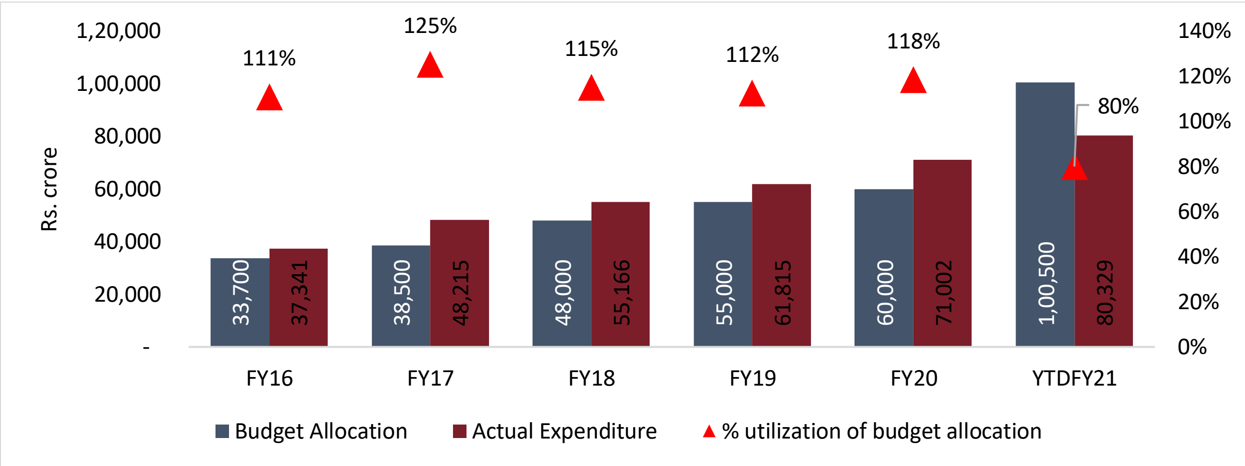
Note: Data for 2020-21 is YTD data from April-November 2020

MNREGA has kept the rural economy chugging along

Government has front loaded a substantial chunk of MNREGA expenditure to generate employment for repatriated migrant labour. During April to November 2020, the aggregate wages expenditure under MNREGA was Rs 554 billion, a whopping 72% higher than that in the corresponding period of the previous fiscal.

In 2019-20, 57.4 million people had sought work under the scheme in the full year, whereas in the current year 55.5 million households sought work under this scheme by July 2020. This reflects the massive demand for work under the scheme due to the Covid-19 lockdown. Eastern and Northern regions have seen relatively higher increase y-o-y in MNREGA expenditure. This is to be considered alongside the fact that many migrant labourers hailed from these regions. Hence, government outlay towards MNREGA has increased substantially, and even though 75% of the budget under MNREGA has been expensed the MNREGA scheme has a history of overshooting budget.

Expenditure under MNREGA



Note:

MNREGA expenditure shown above includes expenditure on wages as well as other aspects such as purchase of raw material, etc.

YTD F21 data as of 21st Dec 2020

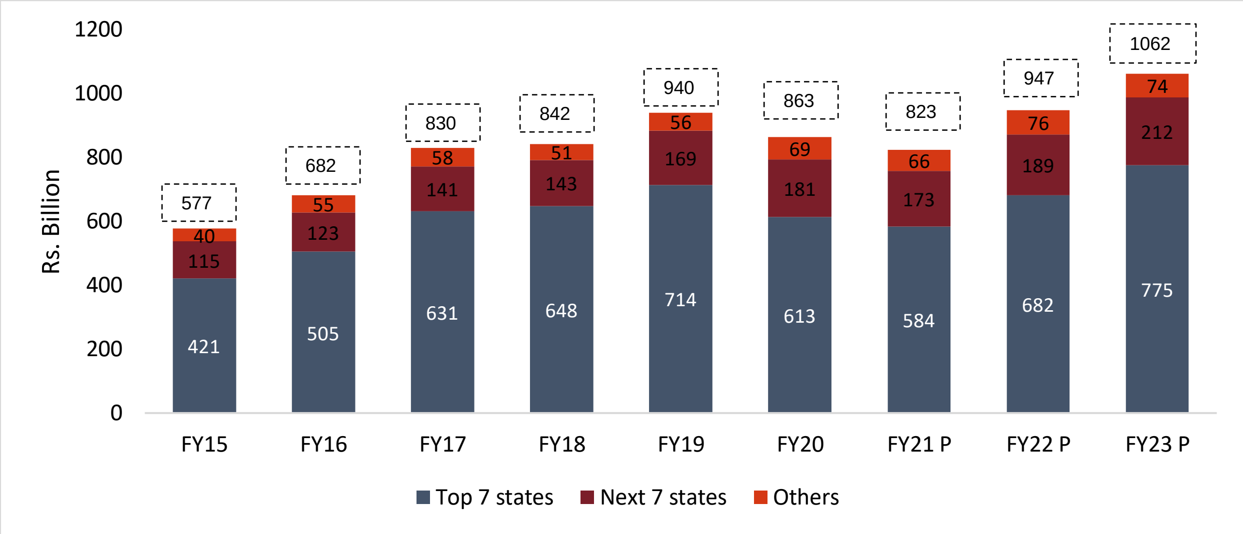
PM-Kisan scheme has also aided farm incomes

Additionally, government schemes like PM Kisan have also played a crucial role in uplifting cash flows in rural India. Every year small farmers of the country are given financial assistance of ₹ 6000 under the PM Kisan Yojana. This financial assistance is provided to the farmers through three installments in a year ₹ 2000 each installment).

Overall, it is expected to benefit 8.36 crore farmer families with total assistance amounting to ₹ 750 billion in fiscal 2021. Due to COVID-19 outbreak, instalments were disbursed early in H1FY21. However, the other instalments were not released on time impacting the cash in hand of farmer. Third instalment under the scheme has been released on 25th December where in government transferred ₹ 180 billion to benefiaciary farmers. As of December-end 2020, a total of ₹ 570 billion has been spent towards the PM-Kisan scheme.

Irrigation spends to pick up in subsequent two years after slumping in fiscal 2021

CRISIL Research Irrigation investment is expected to grow at a moderate pace over fiscal 2020 to 2023. While investments are expected to decline by 9-13% in fiscal 2021 due to the savage impact of Covid-19 on state finances, CRISIL expects the pace of investments to gradually pick up in the subsequent two years.



Source: State Budgets, CRISIL Research

Note:

Top 7 states - Andhra Pradesh, Telangana, Karnataka, Maharashtra, Madhya Pradesh, Gujarat and Odisha, Next 7 states - Uttar Pradesh, Bihar, Rajasthan, West Bengal, Jharkhand, Chhattisgarh and Tamil Nadu

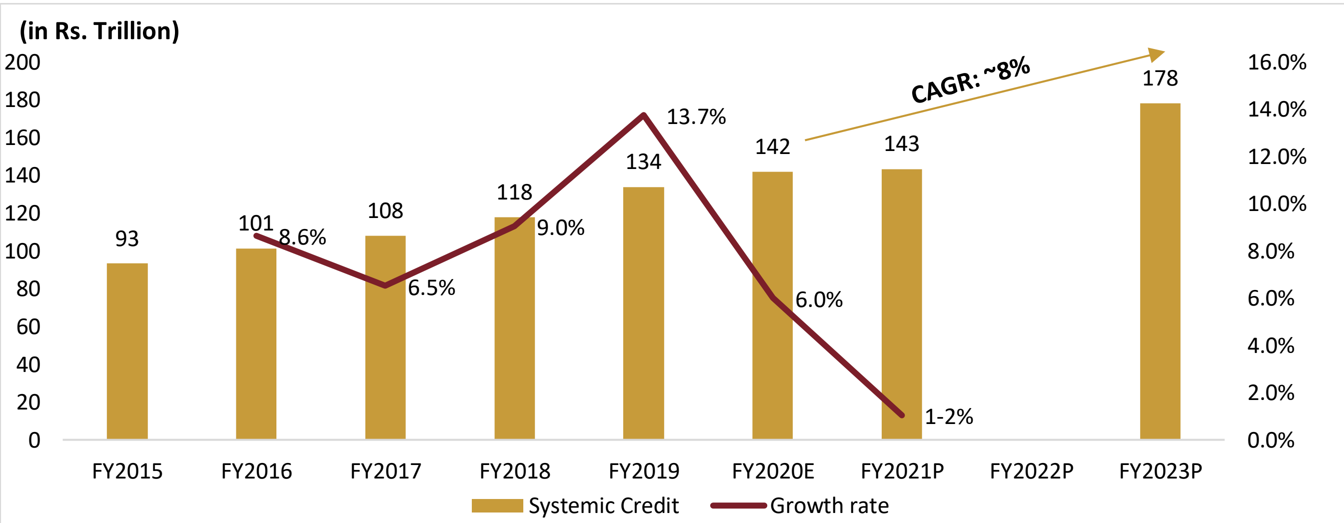
NBFC overview

Systemic credit growth expected to be muted; Tepid consumption hurts retail credit

Over the last few years, systemic credit growth has largely been driven by the retail segment, with corporate credit demand being muted and banks turning cautious towards lending in the corporate segment. In fiscal 2019, for example, corporate credit grew by 13%, but this growth was driven mainly by public sector undertakings and energy sector (oil and gas and power generation and distribution), and in fiscal 2020, growth was even lower at 3%. Retail segment credit grew by 15% in fiscal 2019 and 13% in fiscal 2020, which is much higher than the corporate segment. Nevertheless, credit growth in the retail segment has also come down compared to the growth seen between FY15-FY18, reflecting the impact of slower economic growth, and decline in private consumption growth.

The credit growth is likely to bounce back to ~10-15% annually on expectations of a reviving economy in fiscals 2022 and 2023.

Systemic growth to remain low in fiscal 2021 but bounce back subsequently



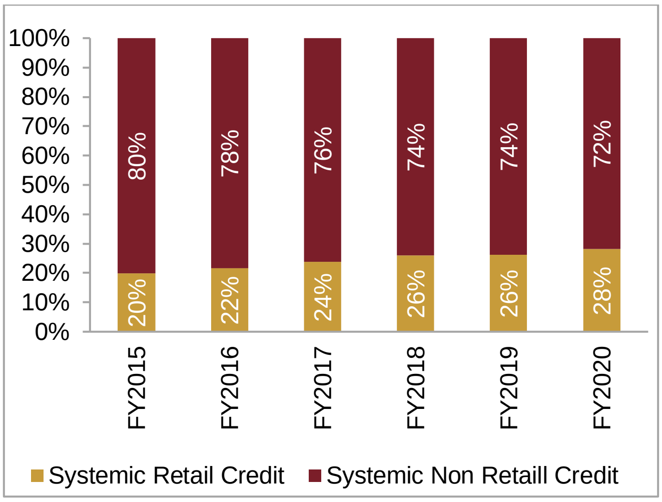
Note: E: Estimated P: Projected ; Systemic credit includes domestic banking credit, NBFC credit, commercial papers, external borrowings, corporate bonds excluding those issued by Banks and NBFC

Source: RBI, Company Reports, CRISIL Research

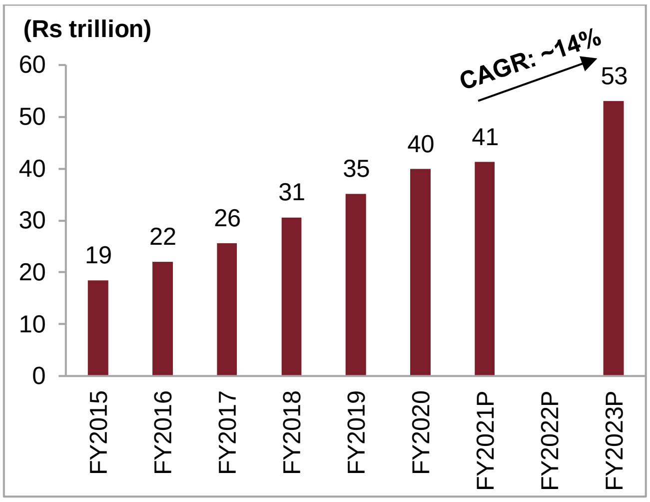
In fiscal 2020, retail credit growth was around 13.5% and is expected to come down sharply to ~2% in fiscal 2021 due to significant de-growth in underlying assets (new housing units, passenger and commercial vehicles and consumer durables), which has restricted growth of retail loans.

As the economy revives, retail credit is expected to log a CAGR of ~14% between fiscals 2021 and 2023. It is likely to be propelled by an increase in private consumption with a steady rise in GDP growth, a shift in attitude of consumers towards debt, the continuing trend of urbanisation and nuclearisation, increased availability of data from credit bureaus as well as non-traditional data and financiers leveraging technology and data analytics to serve their target markets more efficiently. In addition, CRISIL observes that despite fast growth in retail credit, India's household debt in relation to its GDP still remains low at 21% compared with the BRICS countries – 30% in Brazil, and 55% in China. CRISIL Research thus expects retail credit growth to continue in the long term with banks and NBFCs' continued focus towards the segment.

Retail segment accounted for over one-fourth of overall systemic credit



Retail credit growth to continue on a strong footing



Note: P - Projected

Source: RBI, CRISIL Research

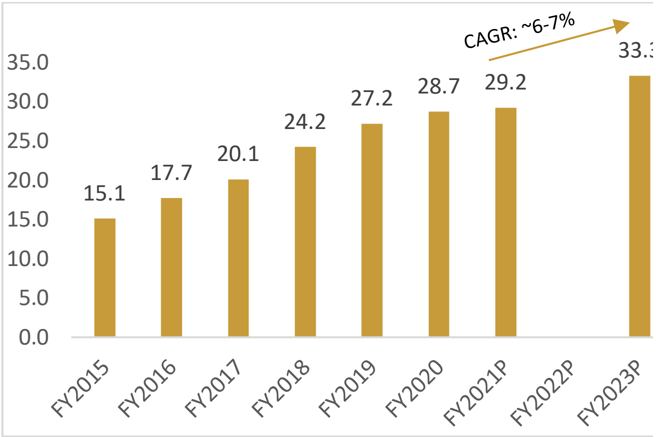
Growth to return in NBFC credit in fiscal 22 but at a slower pace than in the previous years

NBFC credit grew at a healthy pace of ~16% CAGR over fiscals 2015 to 2019. However, their book grew at a slower rate of 5.5% during fiscal 2020 mainly due to severe liquidity crisis and volatile interest rates following the debt default of IL&FS in mid-September 2018, which created panic and led to investor confidence in lending to NBFCs dipping. While the segment was just starting to revive, Covid-19 has dealt a further blow to both funding and asset quality for NBFCs, especially for small and mid-sized NBFCs which do not have a strong parentage.

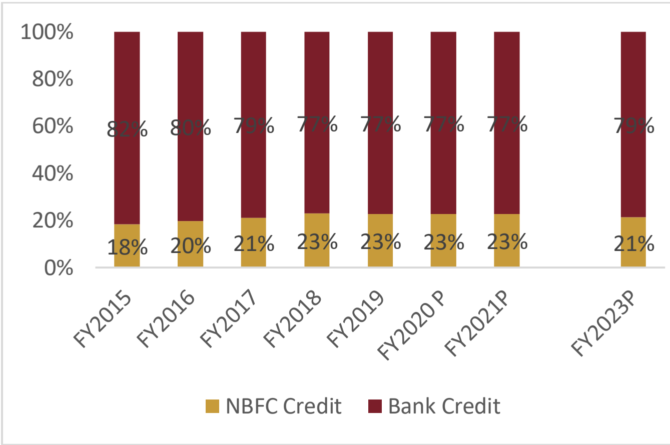
Overall, CRISIL expects the assets of NBFCs to remain more or less flat at the previous year's levels in fiscal 2021. While economic activity is gradually picking up, prevailing uncertainty regarding the pandemic's further impact has forced lenders to exercise utmost caution in reviving disbursements. Except housing, where the growth has started picking up in disbursements, the current focus of most of the lenders is collection and consolidation of business. In fact, especially for most NBFCs, growth in fiscal 2021 would be optical, arising due to lending under the emergency credit line scheme to MSMEs, and slower rundown in existing book due to moratorium and restructuring of loans.

In fiscal 2022, we expect asset growth for NBFCs to pick up to 6%, which would still be lower than nominal GDP growth, which is expected to be in the mid-teens. This is because access to funding/ liquidity remains a challenge due to concerns about the impact of the pandemic on asset quality. However, large-sized NBFCs with a high credit rating are relatively better placed with liquidity, comprising liquid assets, undrawn lines from banks and in some cases, funding lines from parent/group companies.

NBFC credit to grow at a tepid rate going forward



Banks continue to serve majority of the credit

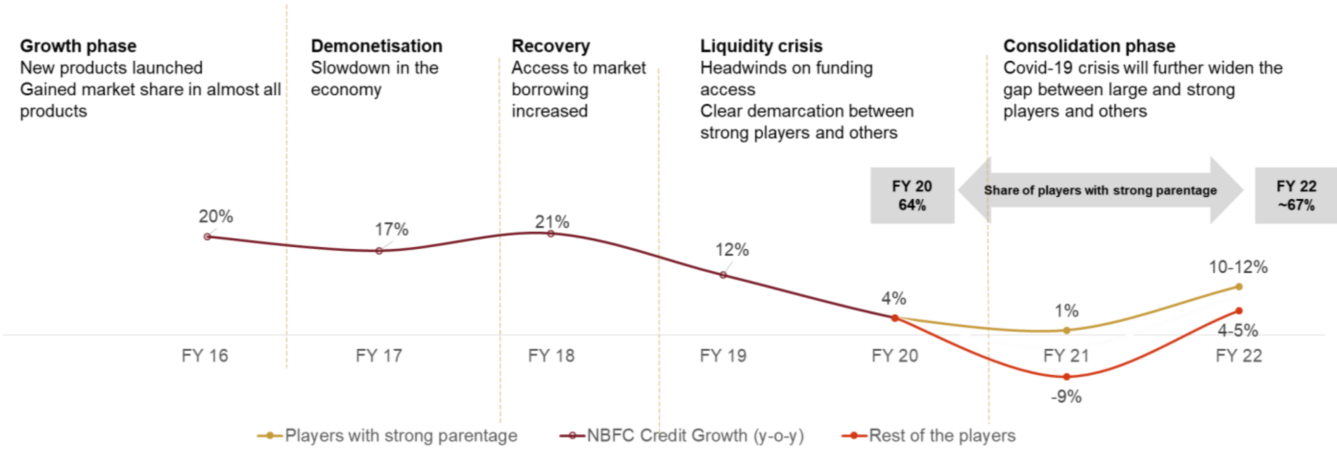


Note: P – Projected,

Source: RBI, Company reports, CRISIL Research

Consolidation: Larger NBFCs to gain market share at the cost of others

CRISIL believes the developments over the last couple of years will hasten the pace of consolidation in the NBFC industry. Large players with a better credit profile and access to funding are likely to outperform the industry and grow at a much higher pace.



Note: (I) PFC, REC not included, (II) Includes HFCs and NBFCs (III) Large players with better credit profile: data set of 15 players, some of the prominent players in the sample set includes Housing Development Finance Corporation Ltd, LIC Housing Finance Ltd , Mahindra and Mahindra Finance Ltd, L&T Finance Ltd and Bajaj Finance Ltd , Source: RBI, NHB, company data, CRISIL Research

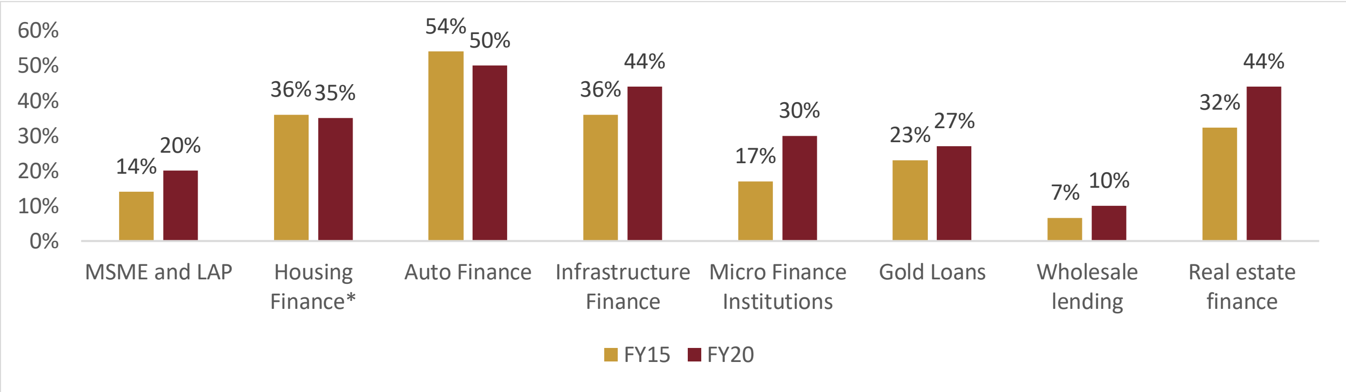
As NBFCs continue to focus and specialise in retail loans, non-retail portion which includes infrastructure, structured and real estate finance, which constituted 42% as of fiscal 2016 has come down to 39% as of fiscal 2020. Eight out of ten leading NBFCs specialise, and have major proportion of assets in retail loans. As can be seen from the following table, L&T Finance is one of the leading private sector NBFCs in India in terms of total loans outstanding, with Rs 988 billion total loans outstanding as at September 2020.

Leading NBFCs (Rs Billion)	Mar-20	Sep-20
Housing Development Finance Corporation Limited	5168	5403
Power Finance Corporation Ltd	3449	3712
REC Limited	3224	3490
LIC Housing Finance Ltd	2106	2133
Bajaj Finance Limited	1161	1050
Shriram Transport Finance Company Limited	1097	1133
L&T Finance Limited	984	988
PNB Housing Finance Limited	676	670
Cholamandalam Investment and Finance Company Limited	669	745
Mahindra and Mahindra Financial Services Limited	650	644
HDB Financial Services Limited	571	575

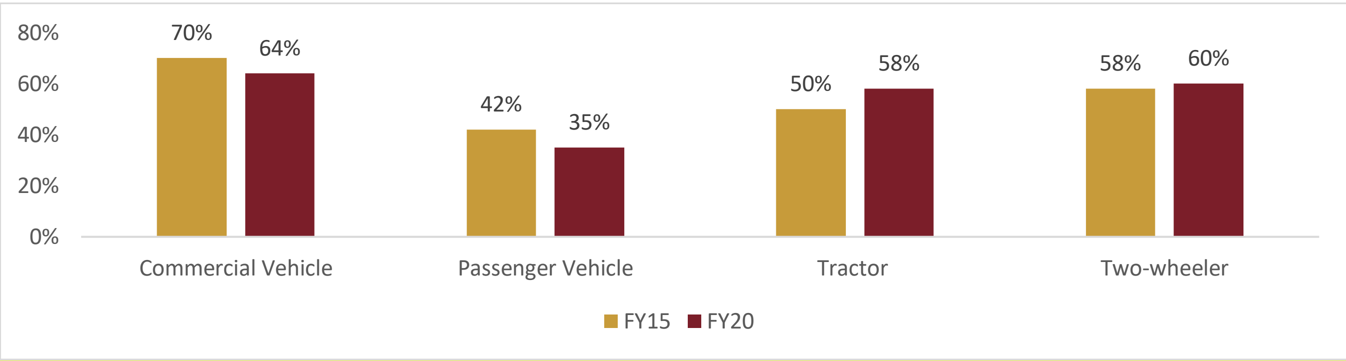
Source: Company reports, CRISIL Research

In the past, NBFCs have consistently gained market share, with segments such as housing finance, microfinance, auto loans and education loans propelling growth. NBFCs have been able to compete with banks mainly on account of their strong origination skills, extensive reach, better customer service, faster processing, fewer documentation requirements, customised product offerings, local knowledge, and differentiated credit appraisal methodology. While NBFCs continue to leverage these strengths, the funding and asset quality challenges being faced by several smaller and mid-sized NBFCs presents a strong opportunity for private banks and strong NBFCs to grow their market share.

Market share of NBFCs in overall credit across asset classes



Share of NBFCs in 2 wheelers and tractor financing has risen

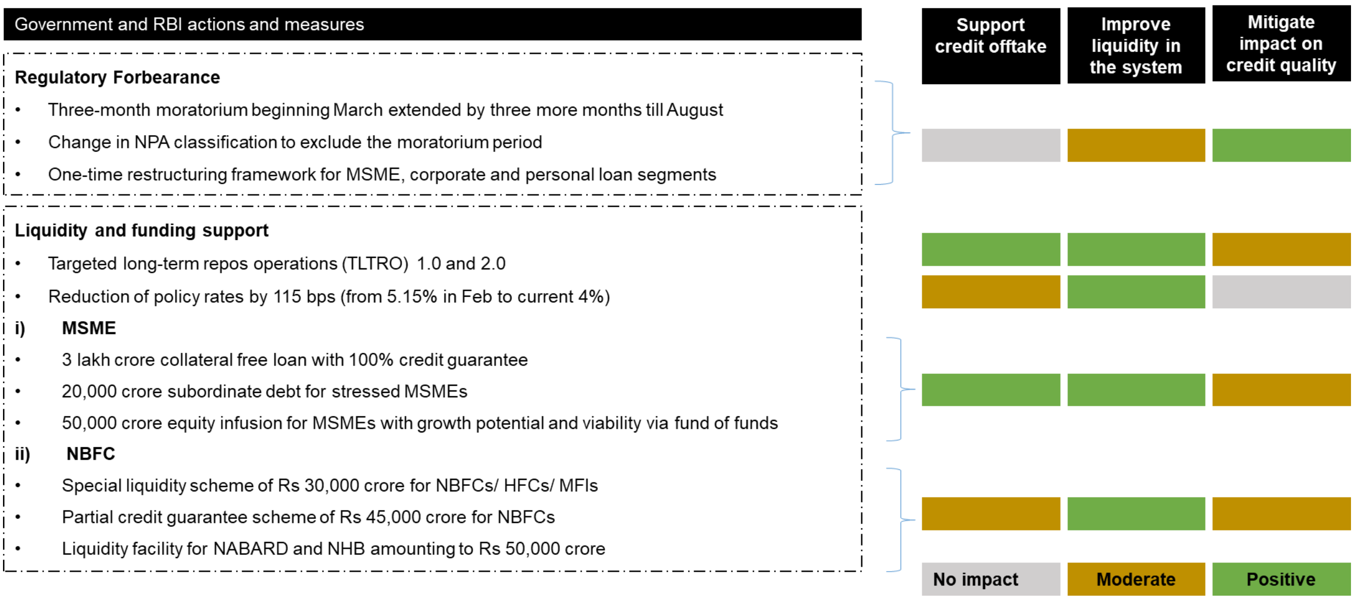


Note: Housing Finance includes home loans given to retail customers, wholesale includes structured and real estate finance, Commercial vehicles and passenger vehicles includes both new and used

Source: Company reports, CRISIL Research

Government and RBI measures to ease stress in NBFC sector

To mitigate the disruptions caused due to COVID – 19 pandemic, the RBI and Government announced several measures.



Status of the schemes:

TLTRO 2.0: TLTRO 2.0 was announced specifically for AA and below rated NBFCs and MFIs. However, the issue received lukewarm response and the issue was subscribed to the extent of 51% of the first tranch of Rs 25000 crore

ECLGS: This scheme allows additional credit up to 20% of the entire credit outstanding as on February 29, 2020. The entire loan is guaranteed by the government. As of December 4, 2020, about 68% of the 3 lac crore scheme was sanctioned and 53% was disbursed by the financial institutions

Special Liquidity Scheme: The Special liquidity scheme was launched on July 1st and it permits both primary and secondary market purchases of debt. Till September 11, 2020, proposals of total worth Rs 10,590 crore have been approved

Note: Green represents high impact; Amber represents moderate impact; Grey represents no / insignificant impact

These measures are aimed to mitigate the impact on economy, specifically on access to funding and asset quality. Before the moratorium ended in August 2020, the RBI announced a restructuring policy on August 6, permitting one-time restructuring of personal loans, MSMEs and Corporate loans which are SMA-0 as on March 1, 2020. The assets restructured will continue to remain standard. In the absence of the moratorium and the restructuring policy, NBFCs may have had to deal with severe asset quality pressure. Proactive measures announced by the regulator, along with pick up in collections, limited disbursements made by NBFCs and funding support from banks have ensured the liquidity fears post-Covid 19 have been largely managed.

Eventual decision by Supreme Court on litigations related to payment of interest during moratorium period to impact NBFCs

Lending institutions (banks as well as NBFCs) were permitted to an effective moratorium of six months on the payment of term loans falling due between March 1, 2020 and August 31, 2020, subject to the accounts being standard accounts as of February 29, 2020. Given the disruptive impact that Covid-19 had on incomes of certain customer segments as well as uncertainty created by the pandemic, a large proportion of NBFC customers availed of the flexibility provided by RBI, and as of August 2020, 40-45 per cent of the NBFC loan book was estimated to be under moratorium.

Further, the Supreme Court in response to hearing on a case filed against the Central government, in an interim order dated September 3, 2020 directed lending institutions that accounts that were not declared as NPAs as at August 31, 2020 shall not be declared as NPAs until further orders, pending disposal of the case by the Supreme Court. As a result, lending institutions have not classified any borrower account that has not been declared as an NPA as at August 31, 2020 as NPA subsequently, notwithstanding the status on overdues from the account. In case the final decision of the Apex Court does not permit lending institutions to charge interest for the moratorium period, the industry would lose a substantial amount of interest income.

To soften the impact of Covid-19 on consumers, on October 23, 2020, the Central Government announced a scheme for the grant of ex-gratia payments to borrowers of certain categories of loans (MSME loans, education loan, housing loans, consumer durable loans, credit card dues, automobile loans, personal loans and consumption loans) where the sanctioned limit and outstanding amount does not exceed Rs 20 million irrespective of whether they opted for the moratorium or not (aggregate of all facilities with the lender). The ex-gratia payment is equivalent to the difference between compound interest and simple interest charged on those loans for the period March 1, 2020 to August 31, 2020. The scheme involved the lenders crediting the difference between simple interest and compound interest for the period between March 1, 2020 to August 31, 2020 to the accounts of such borrowers and the Government paying such credited amounts to the lenders. These payments have been credited to the borrower accounts in November 2020.

Delinquencies expected to inch up, restructuring to soften the blow

The pandemic will impact segments such as wholesale, MSME, unsecured loans, microfinance and used commercial vehicle the most because of the weak borrower profile and nature of the loan. On the other hand, segments such as housing and gold loan are expected to be least impacted, even though the delinquencies across retail segments are likely to edge higher.

Around 40-45% of the book for the NBFC industry as a whole was estimated to be under moratorium as of August 2020. NBFCs have, in the last 3-4 months, intensified their efforts towards recovery from these customers and educating them, and also continuing focus on customers who had not availed of the moratorium.

While collection efficiency for NBFCs across segments has been improving as indicated by the table below, collection ratios are still hovering lower than the pre-Covid levels. CRISIL believes this indicates existence of stress amongst certain borrower segments and therefore, CRISIL expects delinquencies to edge up across segments.

Trend in collection efficiency of NBFCs across various asset classes

Monthly Collection Efficiency (%)	Apr-20	Aug-20	Nov-20
Home Loans	70-75%	85-90%	90-95%
Gold loans	25-30%	90-95%	90-95%

Monthly Collection Efficiency (%)	Apr-20	Aug-20	Nov-20
Auto loans	25-40%	60-70%	90-95%
MSME loans	25-30%	65-70%	80-85%
Unsecured loans	25-30%	65-75%	80-85%
Wholesale loans	<10%	15-25%	75-80%

Collection efficiency is calculated as follows - total collections excluding foreclosures during a month divided by scheduled billings unadjusted for moratorium during the month

Source: Company reports, CRISIL estimates

CRISIL estimates the stressed assets (gross non-performing assets (GNPA) + potential stress in loan book) as on September 2020 for the overall NBFC sector at Rs 1.6-1.8 trillion (excluding two large government-owned NBFCs – Power Finance Corporation (PFC) and Rural Electrification Corporation (REC)), which translates into ~7% of industry AUM.

Anticipating a deterioration in asset quality, several NBFCs have made additional provisions to provide for the impact of Covid-19 on the asset quality. These provisions, to some extent, would help absorb the impact of incremental increase in GNPAs on profitability.

Adequate liquidity to meet immediate requirement; access to funds important as demand recovers

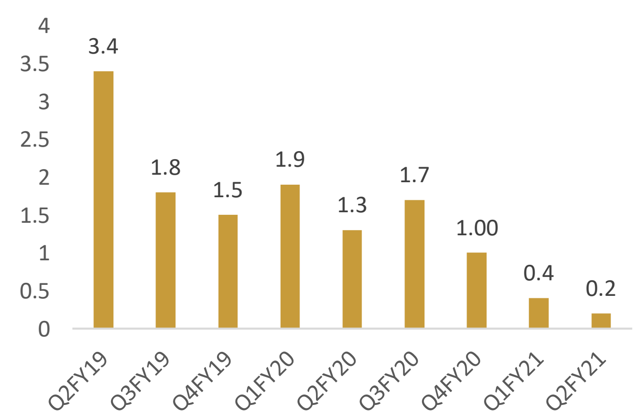
NBFC's borrowing mix has been changing over the past couple of years. Capital market investors have become cautious given their challenging environment and asset quality issues. Investors' risk perception has increased significantly towards players with negative asset liability management mismatch. On the other hand, players with diversified sources of borrowings, and conservative approach to ALM have been able to overcome the severe liquidity crunch and volatile interest rates following IL&FS crisis. Therefore access to the capital markets has been restricted to limited players, with others moving towards bank borrowings to meet their requirement.

This has resulted in reduction in share of Commercial Papers (CPs) and non-convertible debentures (NCDs) and a corresponding increase in banks borrowings during fiscal 2020. Total bank borrowings increased from ₹ 6 trillion in fiscal 2018 to ₹ 8 trillion in fiscal 2020. Only those with strong business fundamentals or parentage had access to capital market funds and that too at a higher cost.

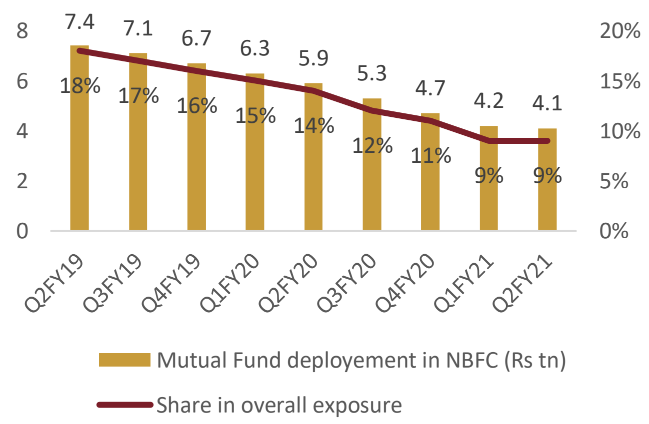
The government and RBI's measures including providing securitisation and refinance facilities, have enabled the NBFCs to raise funds to meet immediate loan repayments, in the absence of adequate cash flow from collections.

As demand for credit is limited now, issuances have declined. NBFCs' ability to raise funds from a diverse set of investors and instruments, on a steady state basis, will be tested only once credit demand picks up with economic recovery and it would remain a key monitorable.

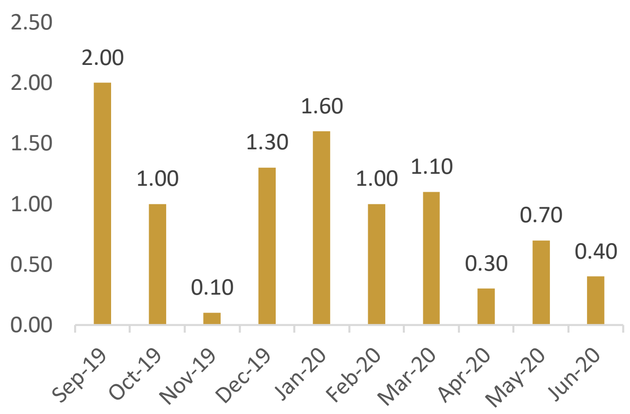
CP Issuances Amount (Rs tn)



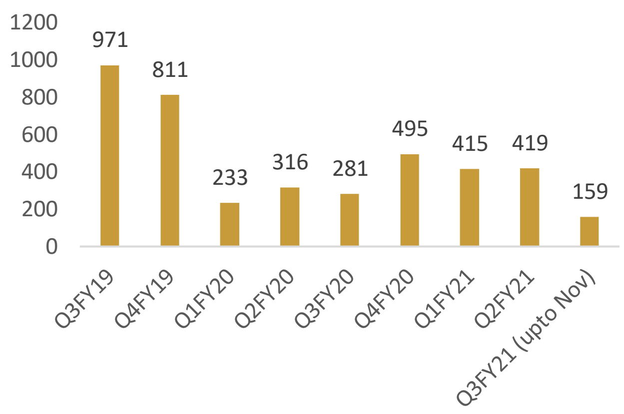
Subdued investor confidence slowed down MF investments



ECB issuances (Rs bn)

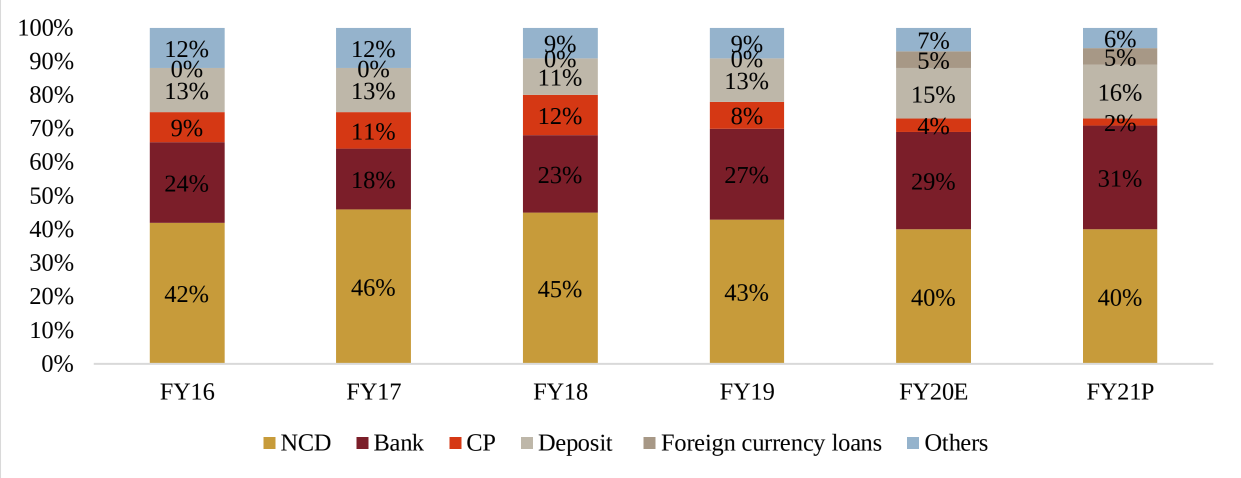


NCD issuances (Rs bn)



Source: RBI, Monthly portfolio disclosures by mutual funds, CRISIL Research

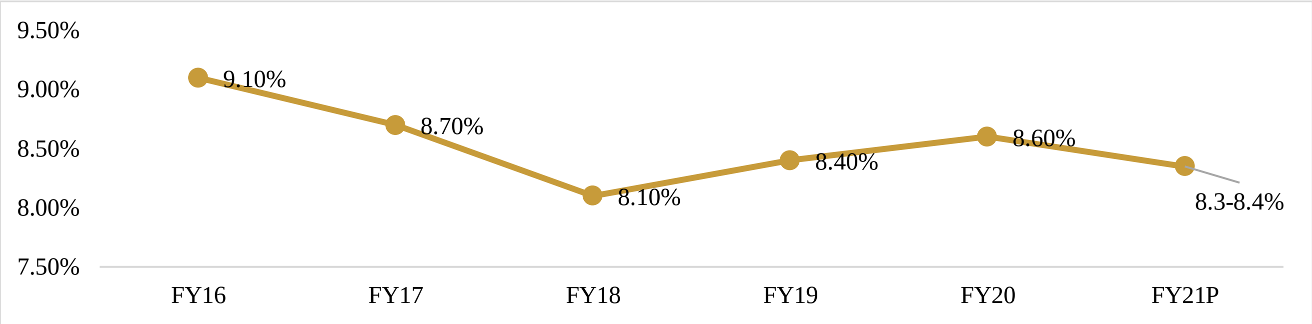
Banks expected to remain primary lenders for the NBFCs



Note: Based on sample set of NBFCs accounting for more than 50% of outstanding book of NBFCs as of March 2020.

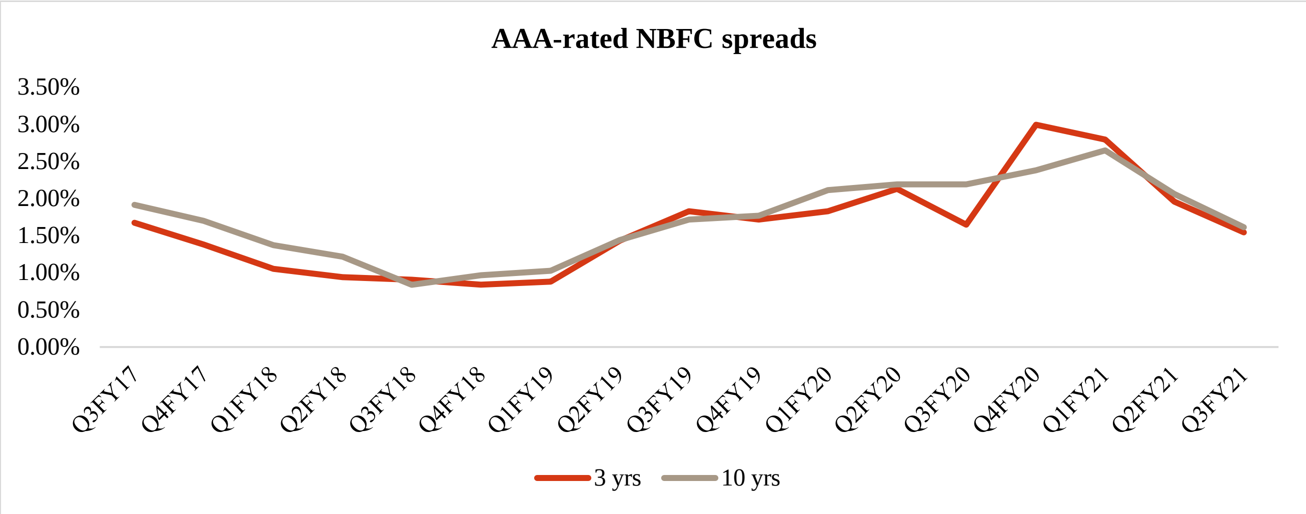
Excess liquidity to reduce the NBFC borrowing cost in the near term, but cheaper funds may not be available to all

NBFC borrowing cost to witness a declining trend



Source: Company reports, CRISIL Research

Risk perception of high rated NBFCs has considerably reduced



Source: CRISIL Research

The RBI has been trying to infuse liquidity into the system. However, with lack of demand amid the gloomy economic environment and high risk aversion by banks, credit offtake remains abysmally low. Despite banks lowering the deposit rates, deposit growth remains high. This will all lead to lowering of interest rates.

With excess liquidity in the system along with the RBI's efforts to alleviate the financial stress, the repo rate has seen a cumulative reduction of 200 bps since April 2019. Beginning February 2020, the repo rate has been pared 115 bps to shore up the pandemic hit economy. A reduction in repo rates has led to transmission of the same in the form of reduced interest rates on borrowings, albeit with a lag not to the same extent as the reduction in repo rates.

Substantial liquidity in the system has put pressure on interest rates pushing them lower. With no pick up in credit growth likely at least for a major part of the year and liquidity remaining higher with limited lending options, CRISIL Research expects interest rates to stay low during the current fiscal. The borrowing cost is expected to decline 30-40 bps during the year. However, the benefit of competitive rates will not be available for all the NBFCs and players with smaller balance sheet size and/or catering to susceptible borrower profiles will still find it difficult to get cheaper funds.

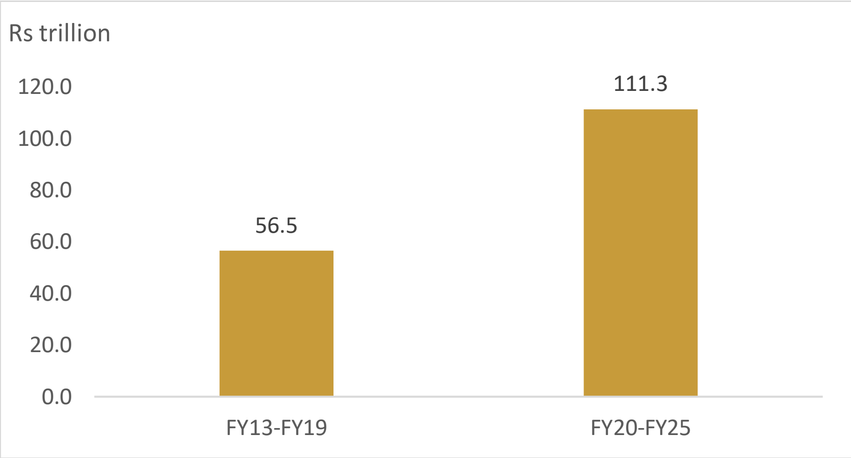
Over the next 6-12 months, while the RBI stance will continue to remain accommodative, the yield curve has steepened and interest rates may not remain benign on long tenor instruments.

Infrastructure - Overall infrastructure trends in India

According to National Infrastructure Pipeline (NIP) report, total infrastructure investment in India between fiscals 2013 and 2019 was estimated at Rs 57 trillion. In terms of growth trend, infrastructure investment grew at a CAGR of 11% during fiscal 2013 to 2019.

The total capital expenditure in infrastructure sectors in India during fiscals 2020 to 2025 is projected at ~₹ 111 trillion, which is double the Rs 56.5 trillion incurred during fiscals 2013 to 2019. While the onset of the Covid-19 pandemic has resulted in a cut back in infrastructure investments, we expect investments to gradually pick up, given the strong government focus and the potential of the sector to create employment.

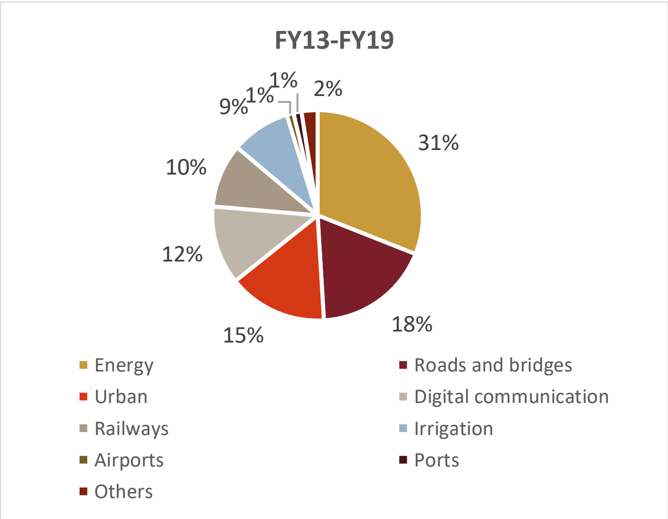
Capital expenditure in infrastructure segment to double during fiscals 2020-2025

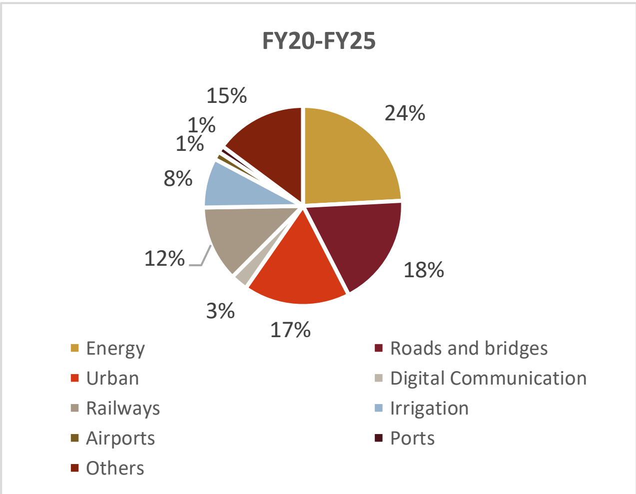


Source: NIP report

Sector-wise break-up of capital expenditure during fiscals 2013-2019 & fiscals 2020-2025

During the fiscals 2020 to 2025, sectors such as energy (24%), roads (18%), urban infrastructure (17%) and railways (12%) are expected to account for ~71% of the projected infrastructure investments in India.





Source: NIP report

Within the energy segment, CRISIL expects renewable energy to gain share at the expense of conventional thermal power. Capacity additions in renewable energy segment will be driven by government support with an aggressive tendering road-map outlined and being followed by the government so far. External such as improvement in technology and low capital costs due to falling module prices will also drive capacity additions. Despite the onset of Covid-19, renewable power auctions of 9.1 GW was witnessed during April to November 2020, which is 31% higher than the 6.9 GW auctions that took place during the same period of 2019. This indicates very strong interest in renewable power projects.

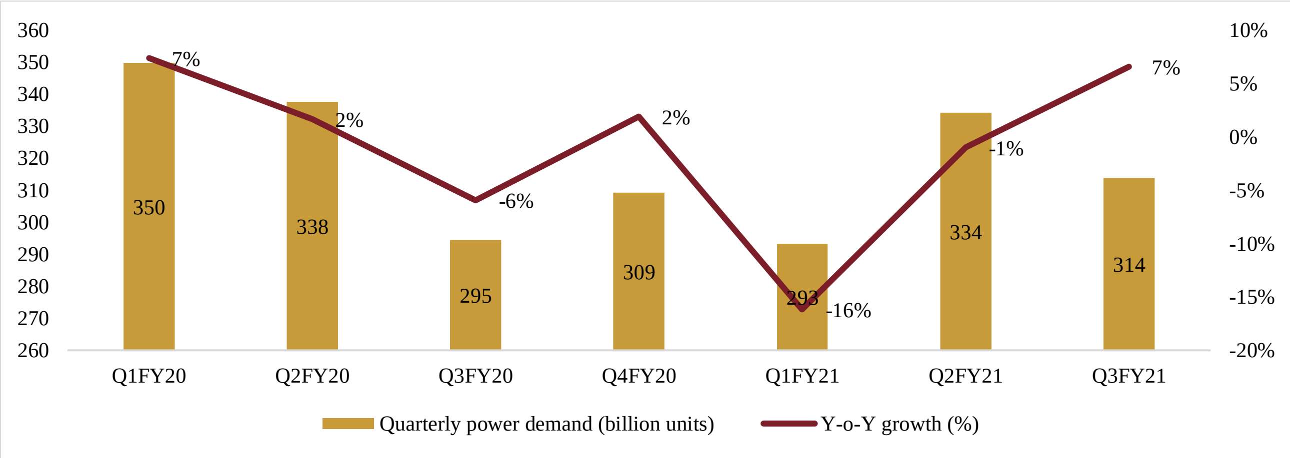
Similarly, on the roads side, CRISIL expects hybrid annuity model (HAM) to continue to be the pre-dominant mode of awarding national highway projects.

According to the Global Infrastructure Outlook 2017 (Oxford Economics), global requirement of investment in infrastructure between calendar years 2016 and 2040 is expected to reach $ 94 trillion. The report projects that over half the annual global spend would be contributed by just four countries – China, the United States (US), India and Japan. It is estimated that India would need to spend $ 4.5 trillion on infrastructure cumulatively by 2030 to realise the vision of a $ 5 trillion by 2025, and to continue on an escalated trajectory until 2030.

Key growth drivers for different infrastructure segments

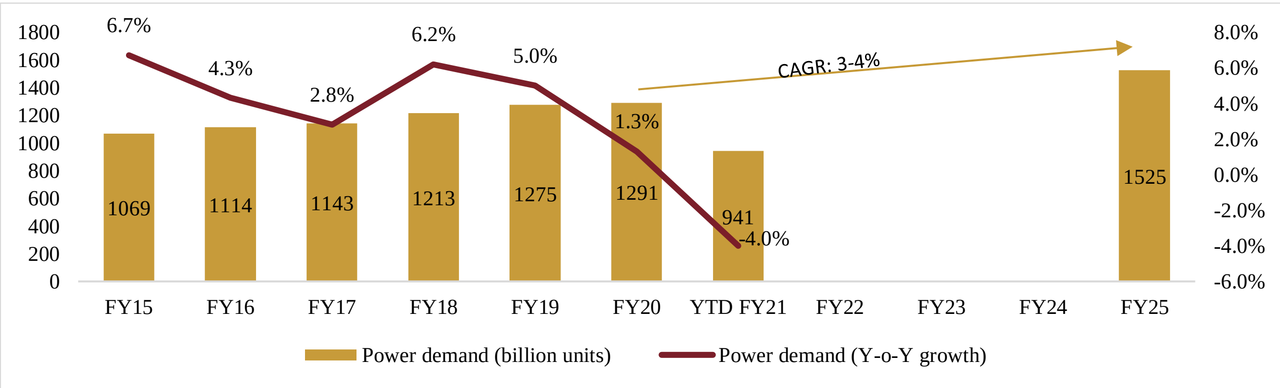
Power

Quarterly trend of power demand



Source: CEA, CRISIL Research

Power demand to pick up gradually over the long term after COVID-19 shock in fiscal 2021



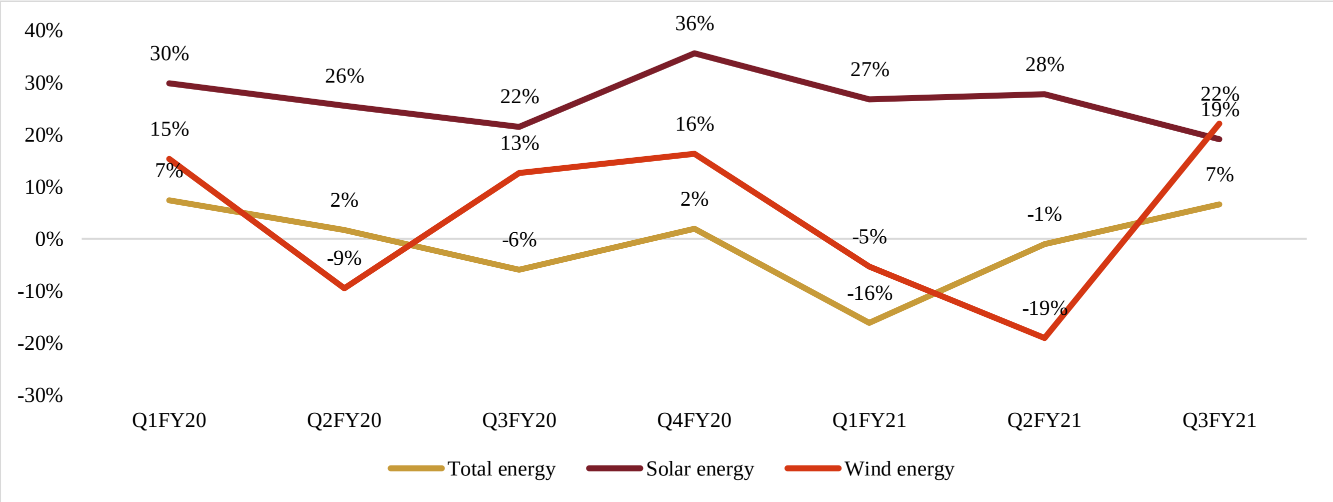
Note: YTD data is up to Dec 2020; Growth for YTD FY21 is calculated over same period of FY20

Source: CEA, CRISIL Research

CRISIL Research expects power demand to clock a CAGR of 3%-4% over fiscals 2020 to 2025, with COVID-19 weighing heavily on the power sector in fiscal 2021. Power demand is expected to be supported by economic growth recovery, expansion in reach via strengthening of transmission and distribution (T&D) infrastructure, and improved power quality.

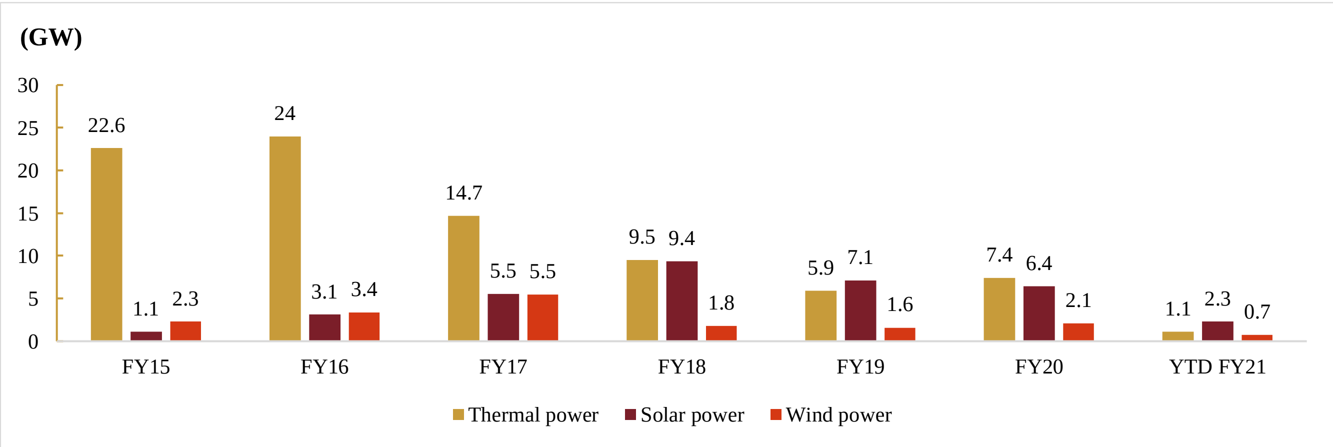
Among energy segments, solar energy generation has witnessed strong growth over the past 12 months, even during the pandemic period compared to growth in wind energy generation and overall power demand. Momentum in capacity additions for solar power has seen a rise over the years driving the growth in solar generation.

Quarterly power generation (Y-o-Y % change)



Source: CEA, CRISIL Research

Capacity additions for conventional sources of power have come down significantly; renewable capacity gaining momentum



Note: YTD data is as of November 2020

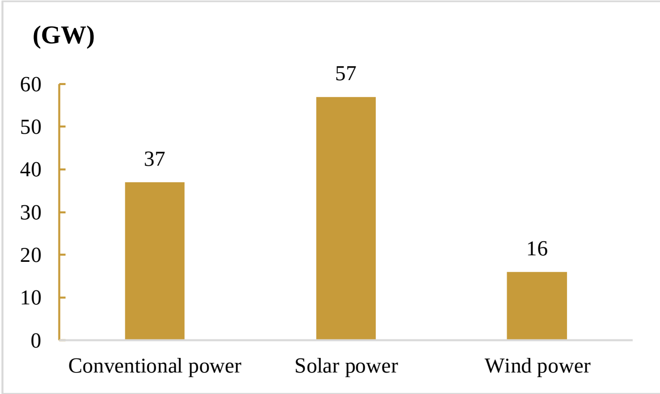
Source: CEA, CRISIL Research

During FY19, solar power capacity additions crossed that of conventional power for the first time, and although solar capacity additions declined slightly in FY20, the directional shift in favour of solar is perceptible. During April-November 2020, despite Covid-19 ravaging the economy, 2.3 GW of solar power capacity was added in the country.

Over the next five years (FY21-FY25), ~37 GW of conventional capacity is expected to be added in India. However, ~8.5 GW of old inefficient plants are expected to be retired, resulting in ~28.5 GW of net additions. Also, renewable capacity of ~72 GW is expected to be added over the next five years, largely driven by solar additions; penetration of renewable in total generation is expected to reach 17-18% by fiscal 2025 from 10% in fiscal 2020.

Capacity additions in solar power have increased over the past few years due to lower tariffs resulting from declining module prices. Over the longer term, capacity additions in this segment will be driven by government support with an aggressive tendering road-map outlined and being followed by the government so far. Few external factors such as improvement in technology (floating solar, module efficiency) and low capital costs is also key to enabling additions. Emerging policy clarity to further drive capacity additions.

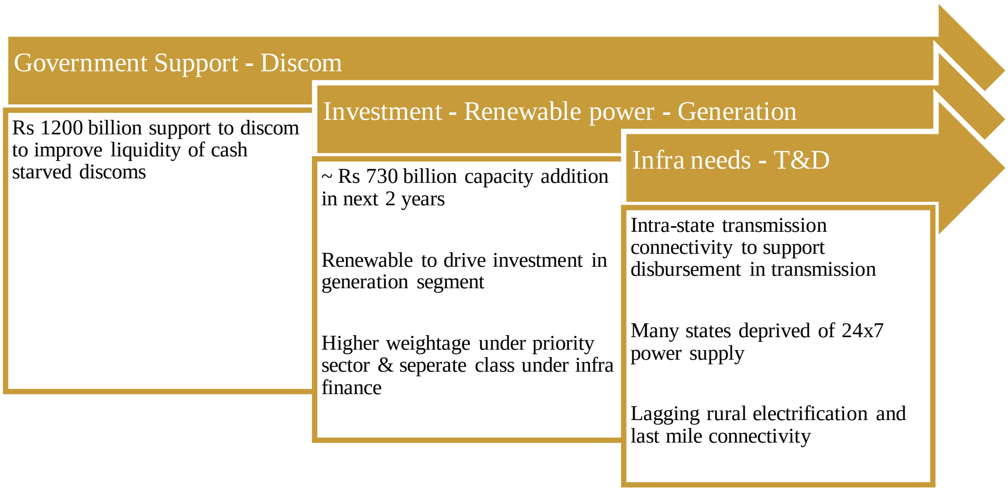
Solar power segment to drive capacity additions over FY21-FY25



Source: CEA, CRISIL Research

CRISIL Research projects investments of around Rs 10 trillion in the power sector over the next five years. Generation segment is expected to gain market share over the forecasted period largely due to increased traction in renewable power capacity additions as they tend to have relatively low gestation periods and quicker cash flow generation. The share of transmission, and distributions segments is expected to remain largely unchanged given the lumpy project awards and cash flow related difficulties typically faced by players.

Government initiatives to provide momentum in fiscal 2021, economic recovery to support growth in fiscal 2022



Discom package under Aatmanirbhar Bharat to support disbursements by PFC and REC

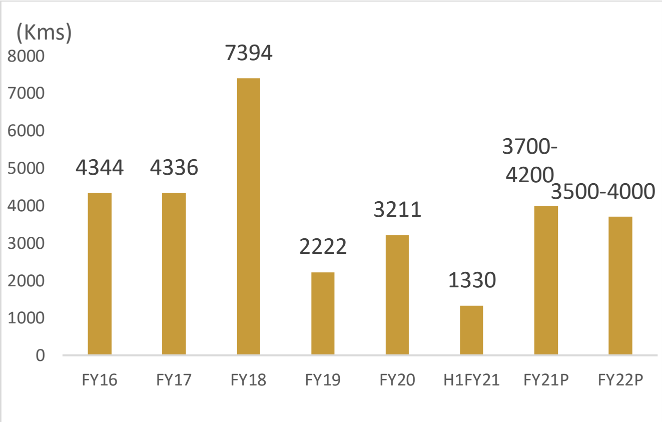
- The Government of India (GoI) announced ₹ 1200 billion discom package with PFC and REC as lending partners. Loans under the package will be co-funded by PFC and REC in equal proportion.
- The package is aimed at providing financial support to discoms, hit by Covid-19 and the lockdown, and enable them to pay the dues owed to generation companies. The disbursement is subject to fulfilment of certain pre-conditions, including an unconditional and irrevocable state government guarantee and submission of a reform plan by discoms.
- The package is expected to helps discoms meet their payment obligations to generation companies (gencos), which, in turn, would improve the latter's cash flows and ability to service their debt obligation, including dues to PFC and REC
- As against ₹ 1200 billion support to discom to improve liquidity of cash starved discoms, ~₹ 1,180 billion worth of loans are already been sanctioned and ~Rs 310 billion has already been disbursed/ released till mid-October 2020.

Roads and Highways

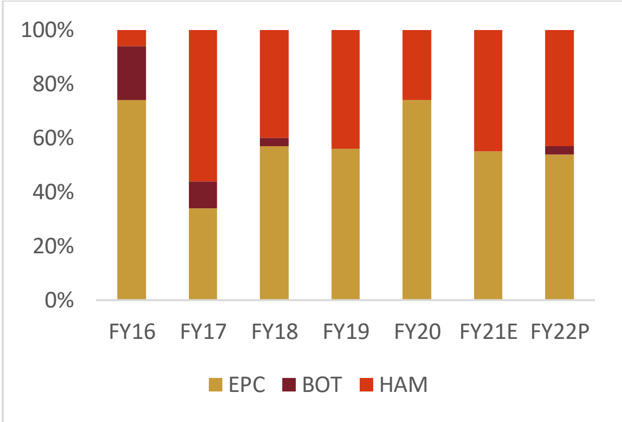
CRISIL Research has estimated NHAI awarding target to 3700-4200 kms in fiscal 2021. The authority has already awarded ~2100 kms upto October, achieving more than >45% of its target of 4500 kms. In fiscal 2022, CRISIL expects 3700-4200 kms to be awarded and over the long term fiscal 2023-25 CRISIL expects an average of 4000-4500 kms annually due to strong pipeline of projects under Bharatmala.

So far, in the April-Sept period, NHAI's awarding has been 1330 kms which is ~1.6 times higher than 828 kms awarded during the same period in FY20. With the policy push in the form new changes in HAM plus the reduction in the bid eligibility criteria, CRISIL expects a higher share of 35-45% of HAM projects to be awarded by NHAI in fiscal 2021.

Awarding to see a jump in fiscal 2021



HAM projects to form 35-45% in fiscal 2021



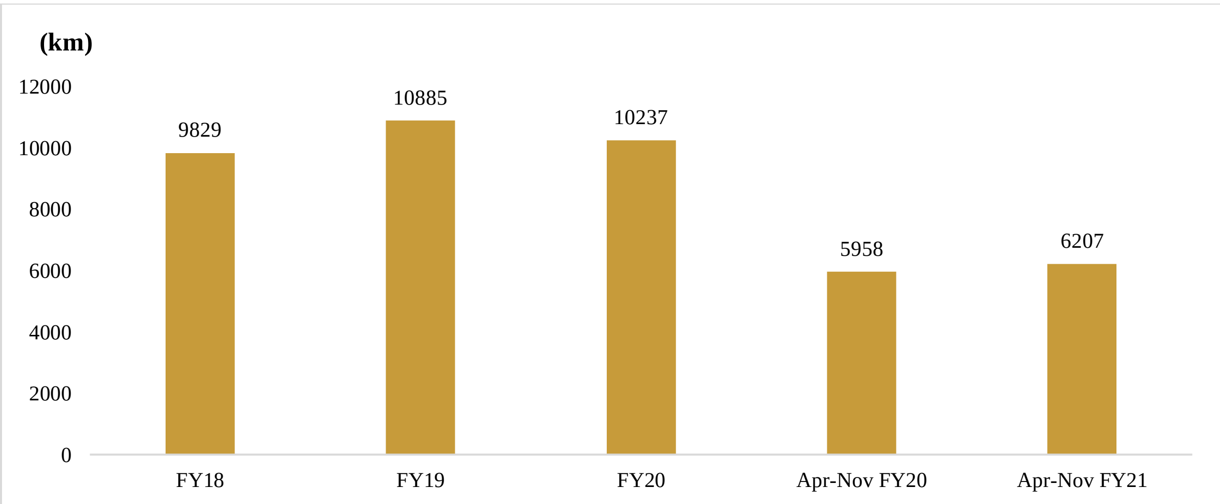
Note: YTDFY21 data includes data up to October 2020; E= Estimated; P= Projected

Source: NHAI, CRISIL Research

As COVID-19 hit India, and the first lockdown was imposed on March 25th, road construction activities came to a standstill. While some resumption was allowed from April 20th itself, road projects construction has gradually started coming back to normal levels only post the monsoons. Shortage of labour and mobilization of raw materials were some of the biggest challenges developers were facing during the lockdown amidst the fear of the virus spread. Labour issues and bottleneck in the supply chain have eased with the phased opening of the economy and as of November 2020, labour availability at road construction sites was back to almost 90% of pre-covid levels.

This is further corroborated by national highway construction data (NHAI projects plus projected awarded by Ministry of Road Transportation and Highways (MoRTH)) available till November 2020. Despite the lockdown in April and May 2020 followed by monsoons, highway construction saw growth of 4.2% on-year during April-November 2020, with construction activity increasing significantly since October.

National highway construction saw a growth of 4.2% on-year during April-November 2020

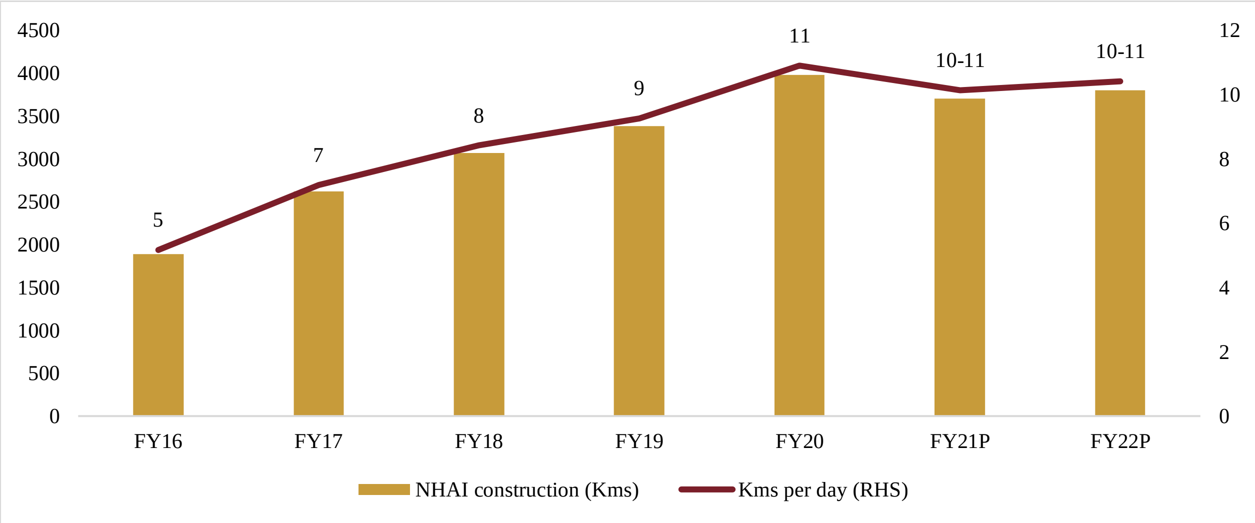


Note: Above data is for Ministry of Road Transportation & Highways (MoRTH) including National Highway Authority of India (NHAI)

Source: MoRTH, CRISIL Research

During the last few months, the NHAI also focused on clearing land acquisition issues, issuing appointed dates for >90% of HAM projects as of Sept 2020, after a delay of 5-6 months, up from only 55-60% being issued appointed dates as of September 2019.

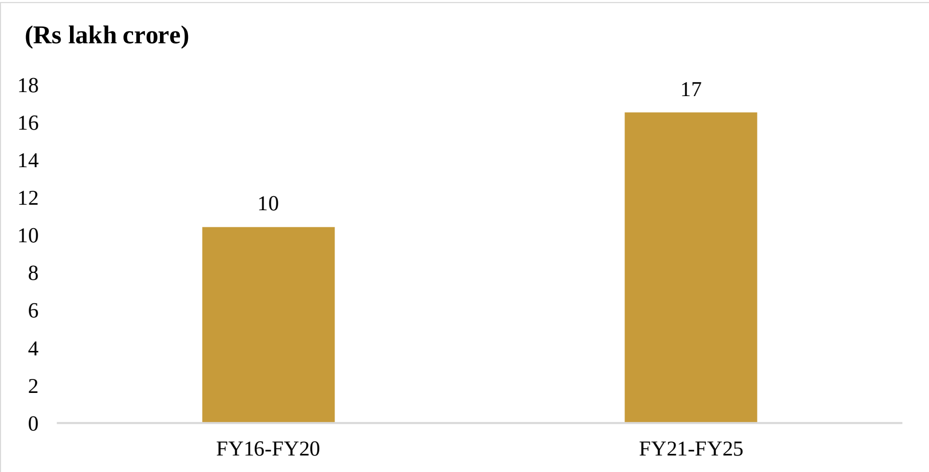
National Highway construction is also picking up pace with unlocking and return of labour



Source: NHAI, CRISIL Research

Investments in the roads sector to remain flattish in fiscal 2021, but pick up thereafter

On an overall basis, investments in the roads sector would be flattish this year. Over fiscals 2022-25, CRISIL expects investments in the roads sector to grow at a healthy CAGR of 8-10%. Our analysis of the National Infrastructure Pipeline indicates that the government would be able to achieve 80-85% of its targeted investments despite the slump due to COVID-19.



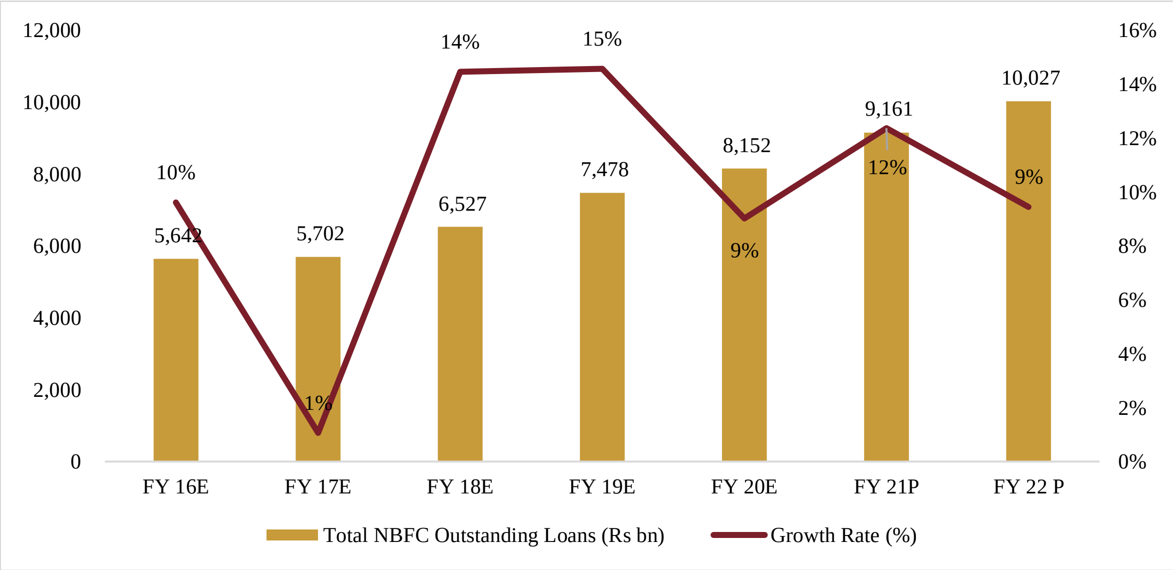
Note: E= Estimated; P= Projected

Source: NHAI, MoRTH, State budget documents, PMGSY, CRISIL Research

NBFCs' infrastructure finance estimated to reach ₹ 10 trillion by fiscal 2022

Non-banking financial companies' (NBFC) infrastructure finance book looks promising, courtesy of healthy growth of government entities Power Finance Corporation Ltd (PFC) and Rural Electrification Corporation Ltd (REC), which collectively account for 80-85% of the market share. While supply-side fundamentals remain intact, CRISIL expects to witness a slowdown in the power generation segment especially in thermal power capacity additions. But prospects remain better for renewables energy (mainly solar) as CRISIL Research expects better capacity additions and increase in demand for renewable segment.

Loan book to increase, as NBFCs augment their support to infrastructure project

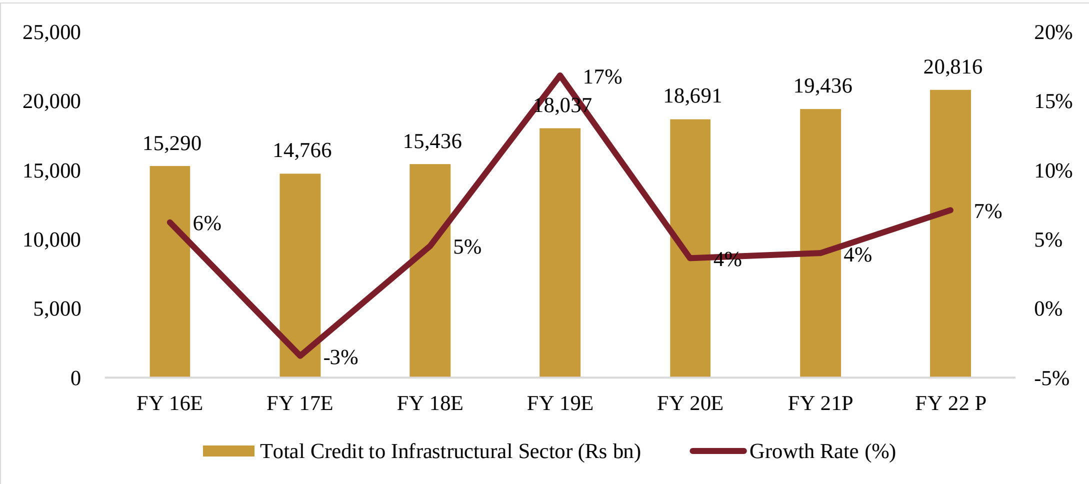


Note: E= Estimate, P= Projected

Source: RBI, company reports, CRISIL Research

CRISIL Research expects NBFCs' infrastructure finance to increase at a two-year CAGR of 10-11% to reach ₹ 10 trillion by end-fiscal 2022.

Credit growth to remain moderate in fiscal 2021 as infrastructure spending is expected to take backseat



Note: E= Estimate, P= Projected

Source: RBI, company reports, CRISIL Research

Infrastructure loan outstanding market is expected to grow at 4% in fiscal 2021 as CRISIL expects infrastructure spending to take a backseat as the government focuses on combating the pandemic in near term. However, CRISIL expects slight improvement with 7% growth in fiscal 2022 on account of pick up in pace of project execution (projects worth ₹ 111 trillion are in the national infrastructure pipeline) and improved resources and funding availability.

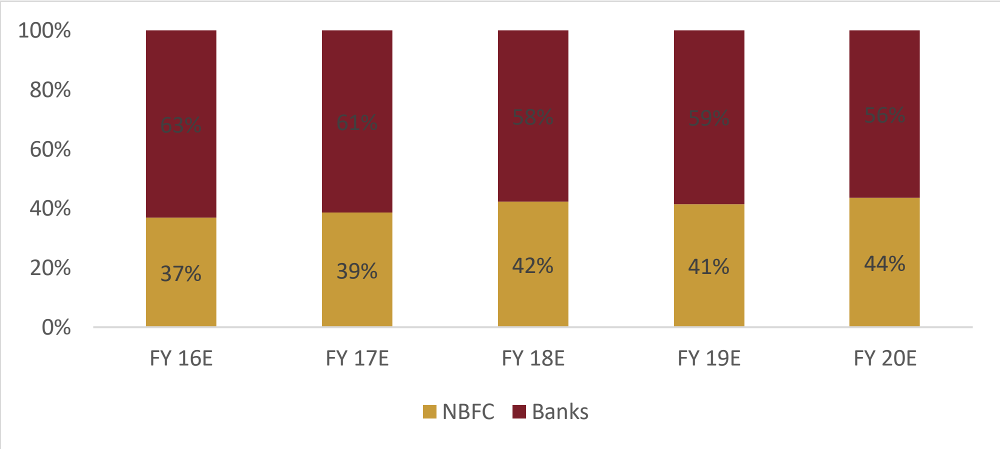
Competitive scenario: Share of NBFCs in infrastructure financing to increase

NBFCs outpaced banks in infrastructure finance in fiscal 2020, but the overall market remained muted on account of cautious lending by banks because of high delinquencies; CRISIL expects banks to continue to grow lower than NBFCs.

Financiers with extensive business experience and project monitoring ability in the infrastructure domain are also expected to continue focusing on infrastructure financing.

For example, L&T Financial Services is one of the leading players in financing of infrastructure sectors like renewables and roads.

NBFCs gained market share as banks remained cautious



Note: E= Estimated

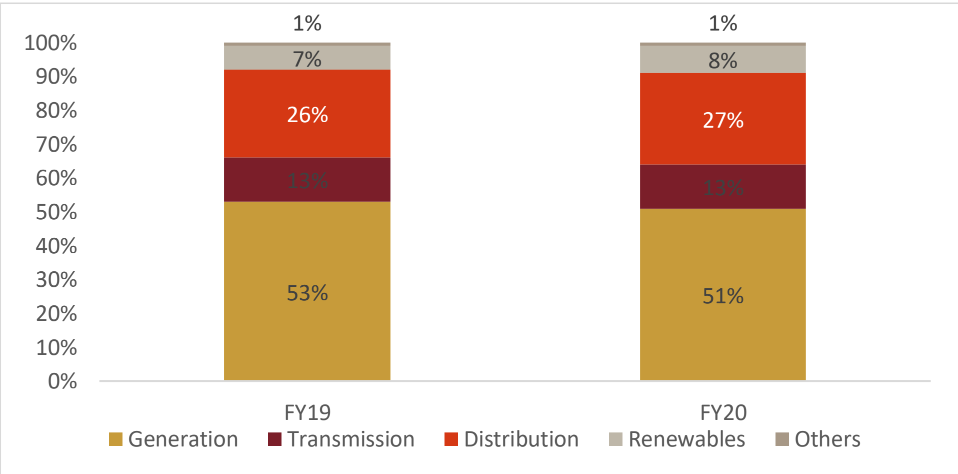
Source: CRISIL Research

Renewables to gain share in power sector disbursements

The share of loans to conventional power gencos fell marginally from 53% in fiscal 2019 to 51% in fiscal 2020, due to the poor financial health of private players and dearth of new projects.

Going forward, CRISIL Research expects the T&D segment to witness healthy growth on account of the Atmanirbhar package and on-going capital expenditure (capex) in intra-state transmission lines. Along with this, the share of renewable energy in the mix is expected to increase, driven by growth in investments in solar power.

Renewable and distribution segments gain share in outstanding credit of NBFCs



Note: Data for PFC and REC represents more than 85% of power exposure by NBFCs

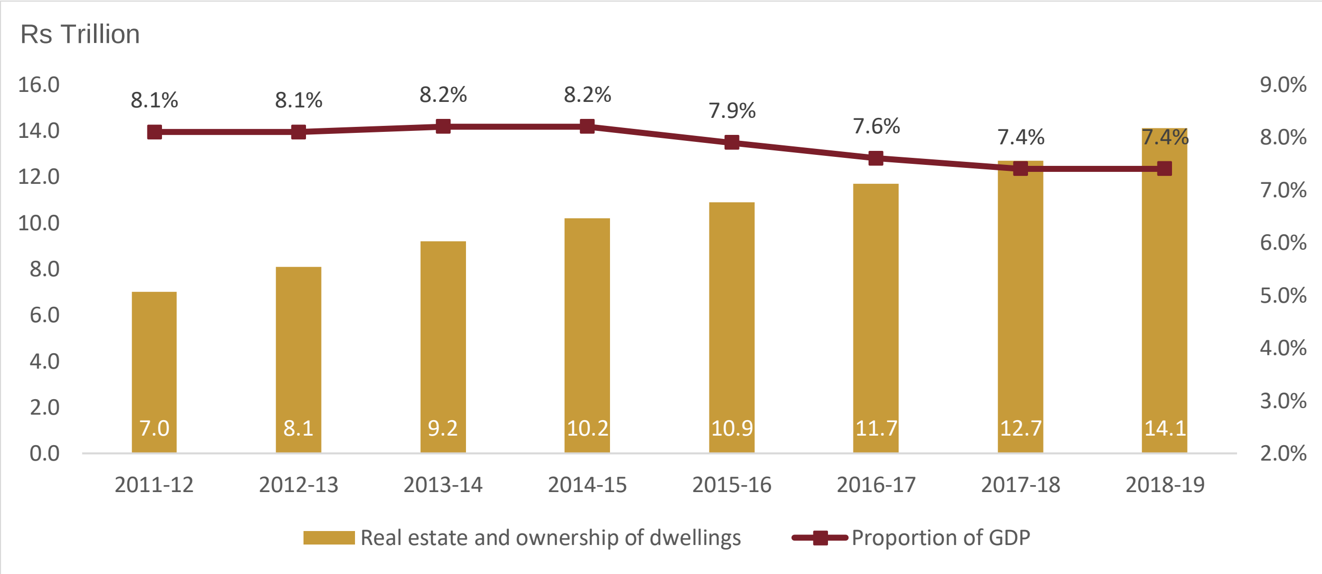
Source: Company reports, CRISIL Research

Real estate finance

Indian real estate sector, a key contributor to the GDP

The Indian real estate sector, which includes the residential, office, retail, industrial and hospitality segments, is a key contributor to GDP growth, and one of the largest employers in India. CRISIL Research estimates the size of the Indian real estate market at around Rs 14 trillion as of fiscal 2019. As a proportion of GDP, the real estate sector accounts for ~8% of India's GDP. This share has however remain range-bound over the last few years, reflecting the impact of subdued demand conditions, slowdown in economic growth, and lack of supply at the right price points.

Nevertheless, with economic growth likely to perk up and developers being more pragmatic while launching projects, CRISIL expects the sectoral growth to pick up gradually. The fundamentals of the sector remain strong due to the robust macroeconomic factors like rising GDP per capita, increase in working population, falling household size, growing trend of urbanisation and increasing mortgage penetration.



Source: MOSPI, CRISIL Research

Recovery in real estate sales from August 20; sustainability contingent upon future economic growth

The outbreak of the Covid-19 pandemic and the subsequent lockdowns was expected to adversely hurt the real estate sector, which was grappling with a prolonged demand slowdown prior to the pandemic as well. However, contrary to most expectations, the market has bounced back quite strongly since August 2020 on the back of demand from customers whose incomes have been relatively less impacted by Covid-19 for homes for end-use. If anything, this demand has been given a boost as home loan interest rates are at an all-time low, some state governments lowering the stamp duty payable on registering a home and discounts/innovative financing options offered by builders on property purchases.

The top six markets in the country (Mumbai Metropolitan region (MMR), National Capital Region (NCR), Bengaluru, Pune, Hyderabad and Chennai) have cumulatively witnessed new home sales measuring 234 million square feet during the January-November 2020, which represents a decline of around 28% compared to sales in the same period last fiscal.

This decline in sales largely reflects the collapse in volumes during the second quarter of CY2020 in the immediate aftermath of Covid-19. Since then, as indicated earlier, CRISIL has seen a surge in sales. In fact, based on preliminary data for the month of December 2020, new home sales volumes during October-December 2020 are estimated to be almost at levels prior to Covid-19. The Mumbai Metropolitan Region (MMR), for example, witnessed record high transaction volumes, spurred to some extent by the boost provided by the state government cutting stamp duties for property registrations till March 2021.

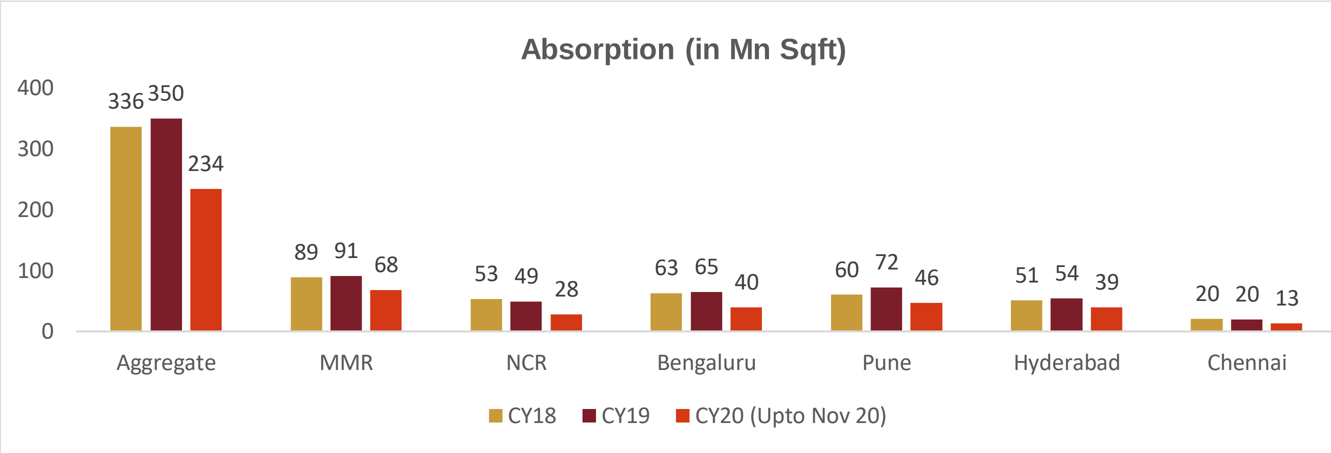
Monthly sales data for August-November 2020 also indicate the rebound in demand. Cumulative new home sales in the top six markets were at 103 million square feet, which is just 14% lower than the sales volumes in the corresponding period of 2019. In the MMR market, sales volumes during August-November 2020 were higher than in the same period of 2019.

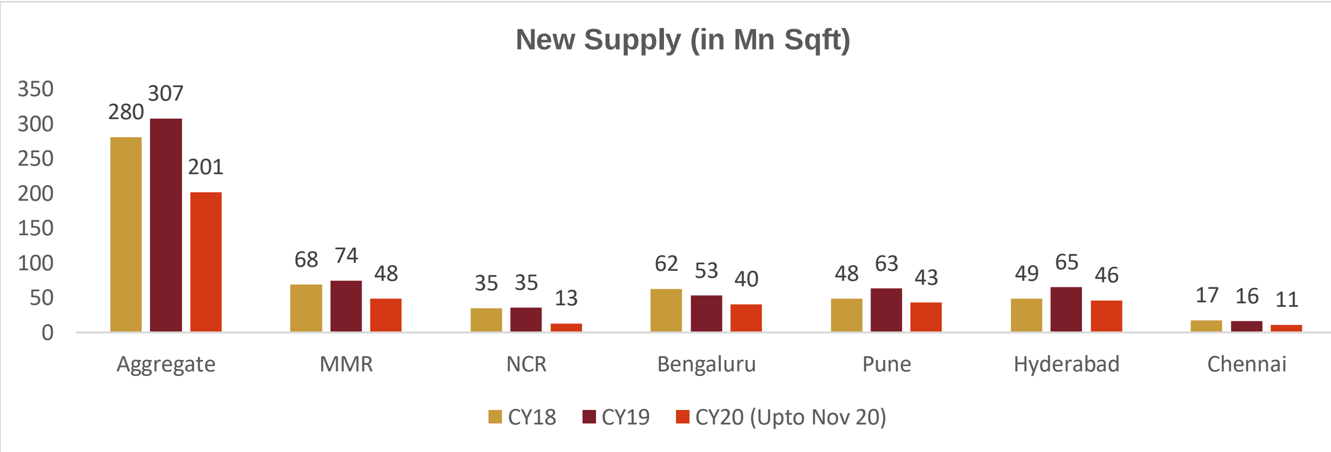
The sustainability of the strong rebound in home sales would be critically contingent upon a pick-up in economic growth and increase in consumer confidence and incomes. Given our expectations of a revival in economic growth and the latent demand for housing in India, we are sanguine on home sales remaining fairly strong, as long as developers offer the right price-product proposition.

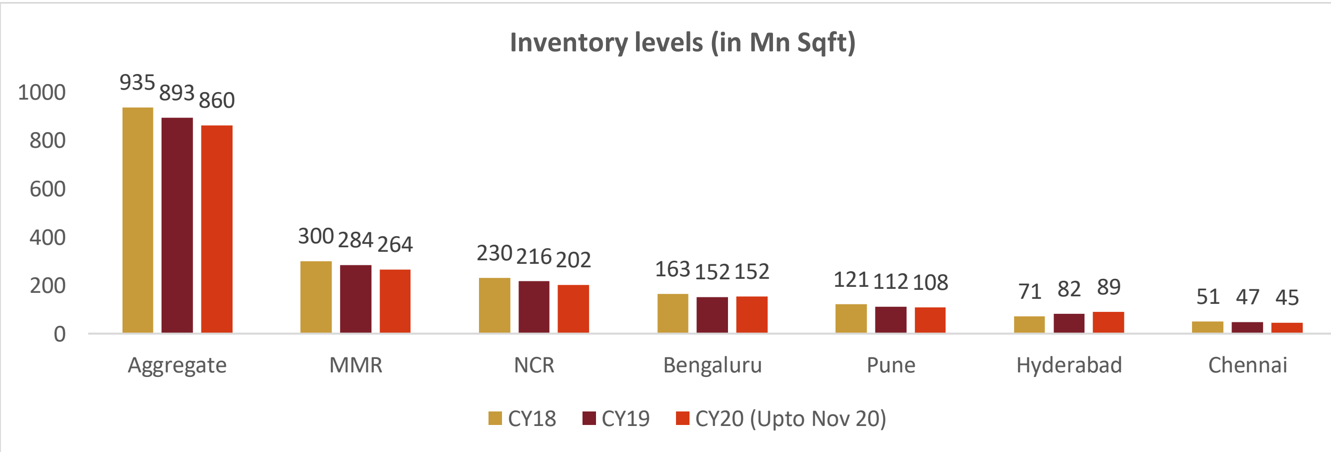
Developers have been aligning themselves with the needs of the home-buyers by marginally reducing ticket-size in a bid to encourage sales. On an average, prices have declined up to 2% post-Covid as compared to March 2020. In CY 21, we expect prices to remain fairly stable across markets, given rising cost of construction and expectations of a gradual recovery in demand.

On the supply side, for the past few years, launches have been coming down and completions are going up. Amidst the COVID-19, all construction activity had to be completely halted during the lockdown phase. Extension of moratorium on loan instalments and partial return of construction labourers to project sites have helped developers progress on project completions. Going forward, the pace of project execution is expected to pick up.

At an aggregate level across the top six markets, inventory levels have come down from 906 million square feet as of March 2020 to 860 million square feet as of November 2020, a 5% decline. With demand gradually picking up and fresh supply being relatively low, home inventory levels are expected to further moderate in the next couple of years.







Note: Quarterly data is for based on the Calender year, data for Q4'20 updated till Nov'20 for absorptions, new supply and unsold stock and till Oct'20 for price trends, The above dataset is inclusive of Hold projects, Verticals considered are Apartments Villas & Floors, MMR (Mumbai, Navi Mumbai, Thane), NCR (Gurugram, Noida, Greater Noida, New Delhi, Ghaziabad, Faridabad). Quarters referred to above indicate quarters of calender year.

Source: PropEquity

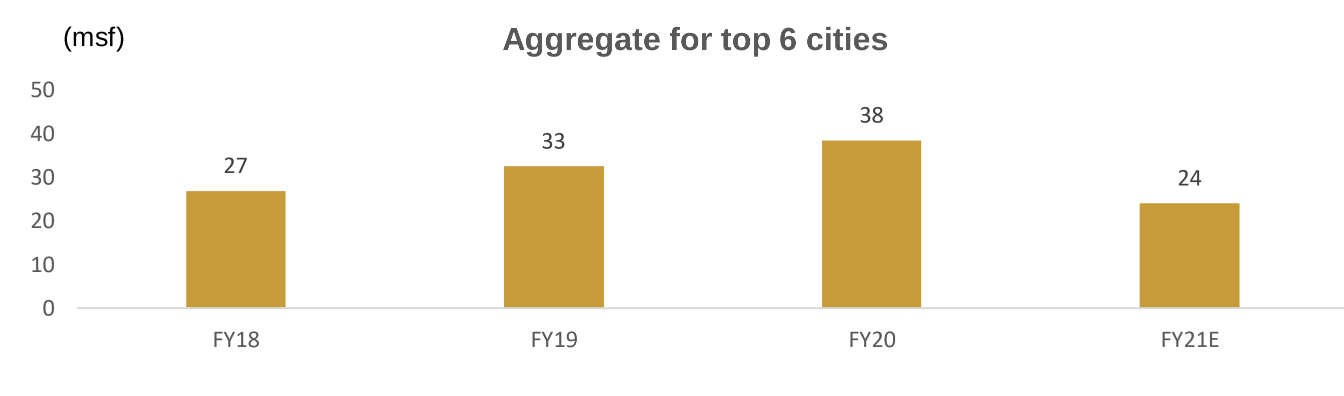
Office space absorption recovery started from Q3 of fiscal 2021, expected to continue on the back of demand from emerging sectors like e-commerce & healthcare and implementation of social distancing norms

The office space market also felt the full force of the Covid-19 pandemic with the lockdown crippling the economy and threatening to completely change the face of the Indian workplace. While exact numbers vary due to differences in coverage, aggregate absorption in the office space segment across the top six cities (MMR, NCR, Bengaluru, Chennai, Hyderabad, and Pune) is expected to be 35-40% lower in the current fiscal than in the previous year. Nevertheless, in this segment too, we have seen a smart recovery in demand from the July-September 2020 quarter. This recovery in demand is led by pre-commitments in new completions. Amongst sectors, technology firms, e-commerce and healthcare sectors were the primary drivers of demand.

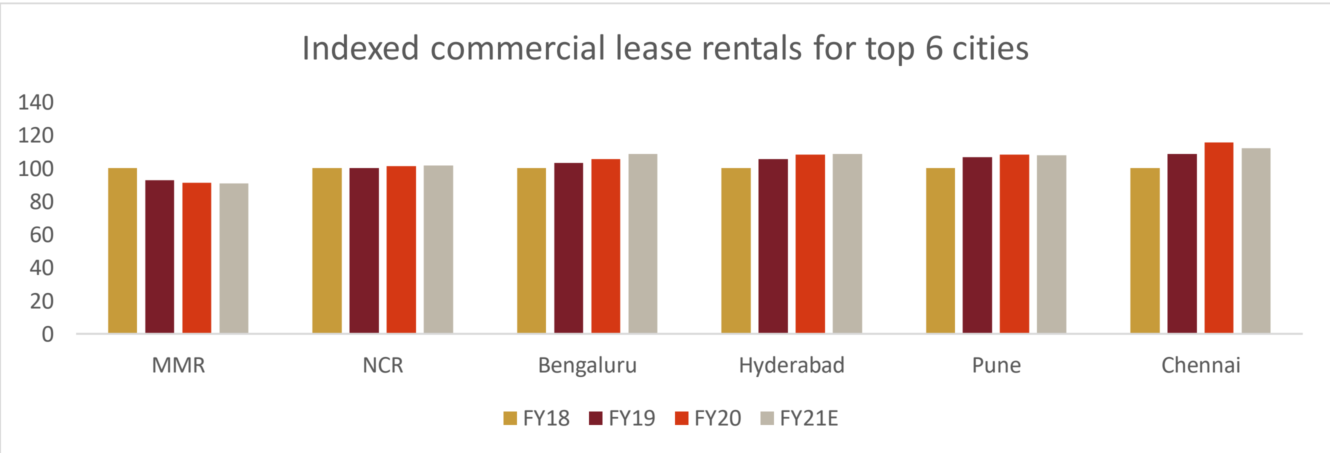
CRISIL Research expects a gradual pick up in office space demand, given the expected trajectory of economic growth in India.

On the flip side, the top 6 cities are likely to witness some loss in potential demand on account of permanent shift of some of the workforce to 'Work from home' concept.

Annual net absorptions



Commercial lease rentals in top six cities expected to stay stable in fiscal 2021



Note: Lease rentals are weighted average of each micro market. Prices are indexed to 100 as of FY18.

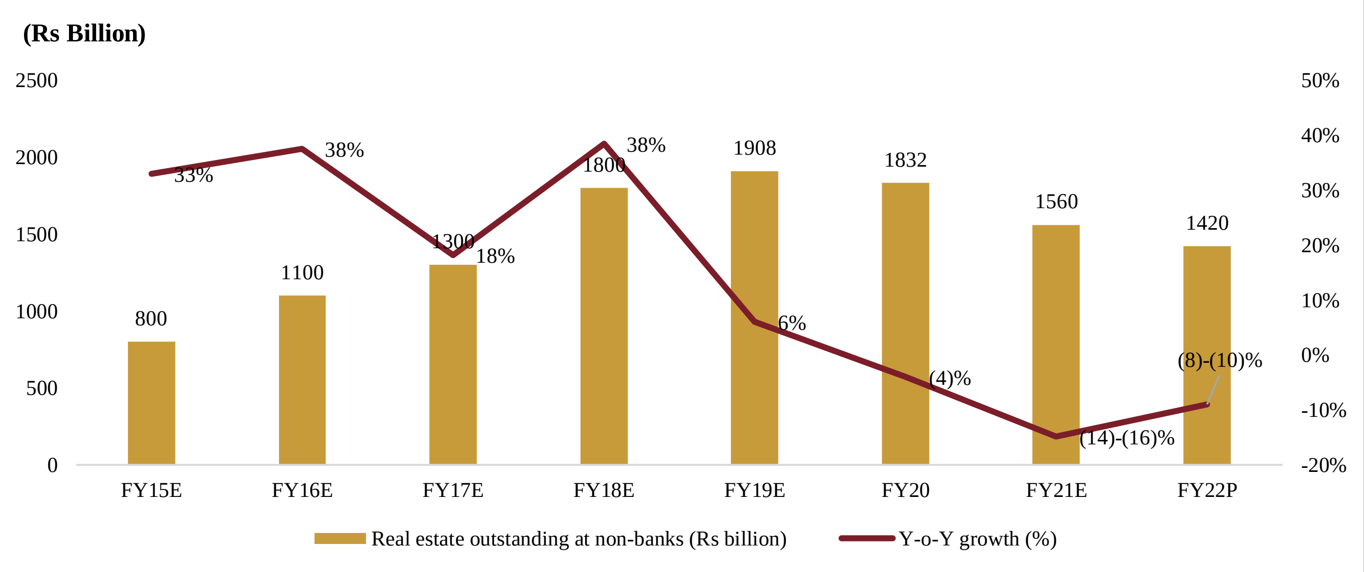
Source: Industry, CRISIL Research

Risk aversion will limit incremental funding by NBFCs

The Indian real estate industry has been in the midst of a regulatory revolution aimed at introducing transparency, rationalising taxes and promoting affordable housing. The imposition of the Real Estate (Regulations and Development) Act, 2016 (RERA), Goods and Services Tax Act (GST) and reduction of GST rates to 1% for affordable housing and 5% for others were steps in this direction.

With the RBI having tightened lending norms to the real estate sector and customer advances being prohibited by RERA, NBFCs had become a major source of funding for real estate developers over the course of this decade. However, the NBFC crisis at the end of 2018 left the industry with very few options as investor demand had reduced dramatically in the past few years and the stagnating prices afforded potential home buyers an opportunity to delay their decision while hunting for better bargains. As of March 2020, debt exposure of banks and NBFCs/HFCs to the real estate sector stood at around Rs 4.1 trillion, of which NBFCs and HFCs together accounted for 44%.

Even though demand is likely to slowly and gradually pick up from the lows of fiscal 2021, most developers, especially small and mid-sized ones, are teetering on the brink, and NBFCs are likely to exercise extreme caution in funding. Consequently, the real estate finance among non-banks is expected to decline by 14-16% in fiscal 2021, and by a further 8-10% in fiscal 2022.



Source: Company reports, CRISIL Research

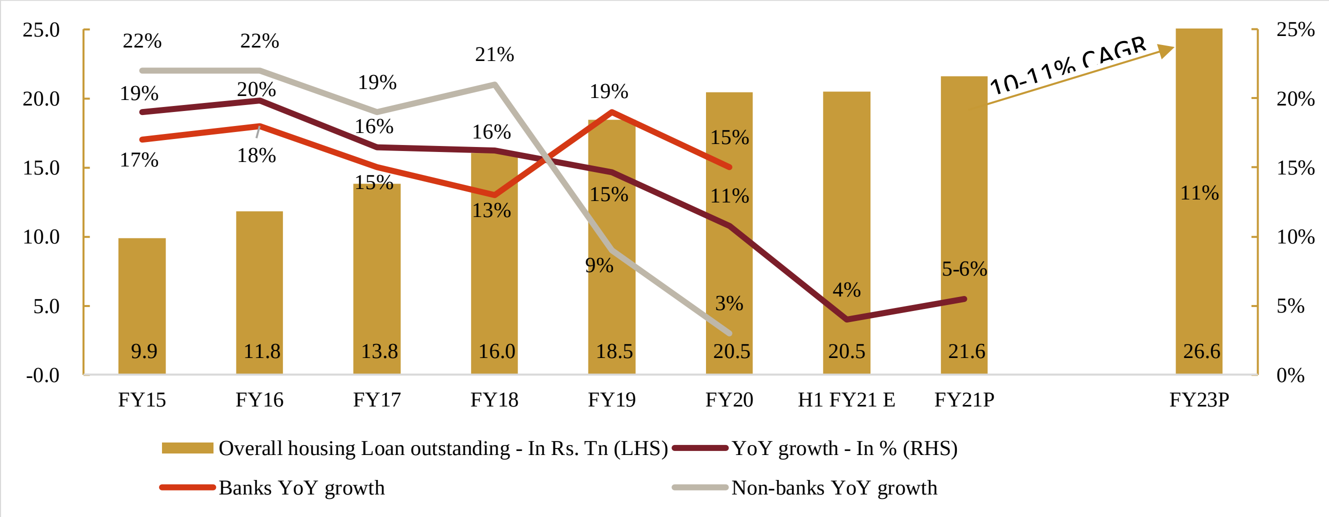
Private equity interest in real estate to continue

As has been the trend in the previous few years, CRISIL expects private equity players to continue to exhibit keen interest in the sector. The quantum of private equity investment in the Indian real estate sector during CY16 to Q3 CY20 is estimated to be around USD 35-40 billion. In the current year too (up to Q3 CY 2020), investments of USD 2.0-2.5 billion has been made, despite the overhang of Covid-19. Investor interest is mainly towards rent yielding office assets, which accounted for 80-85% of the investments in the current year with residential and warehousing segment accounting for the rest.

Housing Finance

Housing finance market in India to log a CAGR of 10-11% over the medium term

The Indian housing finance market clocked a healthy ~16% CAGR (growth in loan outstanding) over fiscals 2015-2020 on account of a rise in disposable income, healthy demand and a greater number of players entering the segment.



Note: E- Estimated, P- Projected, Growth for H1 FY21 is calculated over same period of FY20

Source: Company reports, RBI, CRISIL Research

The first quarter of fiscal 2021 was a complete washout for the housing finance industry due to disruption caused by the Covid-19 crisis and the resultant lockdown.

- On the supply side, the nationwide lockdown has had a cascading impact on construction activity. The lockdown saw migrant labourers, who account for 80% of the construction workforce, returning to their hometowns/ villages. This and the subsequent uncertainty with regard to project execution have affected buyer sentiment for under-construction projects
- On the demand side, demand was adversely affected by restricted income growth and limited employment opportunities that have weakened demand from end-buyers, particularly self-employed borrowers

However, the latent demand for housing in India remains strong, given the vast housing shortage in India and the psychological comfort provided by owning a house post the uncertainty created by the Covid-19 pandemic. In second quarter of fiscal 2021, all major HFCs witnessed a pick-up in demand for home loans. This uptick has continued un the third quarter of fiscal 2021 as well. Across the banking system, too, housing loans outstanding registered an on-year growth of ~8.5% as of November 2020.

The factors driving the uptick in housing loan demand post the lows of the first quarter of fiscal 2021 are:

- Home loan interest rates being at an all-time low, which has enhanced the attractiveness of housing loans for buyers and led to increased demand for balance transfers
- Return of some of the pent-up demand for home purchases from the initial days of the lockdown
- Lowering of stamp duty charges by some state governments (such as Maharashtra)
- Higher discounts offered by builders on property purchases

CRISIL Research expects home loans outstanding (banks and non-banks) to grow at 5-6% on-year in fiscal 2021. With investment demand drying up totally, demand will be largely propelled by buyers in the affordable and mid-income housing segment, whose incomes and jobs have been relatively less impacted by Covid-19 and who are looking at a home purchase for own use. Amongst customer segments, self-employed customers have been most adversely impacted by the pandemic. Home loan lenders are expected to be focussed more on formal salaried segment (owing to more stable source of income) and cautious while lending to cash salaried or self-employed customer segments.

CRISIL expects the home loan market to bounce back more strongly in the long term and grow at 10-11% CAGR in between fiscals 2021 and 2023. This growth will be driven by:

- Expected recovery in economic activity over the medium term

- Ease of access to finance and increase in finance penetration
- Increased supply of homes in affordable and mid-income categories
- Demand for affordable homes as consumers increasingly work out of tier 2/ tier 3/ tier 4 cities in a post-COVID world

Long-term growth drivers for housing finance

Higher transparency in the sector, increasing affordability and urbanisation, and government incentives will push up the housing finance market in longer term.

Government Initiatives

- **PMAY-U:** The scheme aims to fill the supply-demand gap in the housing sector. On supply side, the scheme offers incentives for beneficiary-led housing, public private partnerships (PPP) in building homes for economicaly weaker sections (EWS) and low income group (LIG) by offering incentives such as allowing higher floor space index and announcing grants and subsidies for slum redevelopment. On the demand side, the PMAY provides credit-linked subsidies to stmulate demand
- **PMAY-G:** The scheme is for the rural population who don't have their own houses. It provides financial assistance and interest rate subsidy
- **Special financing window:** This window is expected to help revive stalled housing projects which require a last-mile funding to reach completion
- **Relaxation of ECB guidelines:** The relaxed external commercial borrowing (ECB) guidelines will enable easier access to overseas funds and stimulate the sector
- **Tax incentives:** Provides various tax benefits to home loan borrowers
- **RERA:** The law was introduced in order to make the sector transparent
- **GST:** The GST rate for affordable housing projects was cut
- **EPF corpous withdrawal:** Permission to withdraw 90% of employees provident fund (EPF) corpus enables prospective home buyers to make the down payment and pay their home loan EMIs

Regulator initiatives

- Risk weight rationalisation on housing loans to improve sentiment for the real estate sector
- **Regulatory authority of HFCs to shift from NHB to RBI:** The Budget 2020 proposed a change in regulatory oversight and supervision of HFCs from the NHB to the Reserve Bank of India (RBI). This shift will lead to more streamlined regulations and better risk management framework for HFCs.
- **SARFAESI Act**: Bringing HFCs under the ambit of the SARFAESI Act has helped them accelerate recoveries
- **NHB refinance:** The NHB refinancing schemes help HFCs lower their borrowing costs
- **PSL guidelines revised:** The RBI increased the threshold limit for home loans to be classified as PSL in order to promote PMAY

Other factors

- **Low mortgage penetration**
- **Rising urbanisation and nuclearisation:** Decreasing average household size and rising level of urban population create more housing demand.
- **Rising income levels:** Rising income levels help improve the affordability of houses
- **Rising independent housing demand:** Increase in share of independent houses helps housing finance market grow in the long term

Source: CRISIL Research

Risk weight rationalisation on housing loans to improve sentiments for the real estate sector

Until October 2020, risk weightage was assigned on the basis of ticket size and loan to value (LTV) ratio. However, for all new housing loans sanctioned up to March 31, 2022, risk weights will be assigned only on the basis of LTV. While these risk weights will be applicable to all ticket sizes, housing loans above Rs 75 lakh will benefit the most as risk weights for these loans will reduce from 50% to 35%.

NHB's refinance to aid borrowing cost for HFCs catering to affordable housing segment

While access to the debt markets allows large HFCs to mobilise resources at competitive rates, niche HFCs have benefited from the NHB's refinance schemes. The NHB runs various schemes under which it refinances banks and HFCs.

Coming under SARFAESI Act helps HFCs accelerate recoveries

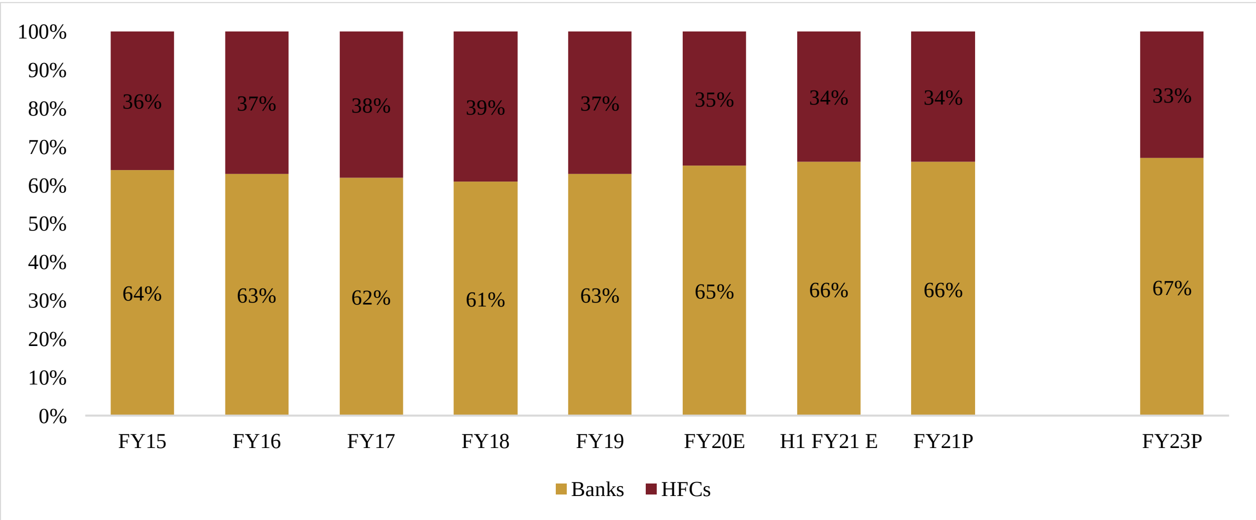
The Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act, 2002, allows lenders in India auction commercial or residential properties to recover loans. For HFCs, recovery under the SARFAESI Act is allowed for loans above Rs 0.10 mn ticket size. Over time, the SARFAESI Act has proved to be an effective tool in the lender's hands and has acted as a deterrent against wilful defaulters.

Market share growth of HFCs loses momentum post liquidity crisis

With tightened liquidity post the Infrastructure Leasing & Financial Services (IL&FS) default in September 2018, HFCs have encountered structural challenges in the form of increased refinancing risk and asset-liability mismatch, which slowed down disbursements in fiscal 2019 and 2020. HFCs' access to funds from the debt capital markets had also declined considerably, especially for those companies with high negative asset liability management (ALM) mismatches.

Consequently, several players in the industry have been focusing on managing ALM rather than growing their book. Resultantly, overall credit growth in home loans for HFCs increased by 9% on-year in fiscal 2019 and rose by only ~3% in fiscal 2020 on account of lower disbursements. Of the total amount of home loan outstanding of Rs 20.5 trillion as of March 2020, HFCs accounted for 35% share.

Share of banks and HFCs in overall housing finance market



Note: E: Estimated, P: Projected

Source: Company reports, RBI, CRISIL Research

On the other hand, banks have increased their focus on the retail segment in the wake of subdued growth in corporate lending. Consequently, banks were able to regain their market share in fiscal 2019 and fiscal 2020 at the cost of HFCs and others on account of better growth in disbursements and being better capitalized. Going forward also, banks are expected to further gain market share, given that they are flush with low-cost deposits and have also built up strong capital buffers.

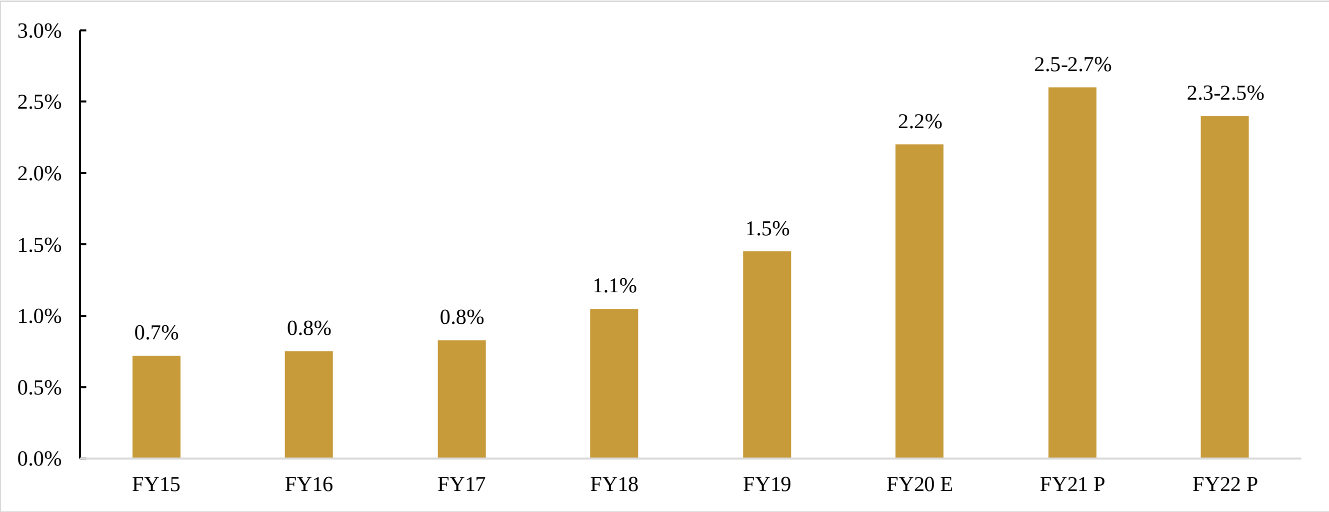
Monthly collection efficiency continues to improve in housing finance segment; asset quality to improve in long term

Collections for home loans given out by HFCs, which had slipped to ~70-75% in April because of the nationwide lockdown due to the Covid-19 pandemic, rebounded to 85-90% in July and August after the government relaxed restrictions gradually. In October 2020, collection efficiency rose further to 90-95% and in November 2020, collection efficiency was at close to 95% for HFCs, as per CRISIL Research estimates. Nevertheless, collections are still lower than pre-COVID levels and resultantly, CRISIL expects to see a deterioration in asset quality in fiscal 2021.

The rapid increase in Covid-19 infections and intermittent local lockdowns have impacted self-employed borrowers and informal salaried more than the formal salaried segment. The formal salaried borrower segment is more resilient despite pay cuts and job losses. CRISIL expects the formal salaried segment to outperform the other customer segments in terms of asset quality.

Delinquencies have been inching up in the segment during the past few years due to seasoning of the portfolio as well as the slowdown in economic growth. As of March 2020, GNPAs of HFCs were at 2.2%; CRISIL expected GNPAs to rise by 30-50 bps in fiscal 2021 to 2.6% of portfolio outstanding of HFCs.

Gross Non Performing Assets (GNPAs) of HFCs to rise 30-50 bps in fiscal 2021



Note: E: Estimated, P: Projected, Here the GNPA of HFCs is considered which includes some portion of non-housing portfolio as well

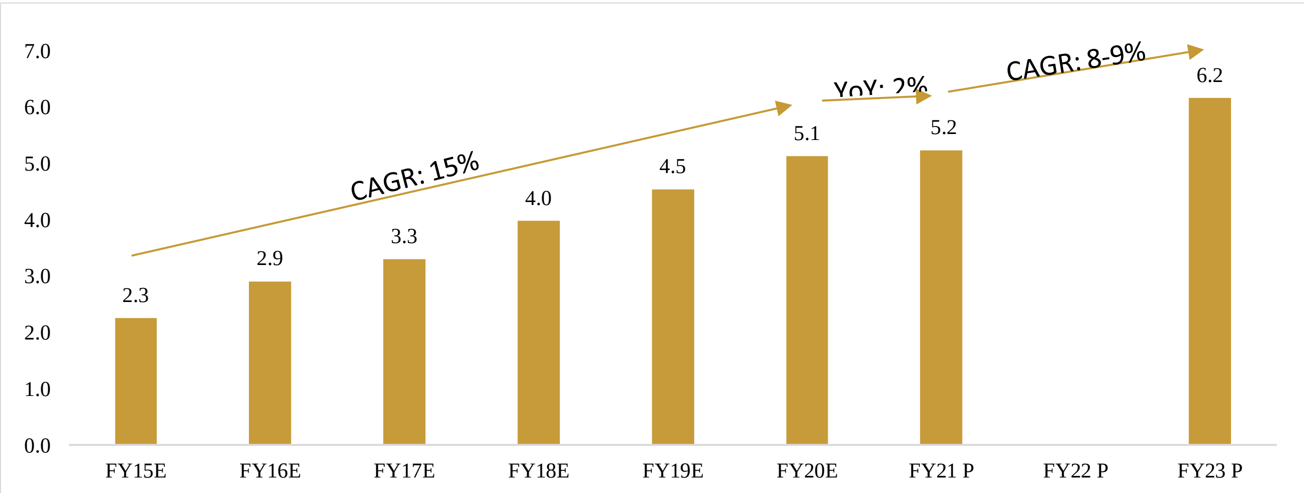
Source: Company reports, RBI, CRISIL Research

LAP advances growth to slow in fiscal 2021

LAP (banks and non-banks) clocked a CAGR (compounded annual growth rate) of ~15% between fiscals 2015 and 2019, driven by rising penetration and higher comfort for the lenders to lend. However, the growth slowed to ~12% in fiscal 2020 in the wake of the liquidity crisis and increasing asset quality concerns.

In fiscal 2021, the outbreak of the COVID-19 pandemic has affected MSMEs, the main target market for LAP, and subsequently borrower's cash flow, which will affect collections, thereby posing asset quality risks. GNPAs were on the rising trend prior to COVID-19 as well, and the debilitating impact of COVID-19 on MSMEs is likely to further increase the risk aversion towards the LAP segment, resulting in players being more cautious to lend. Financiers are expected to lend to their existing customers and will be more cautious in lending to new customers in fiscal 2021. Based on these factors, LAP credit growth is expected to reduce to approximately 2% in Fiscal 2021, however, faster growth is expected thereafter, resulting in a CAGR of 8% to 9% until Fiscal 2023.

Advances growth is expected to slowdown



Note: E: Estimated and P: Projected; Data Includes data for banks and non-banks

Source: CRISIL Research

Many non-bank lenders turned more cautious and stopped disbursements in the segment in April and May due to the lockdown and ambiguity over moratorium. However, a few of them resumed disbursals from June 2020. Players have turned more cautious towards the segment and their approval rates have almost halved from pre-pandemic levels.

Covid-19 aggravates stress in MSMEs; government measures come as breather

The pandemic's economic impact has pervaded all sections of the society and the lower income and self-employed groups have been hurt the most. MSMEs , which contribute over 28% of the country's GDP, ~40% of exports and create employment for ~11 crore Indians, have borne the brunt at multiple levels.

Given the importance of MSMEs in India, the government has taken several initiatives to support MSMEs to keep them afloat, the most significant of which was the Rs 3 lakh crore emergency credit line guarantee scheme (ECLGS), granting MSMEs credit of up to 20% of their entire loans outstanding with banks and NBFCs as on February 29, 2020. While the loan is disbursed by the bank/NBFC, the entire loan is guaranteed by the government.

Emergency Credit Line Guarantee Scheme (ECLGS)

The ECLGS was launched by the government of India as a special scheme in view of COVID-19 crisis to provide 100% guarantee coverage to Banks and NBFCs to enable them to extend emergency credit facilities to Business Enterprises/ MSMEs in view of COVID-19 to meet their additional term loan/ additional working capital requirements.

ECLGS 1.0 - Salient features of the scheme

Emergency Credit Line	The amount of Emergency Credit line to be extended to business enterprises/ MSMEs would be upto 20% of total outstanding as on February 29, 2020
100% Guarantee coverage	100% guarantee coverage for the additional funds sanctioned under the Emergency Credit Line Scheme
Eligible borrower	Business enterprises/ MSMEs with outstanding loan of upto Rs 50 crore as on February 29, 2020. In Nov 2020, the turnover cap of Rs 250 crore was removed. The borrower should be classified as regular, SMA-0 or SMA-1 as on 29 February, 2020 in any sector. The MSME borrower must be GST registered in all cases where such registration is mandatory. This condition will not apply to MSMEs that are not required to obtain GST registration.
Interest rate charged	Interest rate charges is capped at 9.25% for banks and 14% for NBFCs
Tenure	Maximum tenure of 4 years from date of disbursement
Moratorium	Moratorium period on Principal amount is 12 months
Charges	No charges or guarantee fees to be charged by MLIs/ NCGTC

ECLGS 2.0

On November 26, 2020, the government announced the extension of Emergency Credit Line Guarantee Scheme (ECLGS) through ECLGS 2.0 for the 26 sectors identified by the Kamath Committee and the healthcare sector. Under ECLGS 2.0 entities with outstanding credit above ₹ 50 crore and not exceeding ₹ 500 crore as on 29.2.2020, which were less than or equal to 30 days past due as on Febaruary 29, 2020 are eligible. These entities/borrower accounts shall be eligible for additional funding up to 20 per cent (which could be fund based or non-fund based or both) of their total outstanding credit (fund based only) as a collateral free Guaranteed Emergency Credit Line (GECL), which would be fully guaranteed by National Credit Guarantee Trustee Company Limited (NCGTC). The loans provided under ECLGS 2.0 will have a 5-year tenor, with a 12-month moratorium on repayment of principal.

As on December 4, 2020, additional credit amounting to ₹ 2,05,563 crore has been sanctioned to 80,93,491 borrowers under the ECLGS scheme, while an amount of ₹ 1,58,626 crore has been disbursed to 40,49,489 borrowers.

	Total eligible accounts	Loan sanctioned	Loan disbursed
Number of accounts	1,39,79,948	80,93,491	40,49,489

	Total eligible accounts	Loan sanctioned	Loan disbursed
Amount (In Rs Crores)	3,18,826 (20% of outstanding)	2,05,563	1,58,626

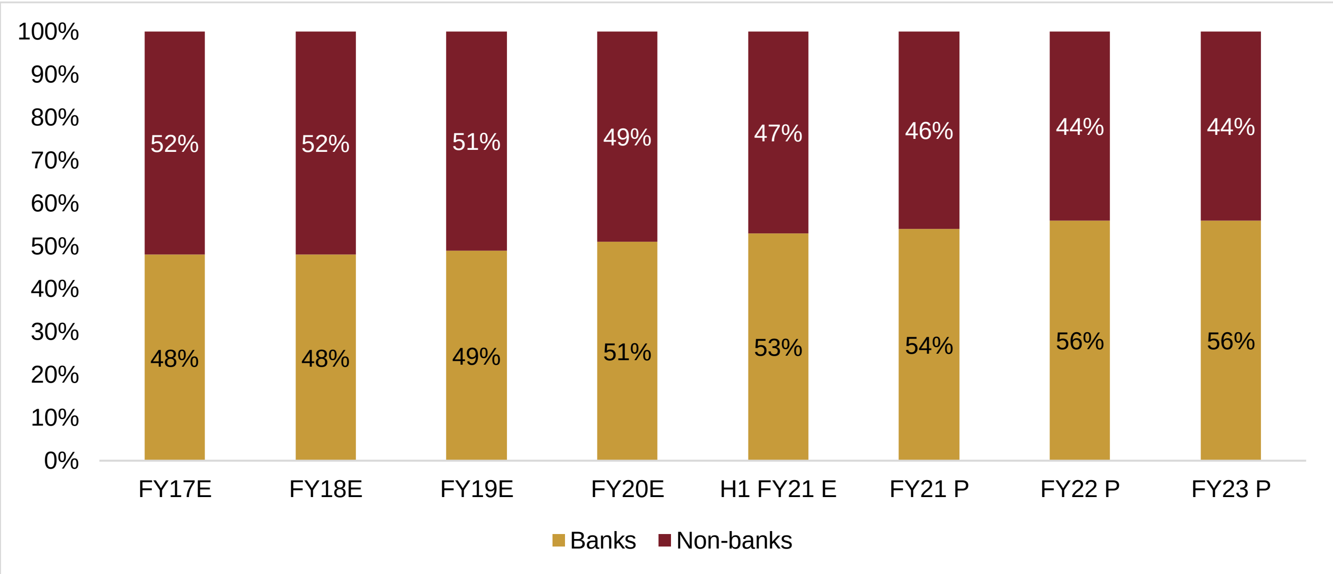
Source: Ministry of Finance, CRISIL Research

This scheme would clearly provide much-needed liquidity to MSMEs that are known to face severe working capital crunch during downturns. CRISIL's analysis of 13,000 companies over a five-year period indicates that the working-capital cycle of MSMEs can stretch by 15-20% during downturns compared with normal years. The stimulus provided by the government will spur credit growth and measures such as moratorium and restructuring would contain delinquency in the segment, which would otherwise have increased.

Banks to continue to gain market share

After tight liquidity constraints in fiscal 2019, non-banks have started focussing more on calibrating growth and risk as also compliance. In the past few years, non-banks have ceded market share to banks in the LAP segment owing to limited access of funds, deteriorating asset quality and yield pressure. Private Banks registered strong growth in the segment due to their aggressive strategies, branch network and lower cost of funds.

Non-banks continue losing market share to banks in LAP



Note: E-Estimated, P- Projected

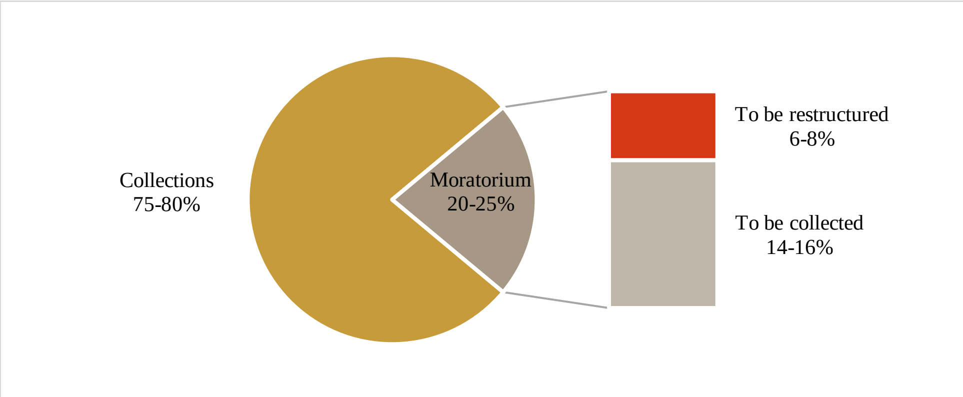
Source: Company reports, CRISIL Research

Moratorium and restructuring to mask asset quality issues in fiscal 2021

MSMEs were at the receiving end of the pandemic-induced nationwide lockdown as they faced labour shortage with migrants returning to their home states and also liquidity crunch due to plummeting collections. This is reflected in the high number of firms availing the moratorium facility. Approximately 60% of NBFC loan book in LAP opted for moratorium in April 2020, although it is estimated to have reduced in the subsequent months.

Disbursements have seen an improvement from June, especially after the announcement of the Atmanirbhar Bharat package announced in mid-May.

Around 6-8% of the book to opt for restructuring for 1 year on average



Note: Moratorium estimate is as of September 2020

Source: CRISIL Research

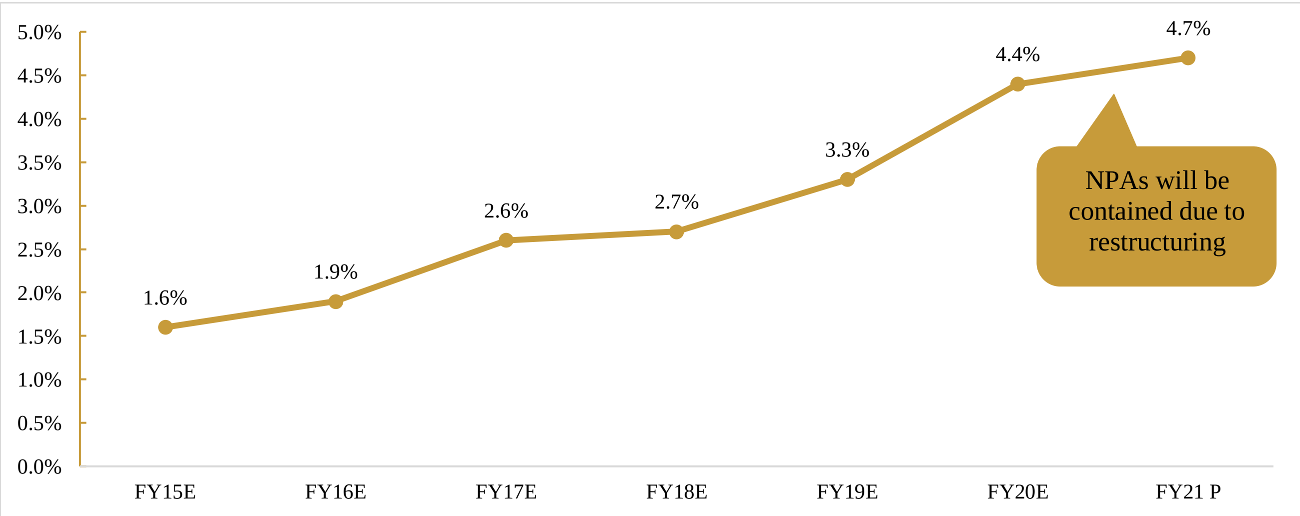
Slippages in the restructured portfolio to determine NPAs in fiscal 2022

In the past, intense competition in the LAP segment led to aggressive lending by non-banks. They sourced major proportion of the book through balance transfer, whereby additional top-up loans were given leading to higher loan-to-value (LTV) ratios and thus higher risks in the LAP book. Moreover, several NBFCs also gave loans with commercial property and plots as collateral. Consequently, as economic growth slowed down and MSMEs started getting adversely impacted, CRISIL has seen deterioration in asset quality in the segment. GNPAs for NBFCs and HFCs cumulatively increased from 3.3% as on fiscal 2019 to ~4.4% as on fiscal 2020.

Restructuring levels of lenders would vary depending on their customer profile, stress in the book and availability of capital to account for provisions. Restructuring will blur the asset quality picture in fiscal 2021 and, therefore, limit the increase in NPA levels.

Restructured accounts in fiscal 2021 will have to be closely monitored for slippages in fiscal 2022 (as CRISIL assumed the average period of restructuring will be around a year).

NPAs to increase to 4.5-5% in fiscal 2021



Note: E-Estimated, P-Projected

Source: CRISIL Research

During fiscal 2022, CRISIL expects a moderate increase in GNPAs. Slippages ratio would be a key monitorable for determining the asset quality in the next fiscal. A substantial pick up in economic activity and the fortunes of MSMEs would restrict increase in GNPAs due to higher slippages.

Microfinance

Industry GLP surged at 26% CAGR since fiscal 2017; growth in fiscal 2021 impacted by Covid-19

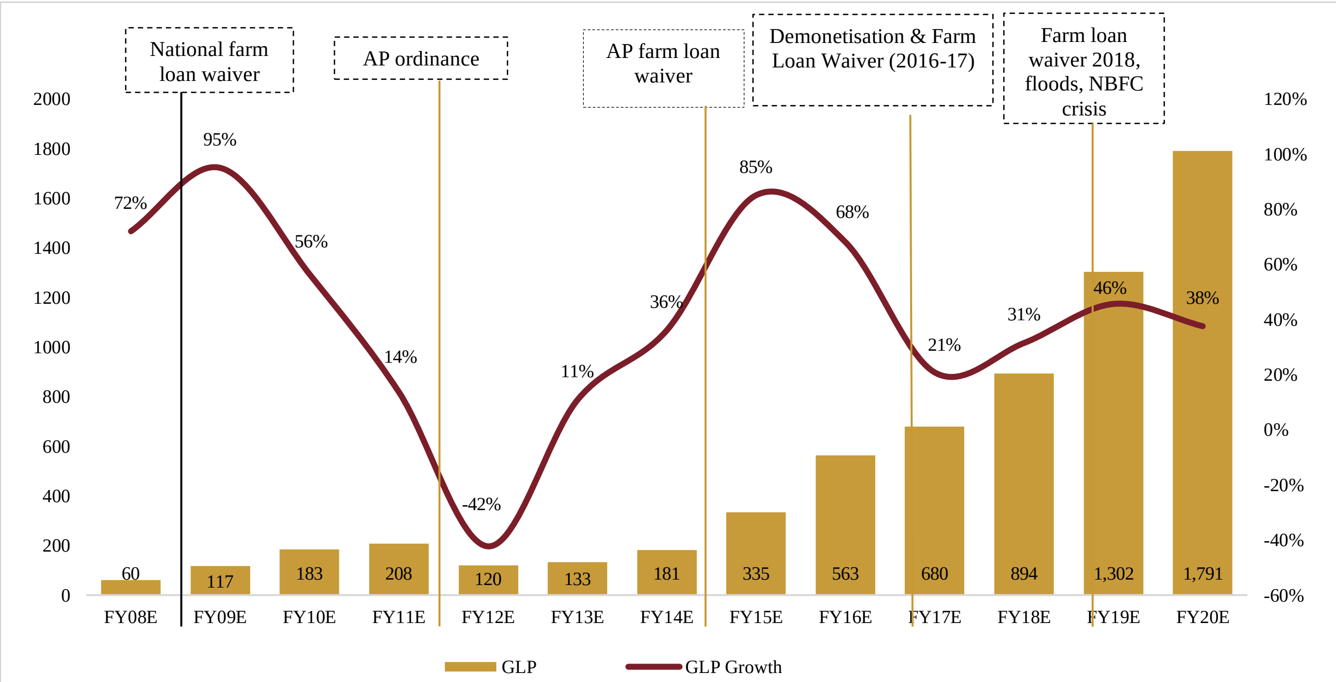
The microfinance industry has recorded healthy growth in the past few years. The industry's gross loan portfolio (GLP) increased at a CAGR of 26% since fiscal 2017 to reach ~Rs 3.4 trillion in fiscal 2020. Amongst various player groups, the growth rate has been relatively faster for the NBFCs and NBFC-MFIs, with the outstanding loans for these player groups increasing at a CAGR of 56% and 34% respectively over the same period. However, the growth of NBFCs is on a low base of Rs 60 billion portfolio as of March 2017.

In fiscal 2021, the industry has been adversely impacted due to the onset of the Covid-19 pandemic. While disbursements came to a standstill in the first quarter of the year, they have picked up subsequently. Nevertheless, with many players enhancing focus on collections rather than looking at portfolio growth and smaller MFIs grappling with liquidity challenges, disbursements still remain much lower than during the pre-Covid period. Disbursements in the third quarter of fiscal 2021, for example, is estimated to be at 60-70% of pre-Covid levels for the industry as a whole.

Industry resilient despite major setbacks and changing landscape

The industry's growth has been regardless various headwinds in the past decade. Of these events, the Andhra Pradesh crisis of 2010 had a lasting impact on the industry. Some players had to undertake corporate debt restructuring and found it difficult to sustain business. Since then, however, no other event has affected a complete state to such a degree. While demonetisation of Rs 500 and Rs 1,000 denomination banknotes in November 2016 hurt the industry, the impact was not as serious as the Andhra Pradesh crisis. The industry reported average credit losses of around 7% as number of borrowers defaulted on loan repayments post demonetisation. However, the impact of demonetisation was limited to certain districts. Portfolio at risk (PAR) data since the second half of fiscal 2019 indicates that the industry has recovered fairly strongly from the aftermath of demonetisation.

MFI industry has shown resilience over the past decade



Note: Data includes values for NBFCs, NBFC-MFIs, non-profit MFIs, SFBs, and Bharat Financial Inclusion

Source: MFIN, Bharat Microfinance, CRISIL Research

Over the years, MFIs have proven their resilience. They have played an important role in promoting inclusive growth by providing credit to borrowers at the bottom of the economic pyramid. Despite catering to a vulnerable audience, the MFIs have historically proven their ability to recover effectively from crisis situations like that of demonetization within a few months and have been able to maintain profitability over a cycle.

Impact of covid-19 pandemic

The extended nationwide lockdown to contain the spread of Covid-19 has affected the income-generation ability and the savings of borrowers accessing MFIs, who typically have weaker credit profiles compared with other borrowers. About 50-60% of the micro loans were under moratorium as of August 2020. Also, because of the nationwide lockdown, and several state-imposed lockdowns thereafter, normal operations of MFIs – loan origination and collections – were a challenge, especially during the first few months post-Covid. This had an adverse impact on MFIs as their operations are field-intensive, involving high personal interactions, such as home visits and physical collection of cash.

Disbursements have slowly resumed since the second quarter of fiscal 2021. But several MFIs, especially the small and mid-sized ones, are still focused on collections from loans given in the past and conserving liquidity rather than growth. Access to funding has also become more difficult for these MFIs.

CRISIL expects industry growth to be adversely impacted in fiscal 2021, but gradually pick up thereafter. Credit costs are also likely to increase as the industry battles increased delinquencies.

Key measures taken by the government for microfinance to counter Covid-19 crisis

- ***Refinance support from RBI*****:** In April 2020, the RBI announced refinancing support of Rs 250 billion to NABARD, which provides support to NBFC-MFIs, RRBs and co-operative banks
- ***Loan interest subvention*** **scheme:** Under this scheme, the government has provided 2% interest subvention to loans given under the Mudra-Shishu scheme. These loans are up to a ticket size of Rs 50,000, and are primarily given by NBFC-MFIs catering to low income groups
- In August 2020, RBI has announced the one-time restructuring scheme to retail loans for those whose accounts are standard as on 1st March 2020. This to offset the distress brought upon by Covid-19 pandemic
- The Central bank has also announced a slew of measure that will provide liquidity support to financial institutions to such as banks and MFI to provide emergency loans to help the customers tide over short term disruption in cash flows

RBI has put in place regulations governing NBFC-MFIs

In 2011, the RBI released guidelines that defined NBFC-MFIs, and provided an operating and regulatory framework for MFIs in India. Prior to that, MFIs were operating largely unregulated, until the AP ordinance came into effect. Guidelines issued by the RBI following the AP ordinance led to an improvement in MFI operations. A new category of NBFCs, i.e., NBFC-MFIs, was created along with a clear framework, in terms of target borrower group, lending norms, collection procedures, and amount of capital to be maintained by players to carry out operations in the country.

RBI's guidelines, stipulated in the tables below, are currently not applicable to entities in the microfinance business but who are not categorised as NBFC-MFIs. Over a period of time, it is conceivable that regulations are harmonised to make it uniform for all entities giving micro finance loans.

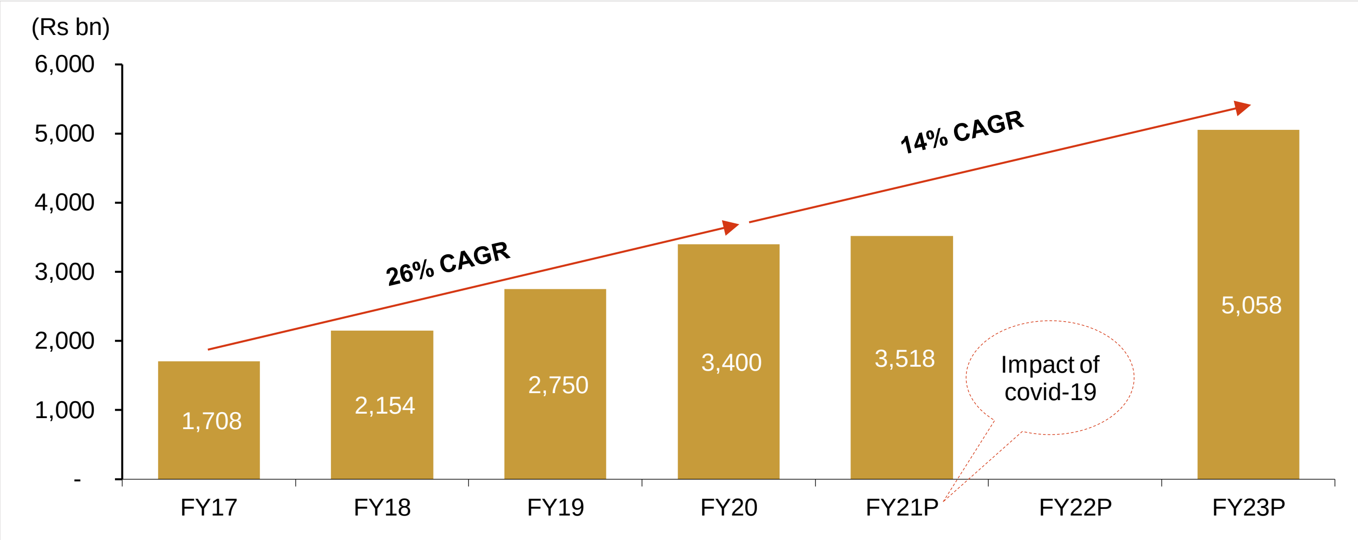
Rising penetration to support healthy growth of the industry

As at the end of March 2020, the microfinance industry had grown at a CAGR of 26% since fiscal 2017. In fiscal 2020, the industry grew by 24% year on year to reach Rs 3.4 trillion as of March 2020.

In the light of COVID-19 outbreak, the microfinance sector is expected to feel the heat in the current fiscal 2021. CRISIL research expects the overall portfolio size to grow marginally touch Rs 3.5 trillion by March 2021.

However, the domestic microfinance industry has shown resilience towards external shocks in the past and is expected to gain momentum in the next two fiscals with pickup in economic growth and improved capital availability for players who are able to wade through the challenges created by Covid-19.

Industry to grow at 14% CAGR over fiscal 2020-23



Note: P: Projected, Graph includes data for bank lending through joint liability group, bank lending through self-help groups, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs;

Source: MFIN, Company reports, CRISIL Research

Between fiscals 2020 and 2023, CRISIL Research expects the MFI loan portfolio to clock 14% CAGR. While considerably lower compared with the past three fiscal years, growth would be driven by continuous expansion in the client base of MFIs and increased penetration in rural areas.

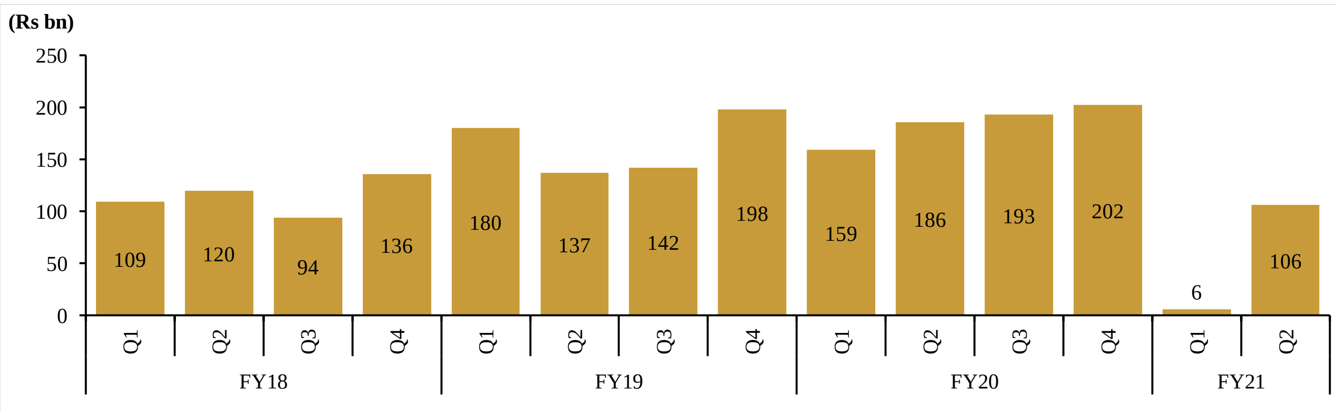
Growth in the MFI business is expected to come from increasing presence in newer states, expanding the client base, and gradual increasing of the ticket size. CRISIL Research has seen a significant jump in the number of MFIs operating in Assam, Bihar, Odisha, and West Bengal. The total number of branches in these states have more than doubled since fiscal 2017, leading to a similar jump in GLP for these states. The availability of borrower credit related data from credit information companies ensures that MFIs have access to more data on borrowers, helping them make informed lending decisions.

Disbursement to pick-up in the second half of fiscal 2021, but remain much lower than the previous fiscal

Disbursements dropped significantly in the first quarter of fiscal on account of negligible collections which increased the risk aversion to the sector. However, as borrowers were made aware about the impact of moratorium on their outflows and as lockdowns were eased, collections started pickup giving the comfort to the lenders towards the sector.

Disbursements are expected to pick up in the latter half of the fiscal, especially in the festive season and in the last quarter of the fiscal 2021. But even then, monthly disbursements are expected to remain lower than pre-Covid levels. For example, disbursements in the third quarter of fiscal 2021 are estimated to be at 60-70% of pre-Covid levels for the industry as a whole. As a result, overall disbursements will still be far lower compared to the last year disbursements. For NBFC-MFIs, disbursements are expected to halve in fiscal 2021 than disbursements witnessed in fiscal 2020.

Disbursements to pick up in second half of fiscal 2021, but monthly disbursements to remain much lower than pre-Covid levels



Note: NBFC-MFI data

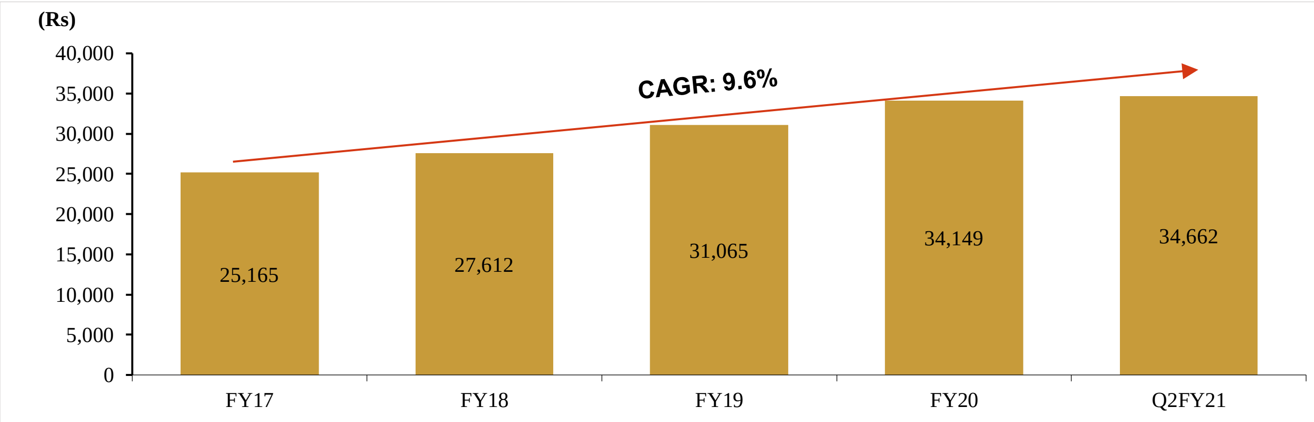
Source: MFIN, CRISIL Research

Once the economy returns on the pace towards normalcy, India's GDP is expected to bounce back which will eventually result in driving credit to the lower sections of the society. However, non-banks will be mindful of the vulnerable profile of the borrowers in the segment and will adopt improved processes in the form of stringent underwriting standards or increased digitalization leading to increased digital collections. NBFC MFIs are expected to grow ~25-26% in the fiscal 2022.

Average ticket size to expand, but at slower pace

The average ticket size of MFIs has risen in the September 2020 quarter to Rs 34,662 from Rs 25,165 in fiscal 2017, translating into a CAGR of 9.6%. The ticket size increased in highly penetrated states where MFIs have been present for a long period and credit-worthiness of the client base is relatively well-established.

Average ticket size of MFI players at origination



Source: CRIF Highmark, CRISIL Research

Going forward, CRISIL Research expects MFI ticket size growth would be higher in newer under-penetrated states, but ticket size growth in states with relatively high penetration is expected to moderate. Further, growth would be faster in rural areas, where ticket sizes are relatively low. Consequently, increase in average ticket size at the industry level is projected to be much lower than in the past.

Rural segment to drive MFI business

CRISIL Research expects the rural segment to drive MFIs' business, with burgeoning demand expected from this segment. With fewer branches and outlets in rural areas as compared with urban areas, the rural market in India is still under-penetrated, thereby opening up a huge opportunity for savings and loan products.

Moreover, establishing a good rapport with rural customers leads to longer and more loyal customer relationship, which can be further leveraged to cross-sell other products.

Disbursement and number of borrowers in rural areas

Region	Share in Disbursements in fiscal 2020		Share as % of GLP as of March 2020		Share of borrowers as of March 2020	
	Q4FY18	Q4FY20	Q4FY18	Q4FY20	Q4FY18	Q4FY20
Rural	52%	77%	53%	74%	54%	75%
Urban	48%	23%	47%	26%	46%	25%

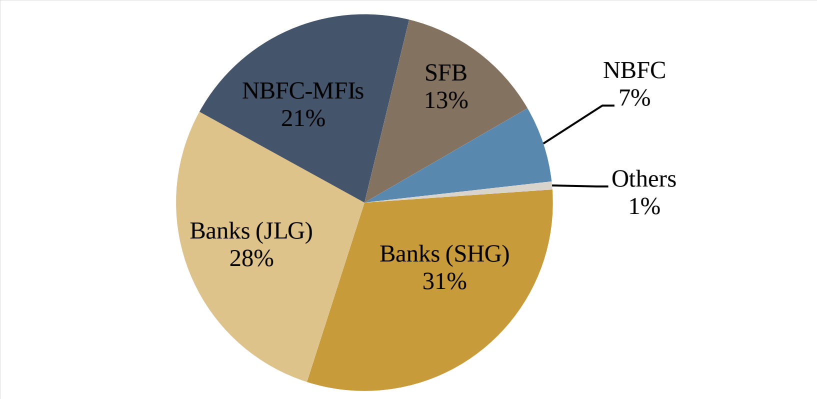
Note: Data includes data for 116 MFI players; Amounts have been rounded to the nearest 10 million

Source: Sa Dhan Quarterly Financial Report (Jan to Mar 2020), CRISIL Research

Competitive scenario

Banks (under the Self Help group and Joint Liability group programmes) account for 59% of the MFI loans outstanding as of September 2020, folllowed by NBFC-MFIs who have a 21% market share. SFB and NBFC market share stood at 13% and 7% respectively as on September 2020. LTFS is amongst the top 3 financiers in the micro loans segment as of September 30, 2020.

Player group-wise market share (September 2020)



Note: Data includes data for banks SHG, bank JLG, SFBs, NBFC-MFIs, other NBFCs and non-profit MFIs.

Source: MFIN, CRISIL Research

LTFS is amongst the top 3 players in micro loan segment

	GLP (Rs billion)						
	FY17	**FY20**	**CAGR (FY17-20)**		**Q2FY20**	**Q2FY21**	**Growth y-o-y**
Bandhan Bank	214	462	29%		392	498	27%
Indusind Bank	92*	242	38%		189	224	19%
L&T Financial Services	**36**	**125**	**52%**		**128**	**123**	**-5%**
Ujjivan Small Finance Bank	62	109	21%		110	103	-6%
Credit Access Grameen	31	99	48%		79	92	16%
Satin Creditcare	36	72	26%		65	67	3%
Spandana Sphoorty	13	68	74%		54	74	35%
Asirvad Microfinance	18	55	45%		47	50	5%
Muthoot Microfin	20	49	36%		47	46	-3%
Equitas Small Finance Bank	33	36	3%		31	36	14%

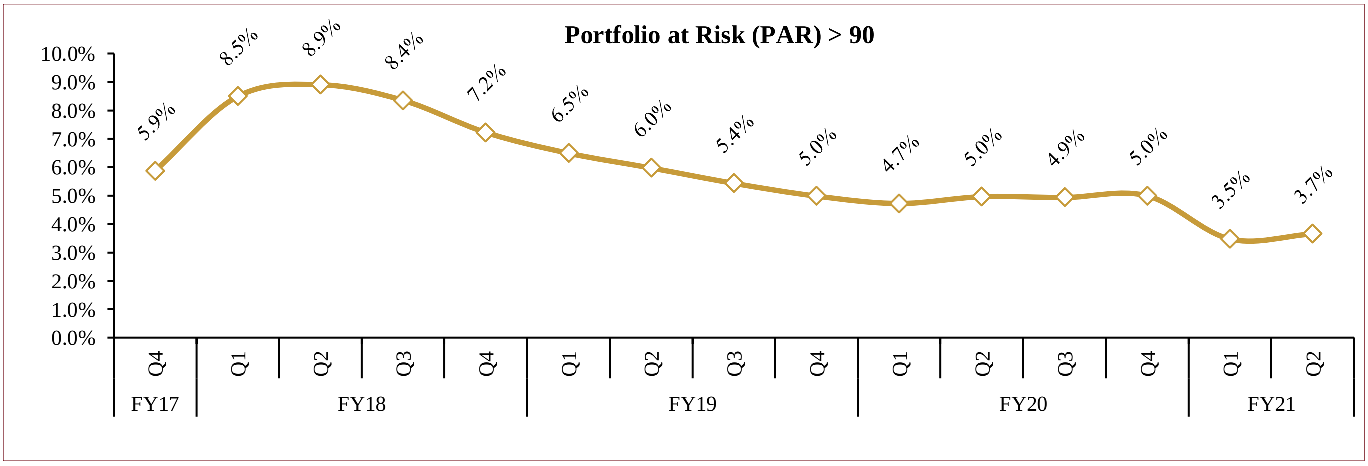
* *Portfolio of Bharat Financial Inclusion prior to merger with Indusind Bank*

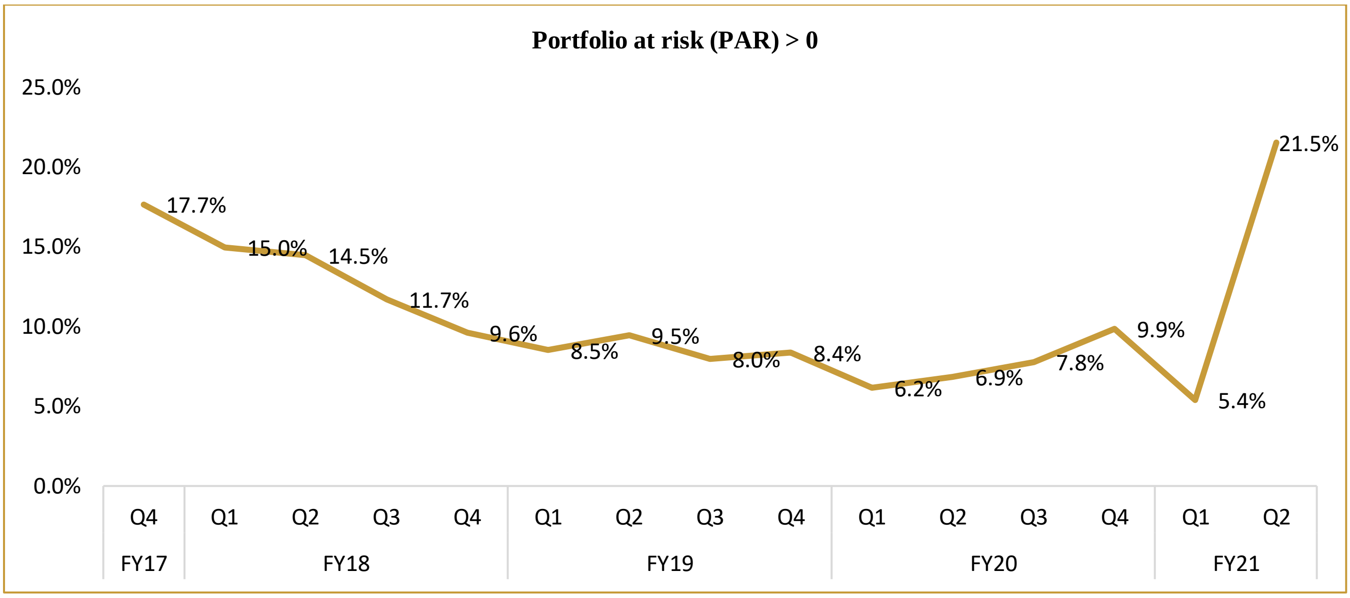
Source: MFIN, Company reports, CRISIL Research

Asset quality has improved post fiscal 2018

Portfolio at risk (PAR) greater than 90 days, the primary indicator of risk for the sector, equals the percentage of loans overdue for over 90 days. PAR value increased sharply in fiscal 2017 due to the unavailability of cash and the slowdown in business activities of individuals post demonetisation. Gradually, the asset quality improved as players invested in educating borrowers, which gradually improved collection efficiency and reduced their overall portfolio at risk.

PAR is low after March due to standstill provision on classification of accounts under moratorium.





Source: CRIF Highmark

The nationwide lockdown imposed in March 2020 to control the spread of Covid-19 and the subsequent moratorium granted by RBI adversely impacted collections and repayments from MFI borrowers. However, with phase wise unlock of the nation, the collection efficiency has improved and is estimated to have reached 85-90% in October 2020.

Nevertheless, in fiscal 2021, CRISIL Research expects MFI asset quality to deteriorate, on account of strain on MFI borrowers earning capability. Players are expected to closely monitor the book post moratorium, some part of the credit costs will be provided in fiscal 2021 and remaining in the next fiscal.

Collections efficiency expected to improve further

Collections had wallowed in single digit through May because of the moratorium granted by MFIs to their borrowers on an opt-out basis, but sprang to 55-60% in June and have improved significantly since then. Borrowers in rural areas and those involved in essential sectors of animal husbandry and agriculture started paying their instalments. Lower number of Covid-19 infection in rural areas, a good harvest time also played a positive impact on rural repayments.

Monthly collection continues to improve

		Collection Efficiency							
Microfinance	**Book under moratorium**	**Apr-20**	**May-20**	**Jun-20**	**Jul-20**	**Aug-20**	**Sept-20**	**Oct-20**	**Nov-20**
	50-60%	<10%	<45%	45-65%	65-70%	70-80%	85-90%	85-90%	85-90%

Note: 1) Collection Efficiency numbers are estimated 2) Monthly Collection efficiency = {Current + Overdue collections (excl prepayments)} / Scheduled billing assuming no moratorium

Source: CRISIL Research

With the Covid-19 affliction rate still high and steadily percolating in hinterland, intermittent lockdowns and localised restrictions could hamper the collection momentum, too. Considering these potential challenges, in addition to the standard provisioning, many MFIs & SFBs have made special Covid-19 provisions in the last quarter of fiscal 2020 and the first half of this fiscal. The aggregate provisions thus made amounts to 3.5-4.0% of the September 2020 loan book, on an average, for the industry. That's significantly lower than the average credit losses seen during demonetisation, which was around 7%.

While the bounce-back in collections has been faster than that envisaged earlier, improving it to the pre-pandemic levels of 98-99% will be an important monitorable from an asset quality perspective. To create a buffer for potential pandemic related credit costs, MFIs are expected to focus on raising additional equity capital over the near to medium term.

Tractor Finance

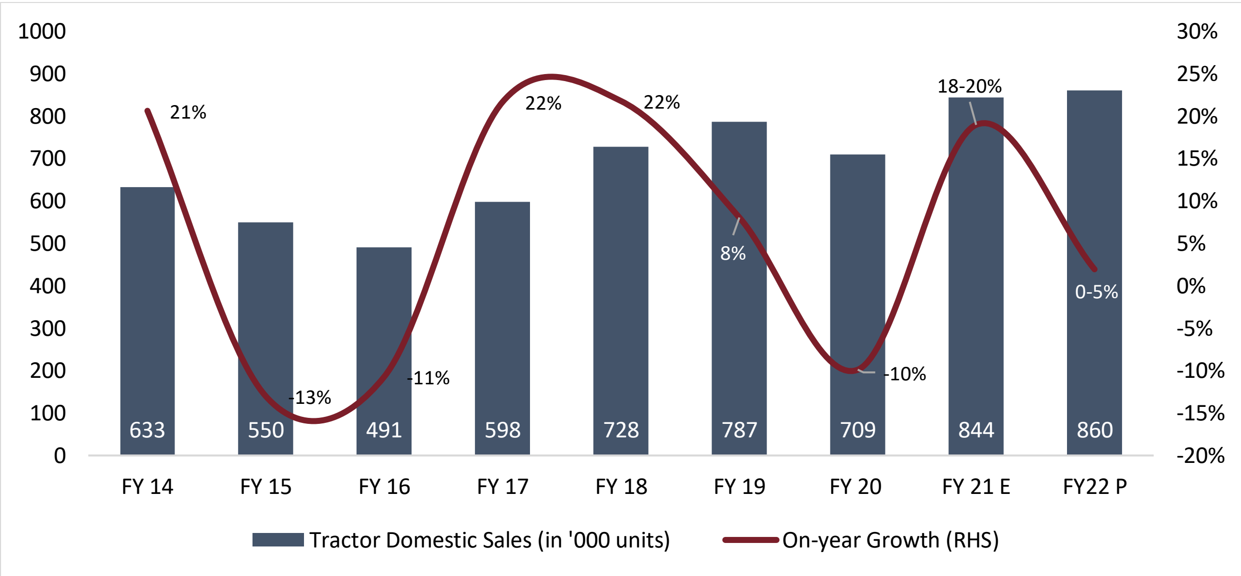
Better farm sentiments keep tractor demand resilient

Domestic tractor demand is expected to rise by 18-20% in FY21 due to positive farm sentiments on account of better crop profitability, higher government support through income support schemes, higher procurement of field crops and higher rural expenditure (agriculture expenditure estimated to be higher by ~52% on-year in H1FY21).

Tractor demand is expected to marginally grow in FY22 on account of healthy reservoir level across states and expected pick up in commercial demand, assuming a normal monsoon for 2021

Domestic sales fell by ~10% in fiscal 2020 after three years of robust growth where the industry sales volumes grew by 19%, 22% and 8% in FY17, FY18 and FY19, respectively. Poor commercial demand and uneven spread of rainfall had exerted downward pressure on sales in FY20.

Domestic demand to be robust in fiscal 2021 and then marginally grow in fiscal 2022

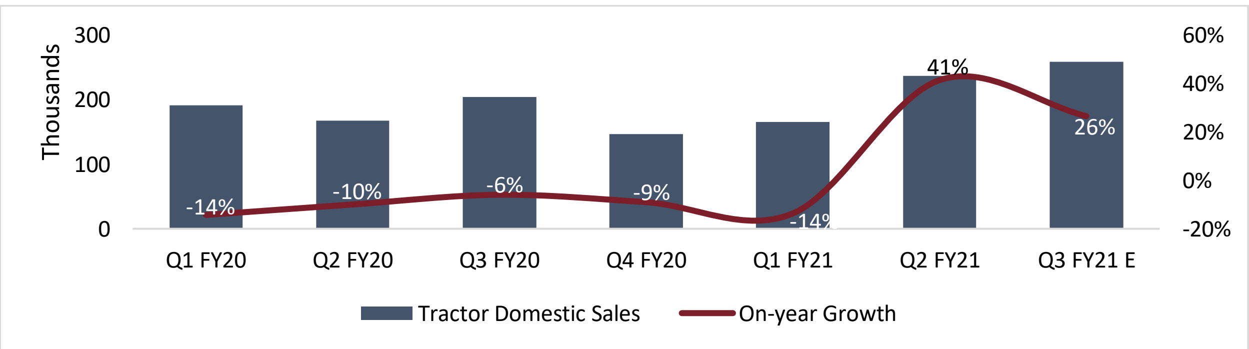


Source: TMA, CRISIL Research

Factors propelling tractor demand in fiscal 2021 are:

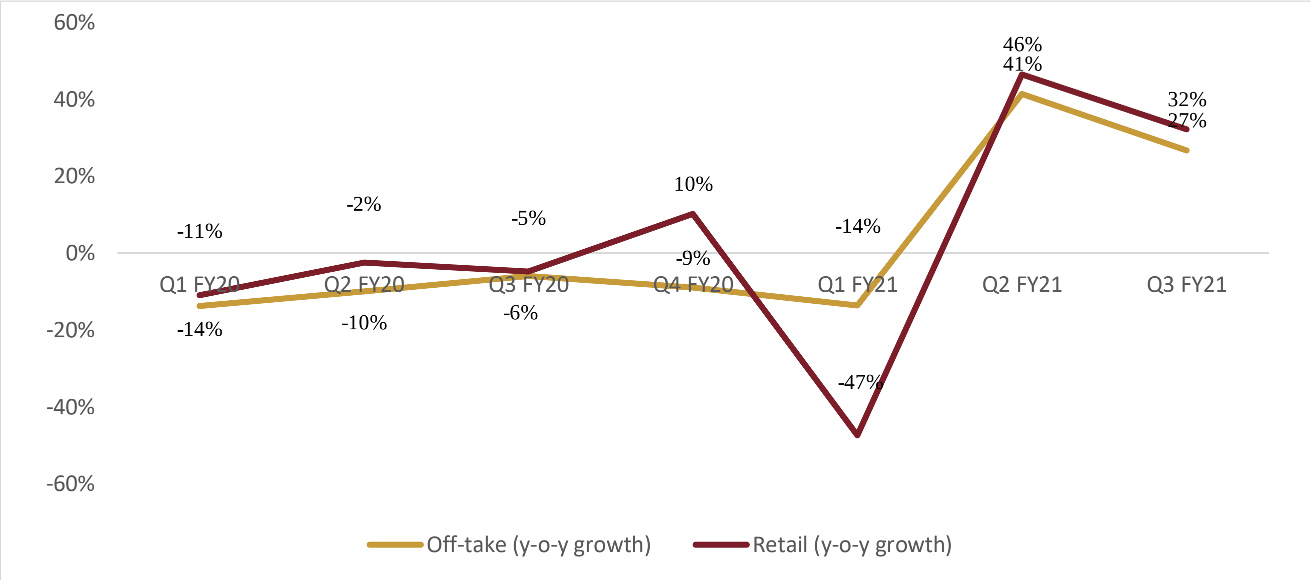
- High investment by farmers on agriculture activities amid absence of any other investment opportunities due to COVID-19 outbreak
- Increase in farm income by ~8% and 3-5% for the rabi (in fiscal 2020) and kharif (in fiscal 2021) crop respectively
- Agriculture spend higher by 52% on-year (as of Mid-Sept'20)
- Relatively lower impact of Covid-19 on farming activity in rural areas, given the lower population density
- However, commercial demand is comparatively muted despite pick up in sand mining activities in Madhya Pradesh, Bihar, UP and parts of southern region and construction under MGNREGA being in full swing

Quarterly trend for tractor sales



Source: TMA, CRISIL Research

Quarterly trend in tractor offtake and retail sales (y-o-y growth)



Source: Vahan, SIAM, CRISIL Research

Factors influencing tractor demand

Direct and indirect income schemes in Southern and Eastern states to provide support to farmer;

Early disbursement under PM-Kisan scheme aided in cash in hand of farmer in H1FY21.

PM KISAN		
Benefit	**Outlay**	**Disbursement**
₹ 6000/annum/farmer family	₹ 750 billion for fiscal 2021	~₹ 570 billion till December 2020

Source: CRISIL Research

In addition to schemes aimed at improving irrigation, road construction and crop insurance, the central government, in its interim budget for fiscal 2020, announced the PM-Kisan scheme, a fixed-income support of Rs 6,000 to all small and marginal farmer families in three equal instalments. UP is expected be the biggest beneficiary, as the state has the highest number of small and marginal farmers (2.21 crore). Overall, it is expected to benefit 8.36 crore farmer families with total assistance amounting to Rs 750 billion in fiscal 2021. Due to COVID-19 outbreak, instalments were disbursed early in H1FY21. However, the other instalments were not released on time impacting the cash in hand of farmer. Third instalment under the scheme has been released on 25th December where in government transferred Rs 180 billion to more than 9 crores beneficiary farmers.

Other than PM-KISAN, income schemes in four states (which contribute to ~15% of market) to aid in cash in hand of farmer

Scheme	Benefit	Outlay in FY21	Disbursement
Krishak Bandhu (West Bengal)	Rs 13,500/ year/ family; state govt's contribution is Rs 7500 and the rest from PM-Kisan	Rs 27 bn	Rs 12 billion disbursed till Nov '20
Rythu Bandhu (Telangana)	Rs 5000/ acre/ season/ farm family	Rs 140 bn	Rs 52 billion disbursed till Nov '20
Rythu Bharosa (Andhra Pradesh)	Rs 13,500/ year/ family; state govt's contribution is Rs 7500 and the rest from PM-Kisan	Rs 62 bn	Rs 68 billion allocated for 6 million farm families in fiscal 2021
Rajiv Gandhi Kisan Nyay Yojana (Chhattisgarh)	Income assistance to Rs 13000/ acre for sugarcane farmers & Rs 10000/ acre for rice farmers per year	Rs 57 bn	Rs 32 billion disbursed till Nov '20

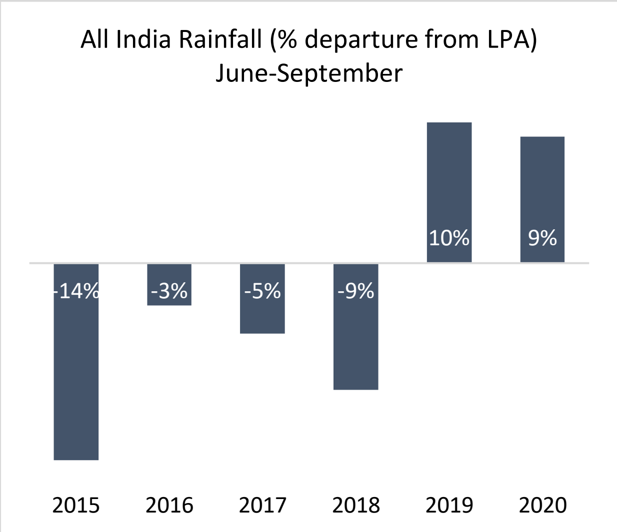
Source: CRISIL Research

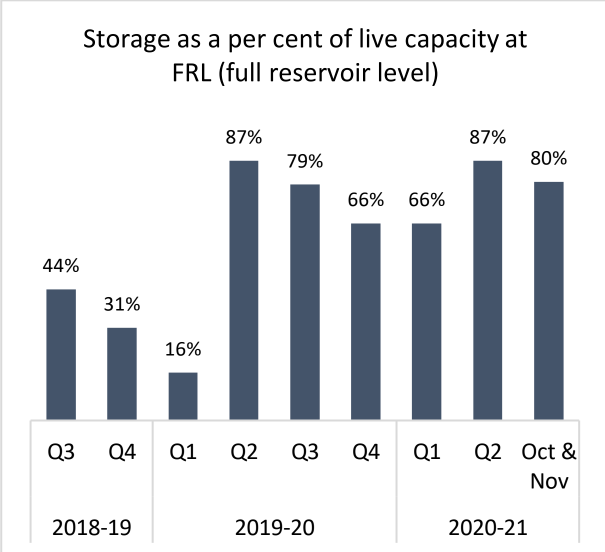
Higher procurement and MSP growth to aid cash flow for farmer

Record high procurement of wheat for rabi crop sown in fiscal 2020 benefitted the farmers in H1FY21. Procurement improved due to lifting of food grains by state governments under Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY) under which food grain was distributed free of cost for 3 months to about 80 crore beneficiaries across the country during the lockdown period. Government's target for kharif paddy procurement is also high and early procurement has been initiated in northern states. In states like Punjab, Haryana, Uttar Pradesh, Telangana, among others, the Centre bought 411.05 LMT(lakh metri tonnes) of paddy by Mid-Dec'20 against 333.59 LMT during the same period last year, thus witnessing 23% growth.

Minimum support price (MSP) for some of the major crops like paddy and wheat have increased by 3% respectively in fiscal 2021. Thus a robust increase in crop procurement coupled with higher MSP to aid higher farm income.

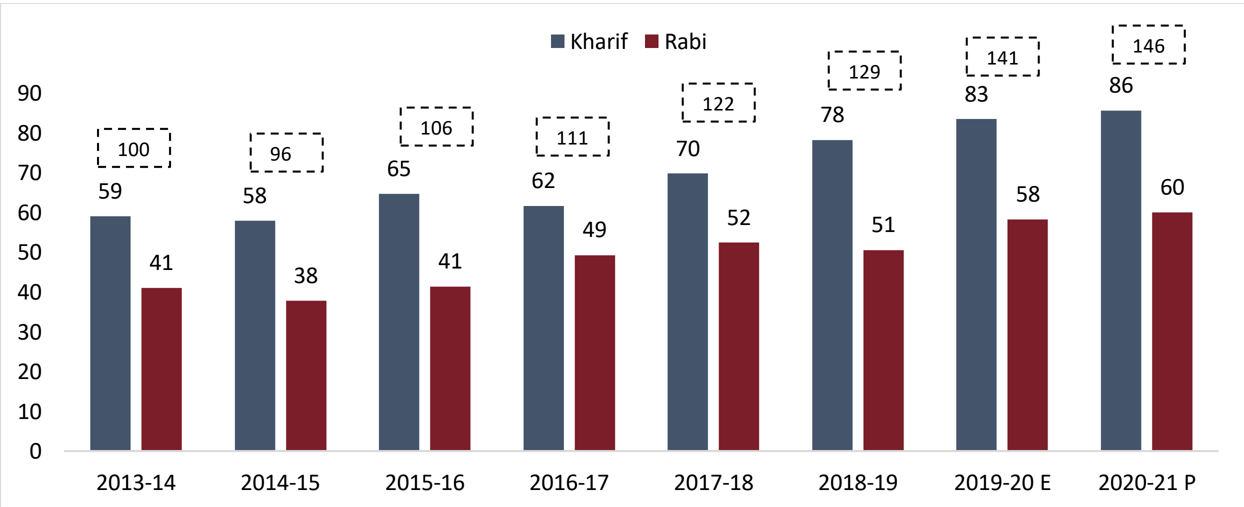
Above normal monsoon leading to above normal reservoir levels, improved farm income on the back of higher production and better crop prices





Source: IMD, CRISIL Research *Source: CWC, CRISIL Research*

Higher crop prices to increase farm income for fiscal 2021



Source: CRISIL Research

Note: Above chart represents farm income which has been indexed to 100 at 2013-14

Road construction activities ramped up from Q2FY21; PMAY-G witnessed uptick in eastern states and Rajasthan

Slowdown in road construction activities in fiscal 2020 impacted the commercial demand. Also, there was a further downside because of restriction on sand mining activities, with increasing government initiatives against illegal mining, a key segment for commercial tractors demand.

Pace of rural construction further plunged in Q1FY21 as construction activities being put to halt in April and May'20 on account of nationwide lockdown. However, commercial demand has resumed from Q2 FY21. Nevertheless, rural construction activity in FY21 is still expected to be lower than in the previous year, given lower activity during the lockdown period and funding constraints.

The mining ban has also been lifted in states such as Madhya Pradesh and Haryana. Illegal mining activities have also picked up in Bihar, Jharkhand which will provide stimulus to the commercial demand.

The number of houses sanctioned under Pradhan Mantri Awas Yojana-Gramin(PMAY-G) also witnessed momentum from Q2FY21 onwards but mostly for eastern states and Rajasthan. However, overall construction under PMAY-G has been lower compared to last fiscal.

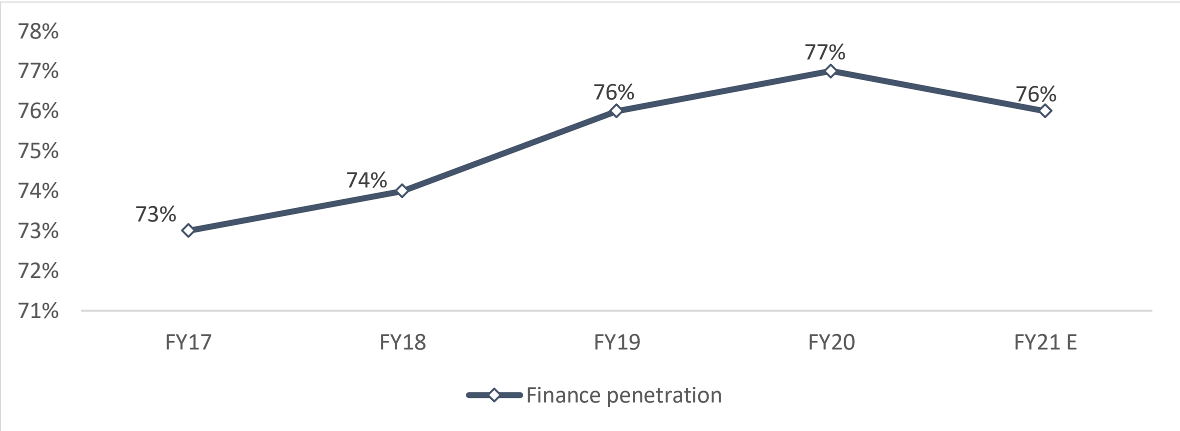
Domestic demand to grow 4-6% over next five years on a high base

CRISIL Research projects domestic tractor sales to expand at 4-6% compound annual growth rate (CAGR) during fiscals 2020 to 2025, after factoring in one to two years of below normal monsoon in the period along with a decline in investment in PMGSY (Pradhan Mantri Gram Sadak Yojana) by 10% over the next five years, due to the lower targets impacting the commercial demand.

The growth will be supported by low tractor penetration in India, government's focus on improving farm incomes through various schemes, promoting farm mechanization, and investments to improve rural infrastructure.

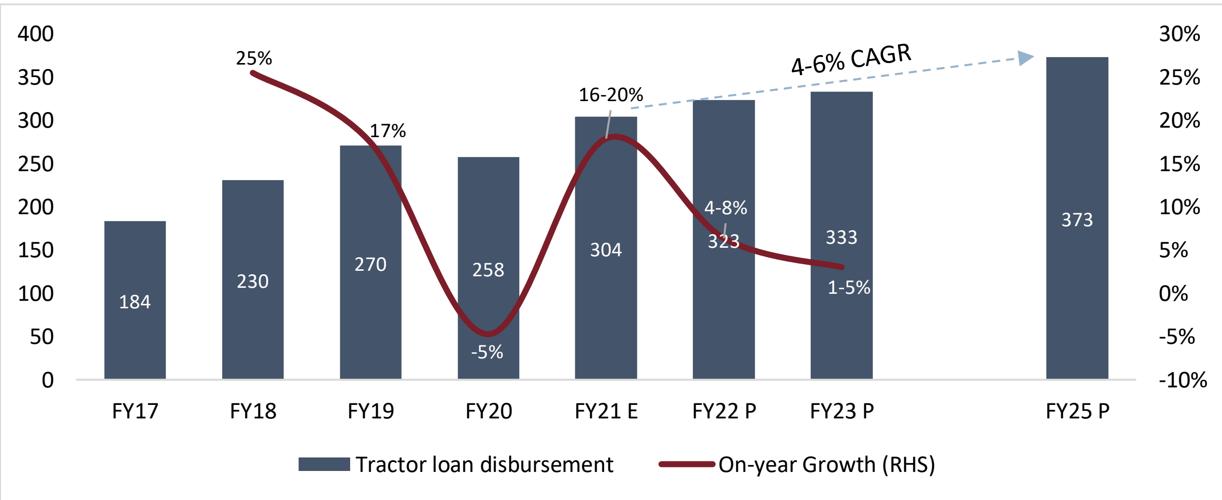
Tractor loan disbursements to record healthy growth in fiscal 2021; slower growth anticipated in fiscal 2022

With 70-75% of tractors purchased on credit, credit availability is a key demand driver, and indirectly boosts tractor sales.



Source: CRISIL Research

Tractor disbursements declined by 5% in fiscal 2020 to Rs 258 billion, with an uneven monsoon spread impacting kharif farm income. In fiscal 2021, CRISIL Research expects tractor disbursements to clock a growth of 16-20% and stand at Rs 304 billion. Average realisation of tractors is likely to be higher vis-à-vis the previous years, owing to a rising sales price and shift in customer preference towards higher horsepower (hp) tractors. Also, CRISIL expects healthy growth in farm incomes with improved irrigation facilities and crop yields, and continued government focus on agriculture and allied activities. Subsequently, post fiscal 2021, CRISIL expects disbursements to grow at a slower pace, in line with tractor sales volume growth.



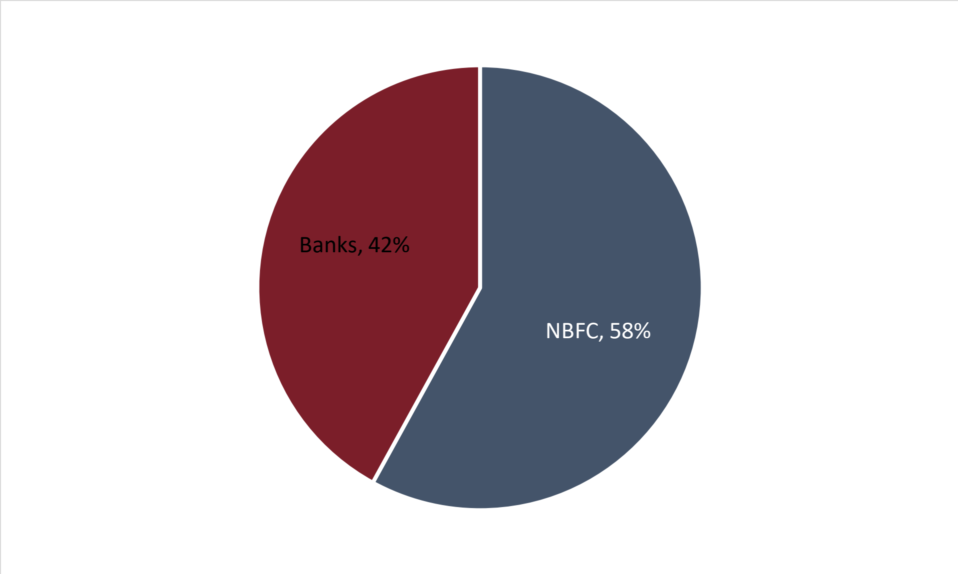
Source: CRISIL Research

NBFCs account for over half of disbursements in tractor financing market

NBFCs and private banks have capitalised on the rising demand for tractors, offering loans with lesser documentation, faster turnaround times and more personalised collection systems, helping them capture market share at the expense of PSBs. NBFCs have strategically targeted high-growth areas and developed the necessary expertise to run the niche product segment profitably.

Consequently, PSBs, co-operative banks and regional rural banks (RRBs) have ceded significant market share to NBFCs over the last decade.

NBFCs account for 58% of tractor financing (as of March 2020)



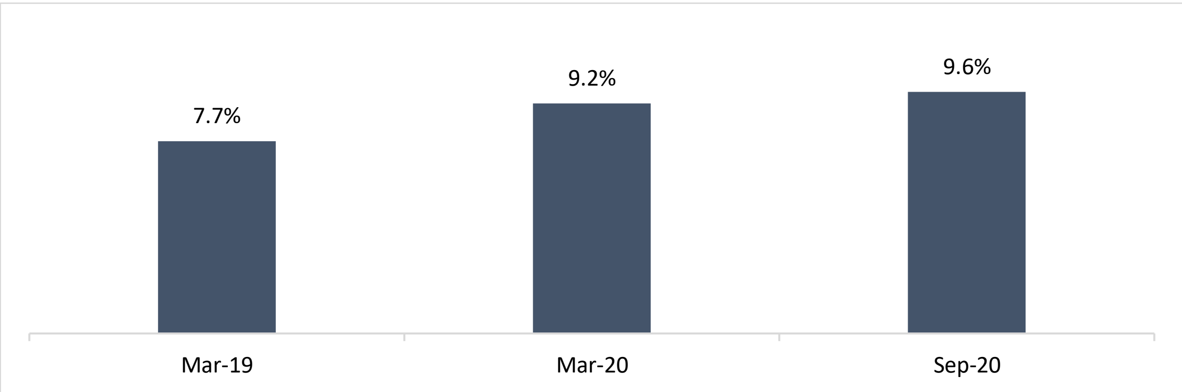
Source: CRISIL Research

M&M Financial Services, L&T Financial Services and Cholamandalam Investment and Finance are the largest players within the NBFC universe. These three players together account for ~70% of the aggregate portfolio of NBFCs as of March 2020. Over the last 2 years, CRISIL has seen some movement in market shares across these players. L&T Finance is amongst the top 3 financiers in farm equipment and has demonstrated increased market share to become number 1 financier in the six months ended September 30, 2020.

Asset quality for NBFCs expected to remain stable

We expect reported GNPAs for NBFCs to increase slightly from their levels as of March 2020. GNPAs would have been higher, if it not been for the moratorium on loan repayments allowed by RBI. Around 15% of tractor loans at a systemic level were estimated to be under moratorium as of August 2020, with the proportion of loans for NBFCs been relatively higher. Reported GNPAs are expected to remain in the range of ~10% for NBFCs in fiscal 2021 and fiscal 2022.

GNPA trend of NBFCs for tractors

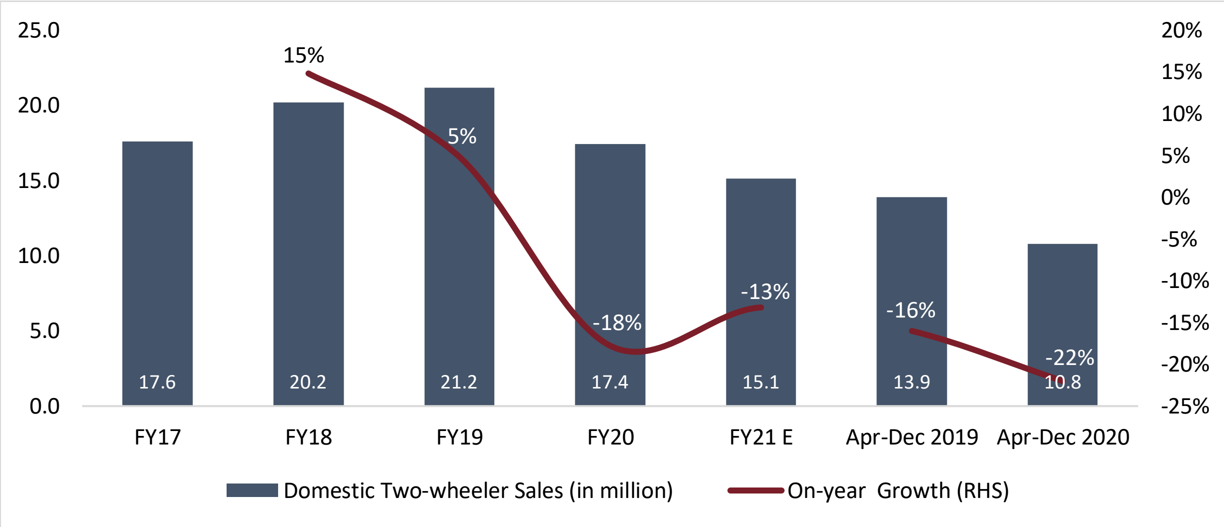


Source: CRIF Highmark

Two-wheeler Finance

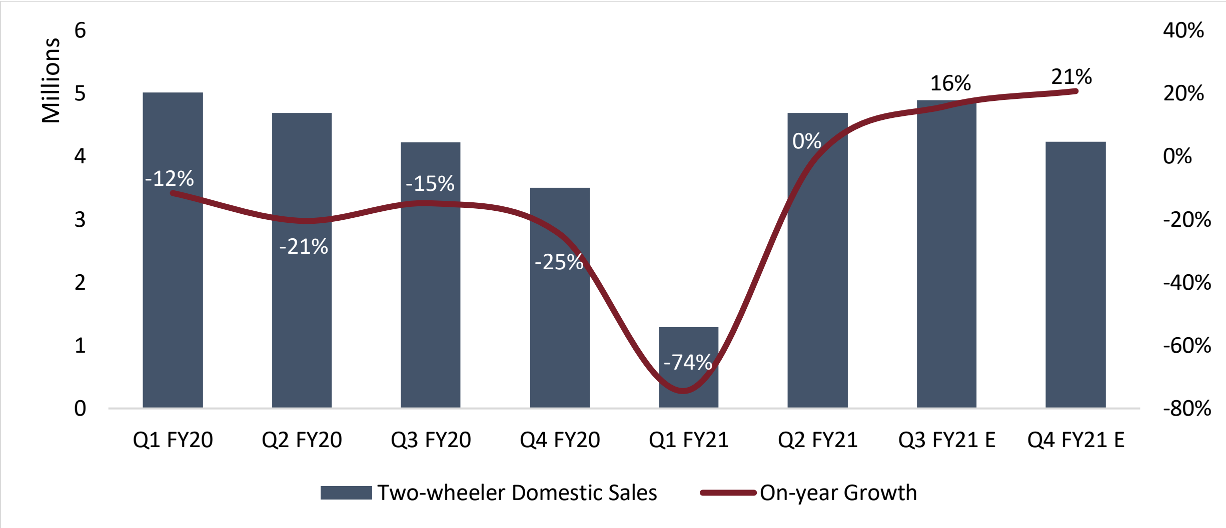
Domestic two wheeler wholesale sales plunged by an estimated ~22% on year in YTD (April-December 2020) of fiscal 2021, affected by both supply and demand factors. Demand sentiments in urban areas were impacted at a greater extent due to widespread COVID-19 cases and stricter norms levied for lockdown. The continued closure of key demand segments such as students in educational institutes also impacted demand. In rural India as well, the decline in manufacturing activity in the aftermath of Covid-19 has hurt demand, albeit lesser than in urban areas. Retail sales plummeted by 41% during the April-November 2020 period. CRISIL expects to witness a gradual recovery in demand during fourth quarter of the current fiscal and the next fiscal as the uncertainty about the pandemic continues to fade with additional sections of the economy reopening and increasing consumer mobility as well as a rebound in economic growth.

Drop in two wheeler domestic sales in fiscal 2020



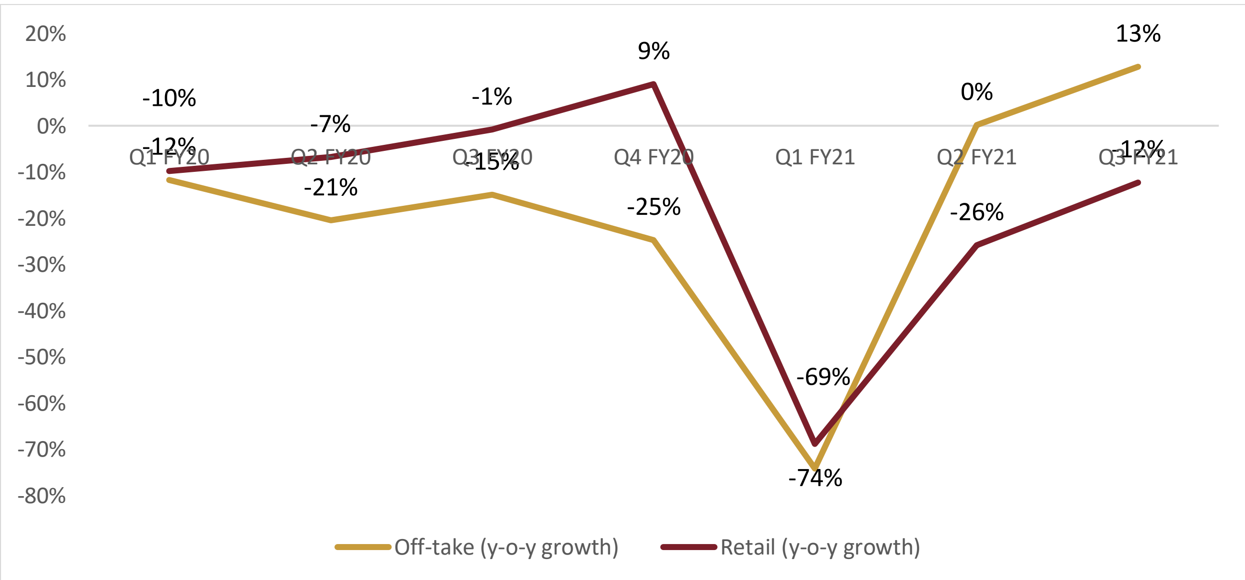
Source: SIAM, CRISIL Research

Quarterly trend of two-wheeler domestic sales



Source: SIAM, CRISIL Research

Quarterly trend in two wheeler offtake and retail sales (y-o-y growth)



Source: Vahan, SIAM, CRISIL Research

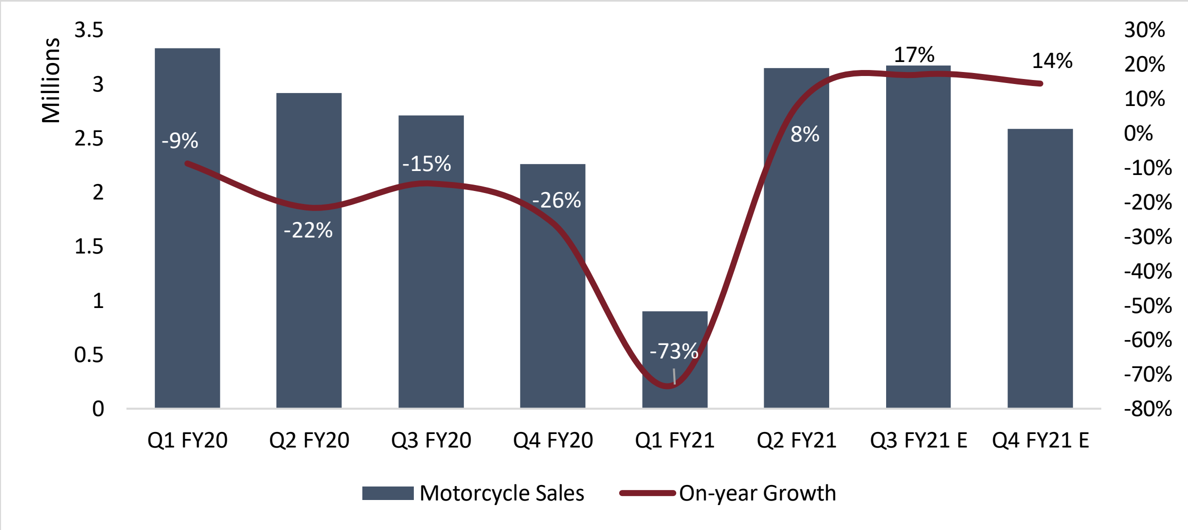
Segment-wise demand for two-wheelers

Motorcycle sales to decline in fiscal 2021

Two-wheeler demand from rural India is predominantly for motorcycles, given their sturdy structure, superior performance, and lower costs, especially in the economy and executive segments.

In YTD fiscal 2021, demand for motorcycles in the domestic market toppled down by ~21%. Industry interactions suggest that motorcycles demand is better than scooters on account of better farm income sentiments. For the entire year, it is expected that motorcycles sales will decline by 12-17%, reflecting the impact of Covid-19 as well as the increase in prices post the implementation of BS V1. The price increase post BS V1 was the highest in the economy segment. Further, it is to be noted that this segment is mainly popular in rural market and customers are most price sensitive in this segment. Going ahead, motorcycle demand is expected to increase by 8-12% in fiscal 2022 on the back of positive rural sentiments.

Quarterly trend for motorcycles



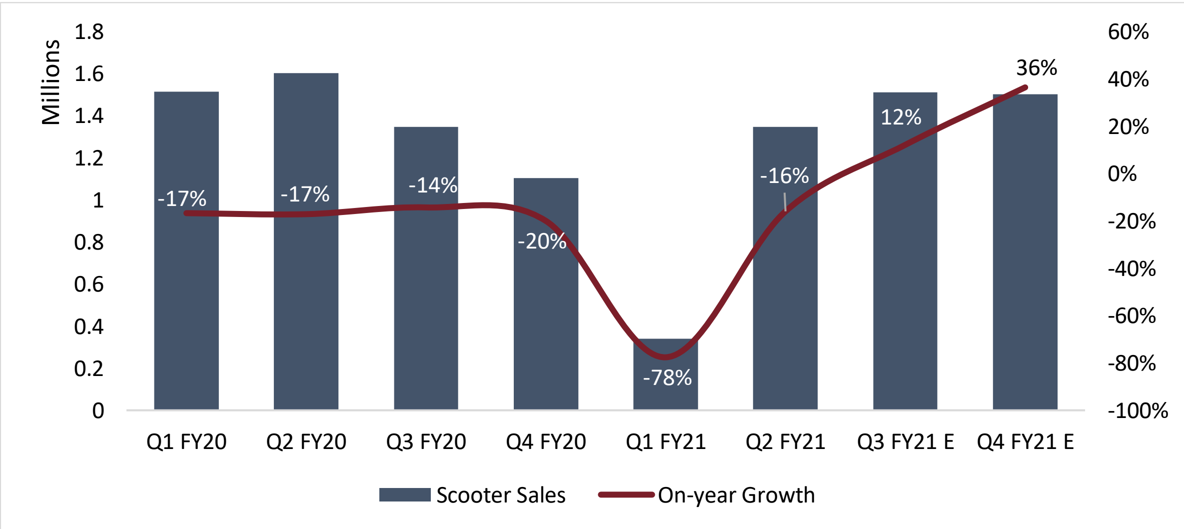
Source: SIAM, CRISIL Research

Scooter sales to fall at a faster pace than motorcycles in fiscal 2021

Demand for scooters mainly stems from the urban population, which account for 65-70% of the overall demand. It is gradually shifting towards smaller towns and rural areas. In fiscal 2020, demand for scooters declined by 17% due to weak consumer sentiments. However, 125cc scooters demand increased by 6% during this period and that of 110cc declined by 20% during the period. This reflects change in customer preferences in scooter segment, where 125cc is gaining traction.

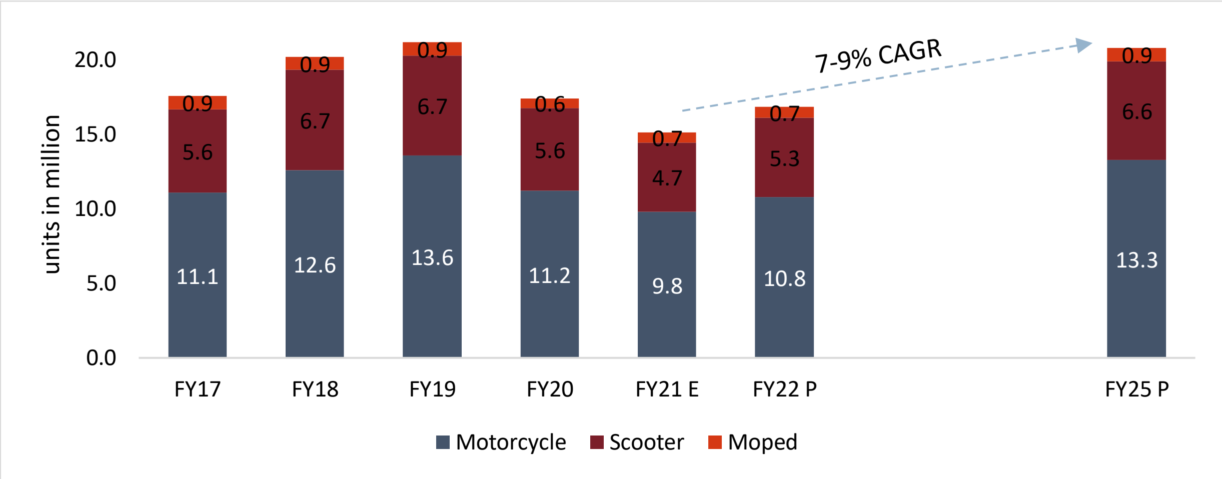
CRISIL Research projects scooter sales to decline by 14-18% in fiscal 2021. With schools, colleges and offices (demand driver from urban areas) expected to begin operations in fiscal 2022, demand is likely to be better off. CRISIL projects demand to increase by 10-14% in fiscal 2022 on the back of pent-up demand and improvement in urban income sentiments.

Quarterly trend for scooters



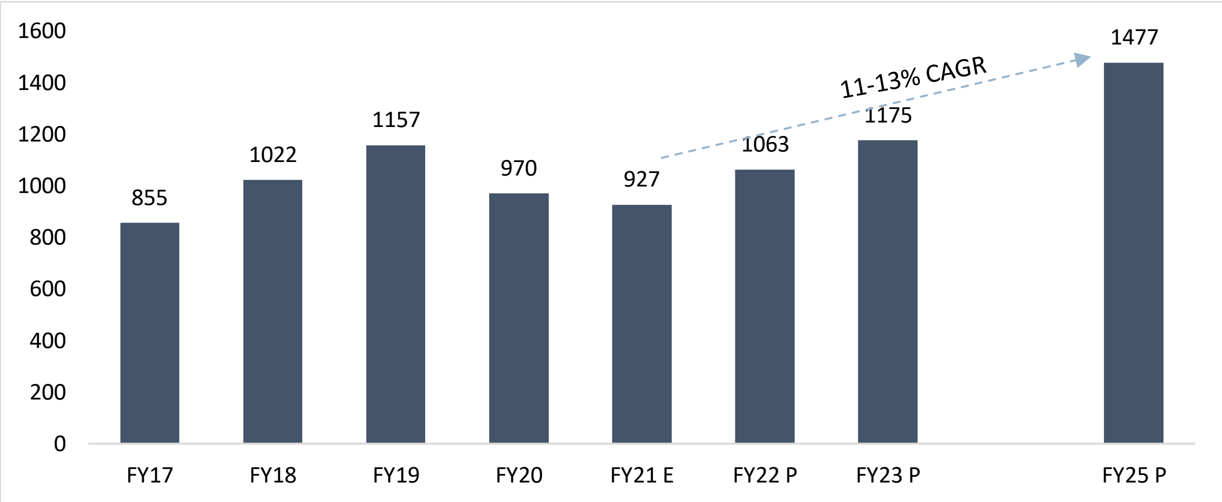
Source: SIAM, CRISIL Research

Long term outlook for domestic two-wheeler industry



Source: CRISIL Research

Growth in two-wheeler industry sales value



Source: CRISIL Research

Factors influencing two-wheeler demand

Industry grappling with price hike due to BS VI transition in times of subdued demand

The cost of ownership grew by 2-9% for motorcycles and scooters in fiscal 2020, after rising significantly in fiscal 2019 due to increase in insurance cost in Q3 of fiscal 2019. In fiscal 2020, cost of ownership increased due to ABS/CBS norms along with an annual rise in vehicle prices. In times of subdued demand sentiments, financiers pushed for increase in Loan to Value (LTV) in order to lure customers to make purchases.

In fiscal 2021, BS VI transition has led to a further 10-15% price increase for two wheelers due to fuel injection technology replacing carburettors. This has increased the cost of ownership in a year where demand sentiment has anyway been hurt by Covid-19, thereby adversely impacting sales.

Rural demand pull

Rural demand remained subdued in fiscal 2020, but is projected to support demand in fiscal 2021

It has been observed that income growth is an important determinant of two wheeler as compared to cost increase. Rural India accounts for ~50% of the two-wheeler demand and thus it becomes very important to analyse rural income growth trend.

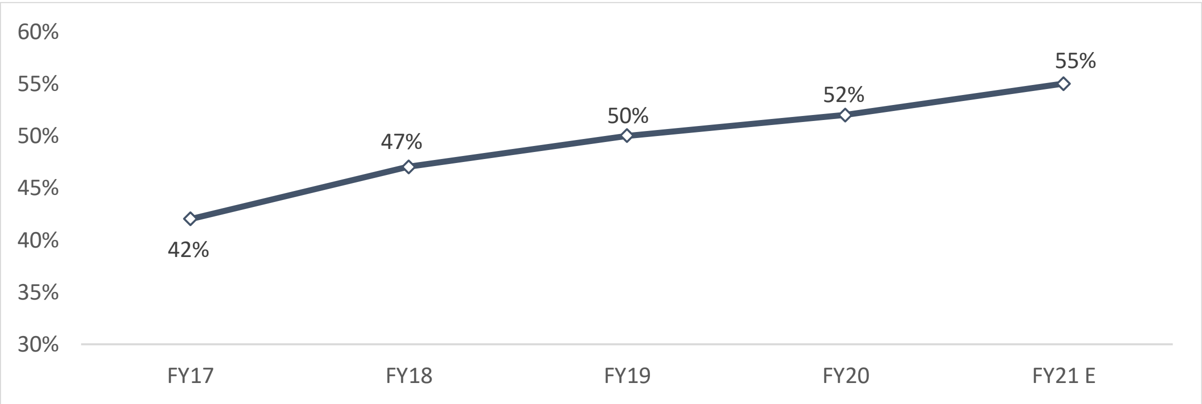
Urban demand to be impacted due to lower urban income

CRISIL Research has looked at 28,000 companies and calculated the expected deviation from decadal revenue growth for FY21. CRISIL believes for companies with higher deviation of revenues from decadal growth and higher share of employee cost as a percentage of sales are expected to be more likely to lay-off employees or reduce salaries to improve sustainability. Based on this analysis, more than 80% of the employee cost are with companies which are going to see more than 10% of deviation from the decadal growth. In fact if CRISIL observes specifically, 60% of employee cost which will see more than 10% deviation in decadal growth also account for a high share in total employee costs of our sample set. CRISIL believes for such companies' salary cuts and job losses are more likely. In conclusion, CRISIL estimates urban sentiments to be muted this year.

Finance penetration estimated at ~55% in fiscal 2021; LTVs to remain steady

Finance penetration is estimated to have increased to around 55% in fiscal 2021 from 50% couple of years ago due to increasing options available to customers. While Covid-19 did result in players recalibrating loan-to-value ratios, lenders continue to remain aggressive in funding customers with stable income and good track record. Captive NBFCs are also aggressively trying to capture market in the rural space in order to aid sales. Consequently, average LTV levels have remained steady at around 71%.

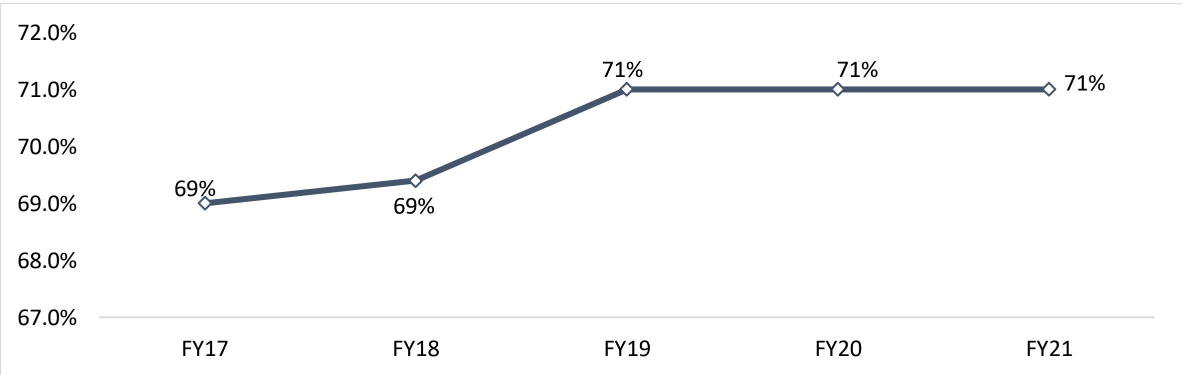
Finance penetration expected to decline in fiscal 2021 as financiers turn cautious in lending



Source: CRISIL Research

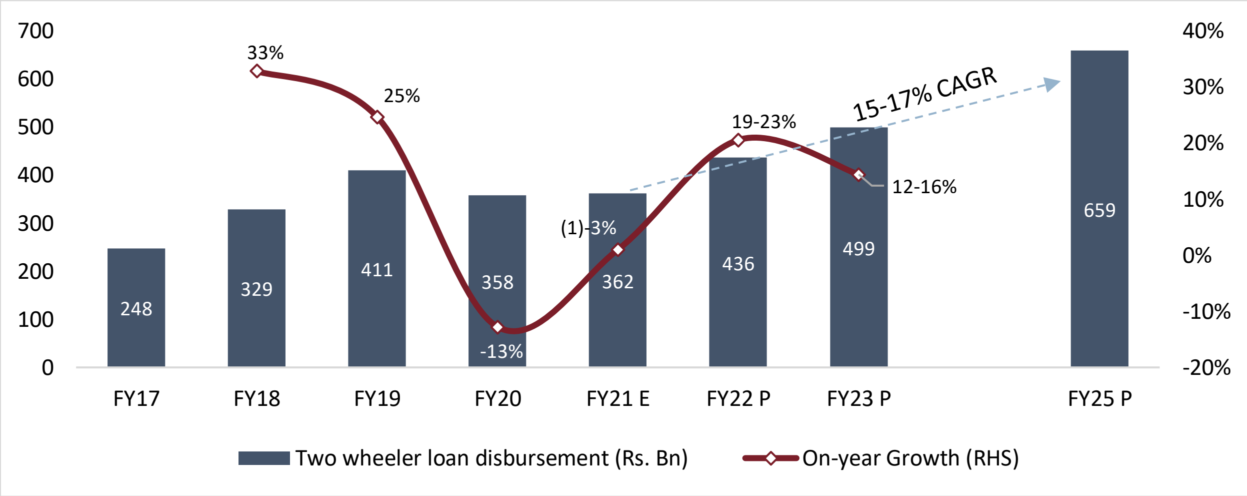
Note: E - Estimated; P – Projected

LTVs to remain steady at around 71%



Source: CRISIL Research

Two-wheeler disbursements to marginally increase in fiscal 2021; disbursements expected to grow at a 15-17% CAGR in the subsequent 4 years



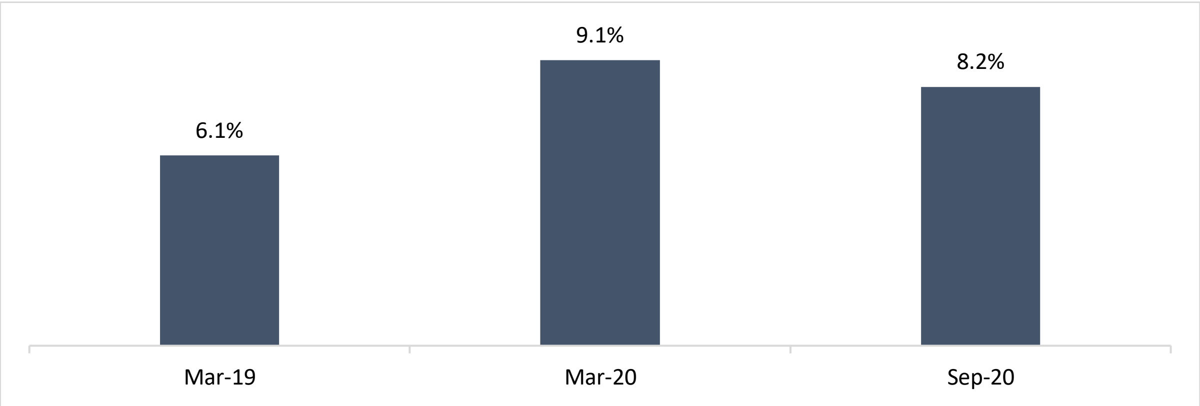
Source: CRISIL Research

Note: E - Estimated; P – Projected

Asset quality expected to deteriorate

Asset quality is expected to deteriorate on account of wide-scale disruption in economic activity due to Covid-19 and delay in repayments. The true stress in asset quality is unlikely to be visible on the books in the near term since a reasonable proportion of the book (~20% for two-wheelers) was under moratorium as of August 2020. The moratorium on loan repayments granted to borrowers till August 2020 as also one-time restructuring of loans permitted by RBI is expected to cushion the impact to some extent. Reported GNPAs are expected to remain in the range of ~8.0% in fiscal 2021 and fiscal 2022.

GNPA trend of NBFCs for two-wheelers

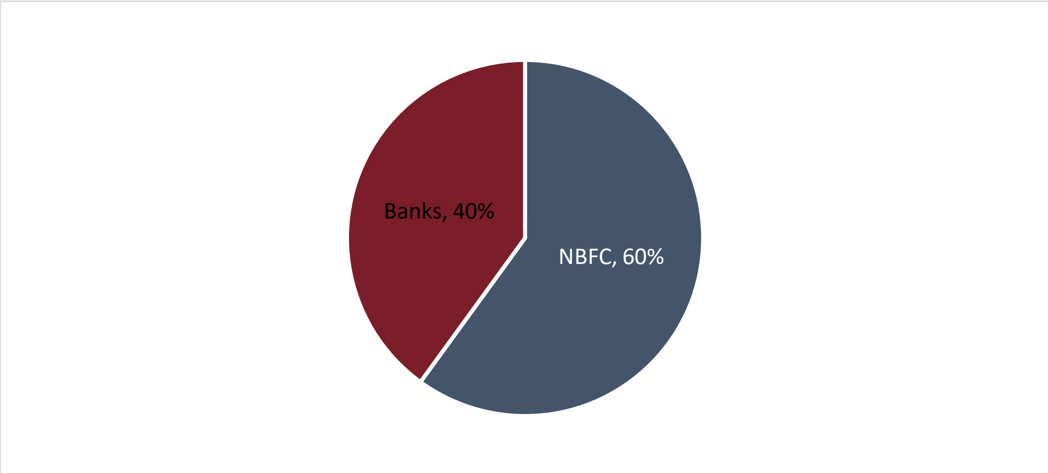


Source: CRIF Highmark

NBFCs dominate two-wheeler financing

Following the exit of major players, especially large banks, in 2008, NBFCs have gained share in the two-wheeler finance market. Unlike other segments, captive financing units have a sizeable share in the total outstanding loan portfolio.

NBFCs account for 60% of two wheeler financing (as of March 2020)



Source: CRISIL Research

Out of the total proportion of NBFCs, captive NBFCs like Hero Fincorp, Bajaj and TVS Credit together have a substantial market share of 65%. Within the non-captive financiers, L&T Finance and Sriram City Union are significant players, with L&T Finance being amongst the top three financiers within the NBFC universe. Considering banks as well in addition to NBFCs, L&T Finance is amongst the top 5 financiers in the two wheelers segment and has demonstrated increased market share in the current financial year.

Mutual Funds

Aggregate industry quarterly AUM grew to Rs 27.0 trillion in March 2020 from Rs 11.9 trillion in March 2015, an ~18% CAGR, driven by increasing aggregate financial savings combined with growing investor awareness of mutual fund products. Post March 2015, and up to November 2020, the industry reported net inflow of approximately Rs 12 trillion.

Within the fund categories, during March 2015 and March 2020, AAUM of equity-oriented funds ballooned to Rs 11.3 trillion from Rs 3.7 trillion, a ~25.5% CAGR.

Debt-oriented funds, though, grew at a noticeably lower ~7.1% CAGR, largely because of the IL&FS default and the ensuing NBFC crisis. This had a negative impact on investor confidence in debt markets and resulted in a considerable drop in demand for mutual fund debt products -- a trend CRISIL expects to see continuing in the wake of the pandemic.

AAUM of other category of funds (including ETFs, index funds and FoF investing overseas) saw robust growth of ~62.5% CAGR over a low base as institutional investors (such as the Employees' Provident Fund Organisation, or EPFO) began investing a portion (currently 15%) of their fresh accretion into equities via passively managed funds – an industry trend CRISIL expects to continue over the long term.

Meanwhile, AAUM of liquid/ money market funds logged 17.9% CAGR from March 2015 to March 2020, supported by corporate investments, stable returns, and a high level of aggregate re-allocations from long-term debt instruments.

Growth trend in various mutual fund segments (quarterly AAUM in Rs billion)

Segment	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Sep-20	Mar-15 to Sep-20 CAGR
Equity	3,652	4,183	5,927	9,582	10,210	11,348	11,104	22.4%
Debt	5,292	5,871	7,982	8,134	7,152	7,449	7,975	7.7%
Liquid/money market	2,774	3,269	3,940	4,562	5,916	6,327	6,234	15.8%
Others	169	212	446	773	1,206	1,913	2,292	60.5%
Total	11,887	13,534	18,296	23,052	24,484	27,037	27,604	16.5%

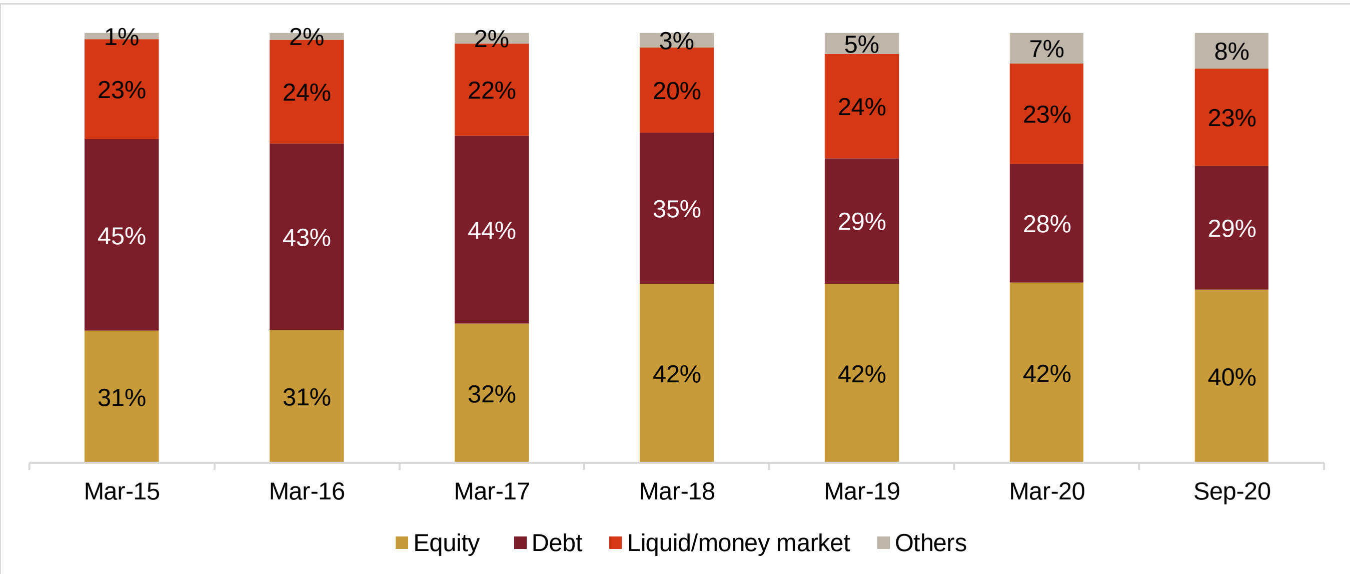
Notes:

(1) Equity funds include ELSS, arbitrage and balanced funds. Debt funds include gilt, income, and infrastructure debt funds. Others' include gold ETFs, other ETFs, and FoFs investing overseas

(2) Post March 2019, equity includes growth/equity-oriented schemes (other than ELSS), ELSS funds, hybrid schemes, and solution-oriented schemes. Debt includes gilt fund/gilt fund with 10-year constant duration, and remaining income/debt-oriented schemes. Liquid/money market includes liquid/money market/floater fund/overnight fund. Others include index funds, gold ETF, other ETF, and FoFs investing overseas

Source: AMFI, CRISIL Research

Trend in AUM mix for the mutual fund industry



Segment	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Sep-20	Mar-15 to Sep-20 CAGR

Notes:

(1) Equity funds include ELSS, arbitrage and balanced funds. Debt funds include gilt, income, and infrastructure debt funds. Others' include gold ETFs, other ETFs, and FoFs investing overseas

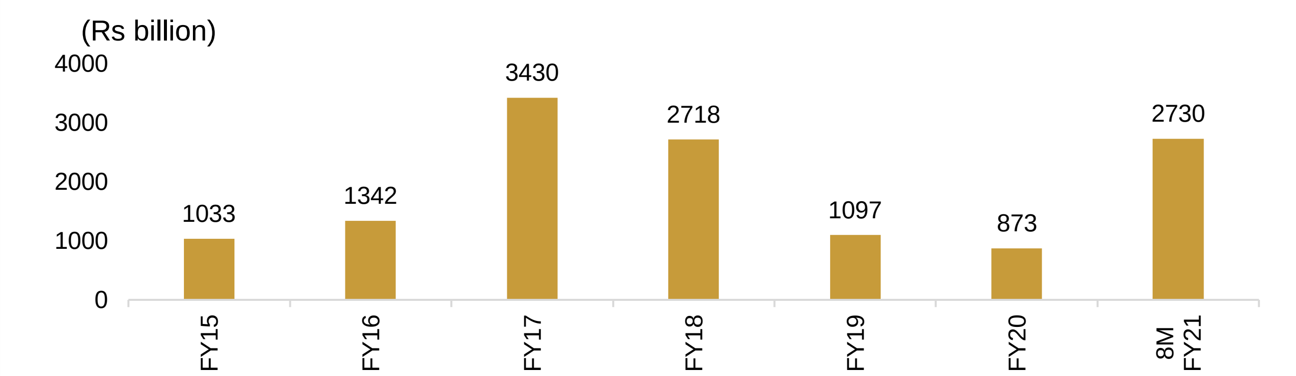
(2) Post March 2019, equity includes growth/equity-oriented schemes (other than ELSS), ELSS funds, hybrid schemes, and solution-oriented schemes. Debt includes gilt fund/gilt fund with 10-year constant duration, and remaining income/debt-oriented schemes.

Liquid/money market includes liquid/money market/floater fund/overnight fund. Others include index funds, gold ETF, other ETF, and FoFs investing overseas

Source: AMFI, CRISIL Research

Net inflow for mutual funds to strengthen on retail investor participation

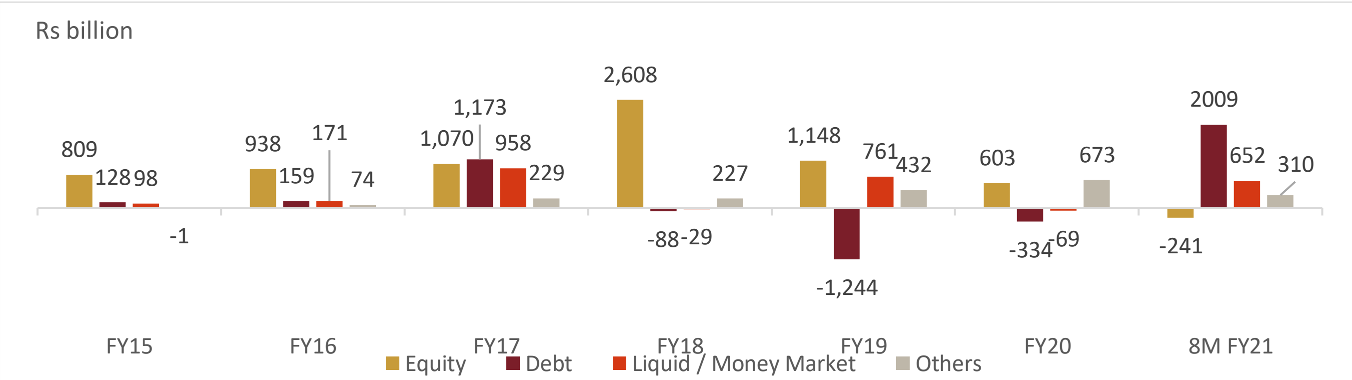
Trends in net inflows in mutual fund industry (Rs billion)



Source: AMFI, CRISIL Research

In the long term, with expectation of higher returns from capital markets, the fund flow into equity funds is expected to witness higher growth. Increasing share of mutual funds in the financial savings of households, driven by expectations of higher and stable returns, is one of the key factors that will contribute to fund inflows, especially into passive and equity fund categories.

Equity-oriented funds led the charge in net inflow up to fiscal 20



Notes:

(1) *Equity funds include ELSS, arbitrage and balanced funds. Debt funds include gilt, income, and infrastructure debt funds. Others include gold ETFs, other ETFs, and FoFs investing overseas*

(2) *Post fiscal 2019, equity includes growth/equity-oriented schemes (other than ELSS), ELSS funds, hybrid schemes, and solution-oriented schemes. Debt includes gilt fund/gilt fund with 10-year constant duration, and remaining income/debt-oriented schemes. Liquid/money market includes liquid/money market/floater fund/overnight fund. Others include index funds, gold ETF, other ETF, and FoFs investing overseas*

Source: AMFI, CRISIL Research

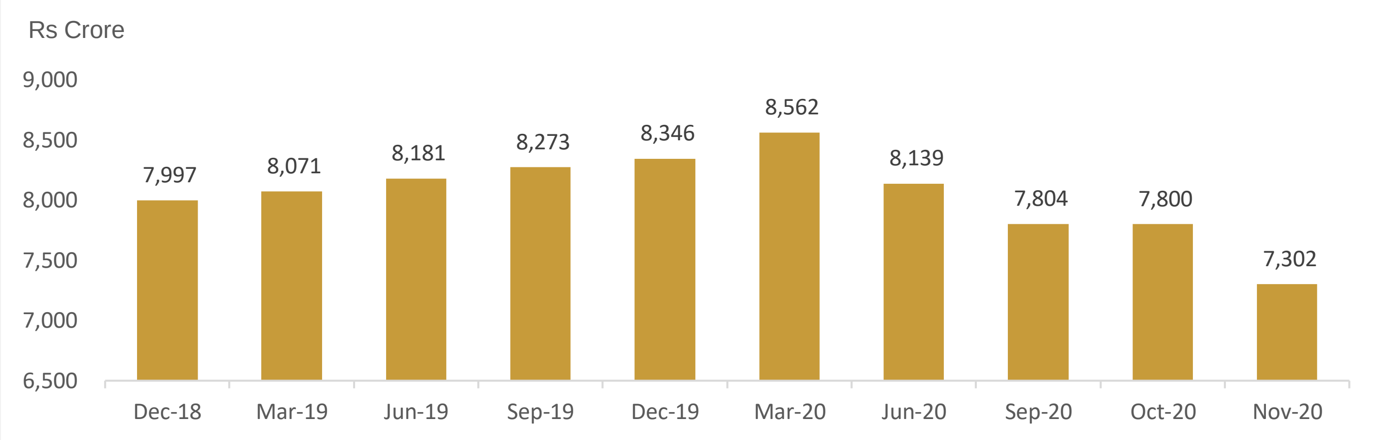
Systematic investment plans

Between April 2016 (when AMFI began disclosing aggregate monthly SIP contributions) and November 2020, the aggregate amount invested through SIPs grew to ~Rs 73 billion from ~Rs 31 billion per month. This surge was the result of low contribution minimums, thereby increasing accessibility to lower income households. This is reflected in an increase in the number of SIP accounts to 34.1 million in November 2020 from 21.1 million in March 2018. The industry added roughly 982,000 SIP accounts each month in fiscal 2020, with an average per month ticket size of ~Rs 2,673 per account during the fiscal. But, owing to the rise in the number of accounts, the average ticket size has come down from a high of Rs 3,375 in March 2018. The average ticket in the September quarter of fiscal 2021 was Rs 2,360.

In fiscal 2020, the mutual fund industry collected ~Rs 1 trillion through SIPs, an increase of 8% over the Rs 927 billion collected in fiscal 2019. In the first half of this fiscal, SIP contributions to mutual funds have reached ~Rs 629 billion. As of November 2020, aggregate SIP AUM stood at ~Rs 3.8 trillion, or ~12.7% of the total industry AUMs.

However, the high growth trajectory in the SIP AUM somewhat decelerated because of the pandemic. In fiscal 2022. With the economy gradually rebounding, SIP contributions from retail investors would increase in the medium-term.

SIP contribution trend



Note: Data from Dec-18 to Sep-20 are quarterly average contributions and Oct-20 and Nov-20 nos. are monthly contributions

Source: AMFI

Investor profile of the industry

Individual investors outpace institutional investors in terms of AUM

Historically, majority of the industry's assets were held by institutional investors, mainly corporates. However, the share of institutional investments (corporates, banks/financial institutions and foreign institutional investors) gradually declined to 49% as of November 2020 from 53% as of March 2015. Institutional AUM logged a CAGR of 15.1% during this period, while individual AUM saw a faster growth of 19.5% on the back of rising participation, especially in equity funds.

Share of AUM by investor classification (Rs billion)

Category	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Nov-20	CAGR (Mar-15 to Nov-20)
Corporates	5,673	6,440	8,816	10,051	10,102	10,985	13,659	17%
Banks/FIs	663	843	1,104	866	826	767	752	2%
FIIs	159	110	131	125	111	54	52	-18%
Retail	2,442	2,627	3,824	5,355	6,446	4,696	6,050	17%
HNIs	3,140	3,531	4,703	6,310	7,095	8,207	9,321	21%
Total	12,077	13,552	18,578	22,707	24,580	24,709	29,834	17%

Note: Average monthly AUM for the period

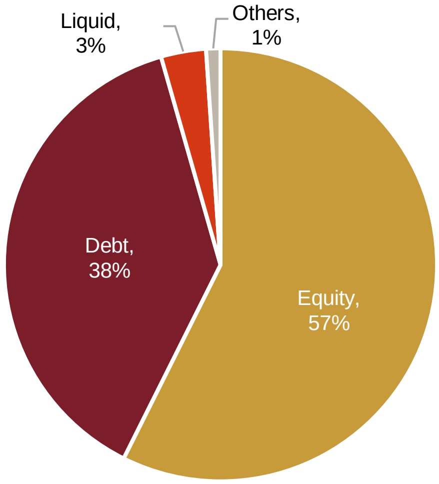
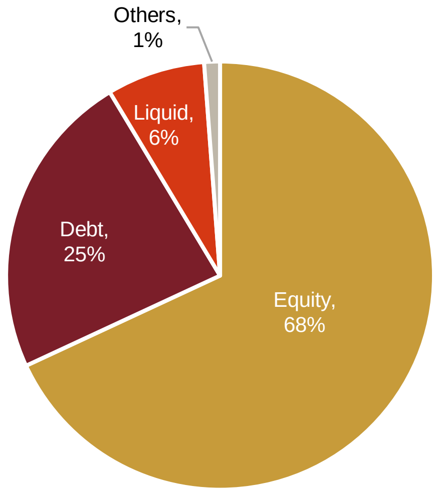
Source: AMFI, CRISIL Research

According to the CRISIL Research, the number of folios grew from 41.7 million as of March 2015 to 89.7 million as of March 2020 at a CAGR of approximately 17% and was 92.5 million as of November 2020, driven almost entirely by individual investors (retail and high net worth individuals or HNIs). With the market fall and sell-off following the announcement of lockdown induced by Covid-19, the average ticket size of individual folios has come down to Rs 156,047 in first half of fiscal 21.

Individual investors are highly concentrated in equity funds

As of November 2020, ~68% individual investors' AUM was invested in equity-oriented funds, up from ~57% in March 2015. This was driven by sharp reductions in debt-oriented funds as a result of the IL&FS and NBFC crises, relative outperformance of equity over other asset classes, and a higher push of equity products by AMCs and distributors owing to their relatively higher profitability and expense ratios.

For institutional investors too, the proportion of others and equity-oriented funds has seen a rise. The rise in the others category is owing to the investment of 15% of fresh accretion of the EPFO into equity ETFs by its fund managers. However, despite this, the share is majorly dominated by debt funds, including the liquid category.

<table>
<tr><th>Investor category</th><th>March 2015</th><th>November 2020</th></tr>
<tr><td>Individual investors</td><td>
</td><td>
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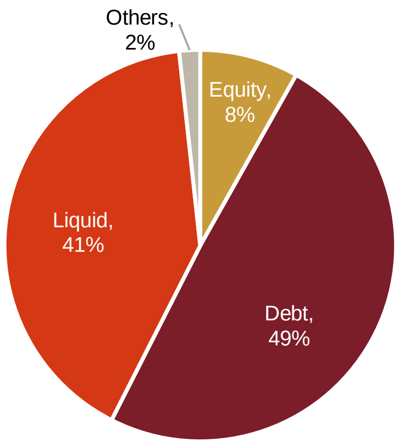
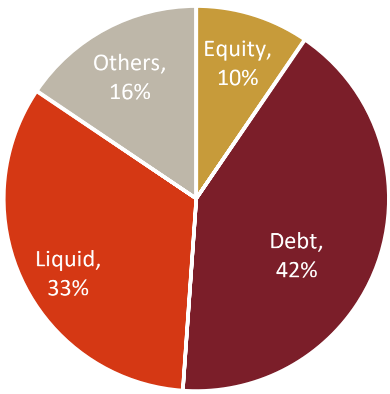
<tr><td>Institutional investors</td><td>
</td><td>
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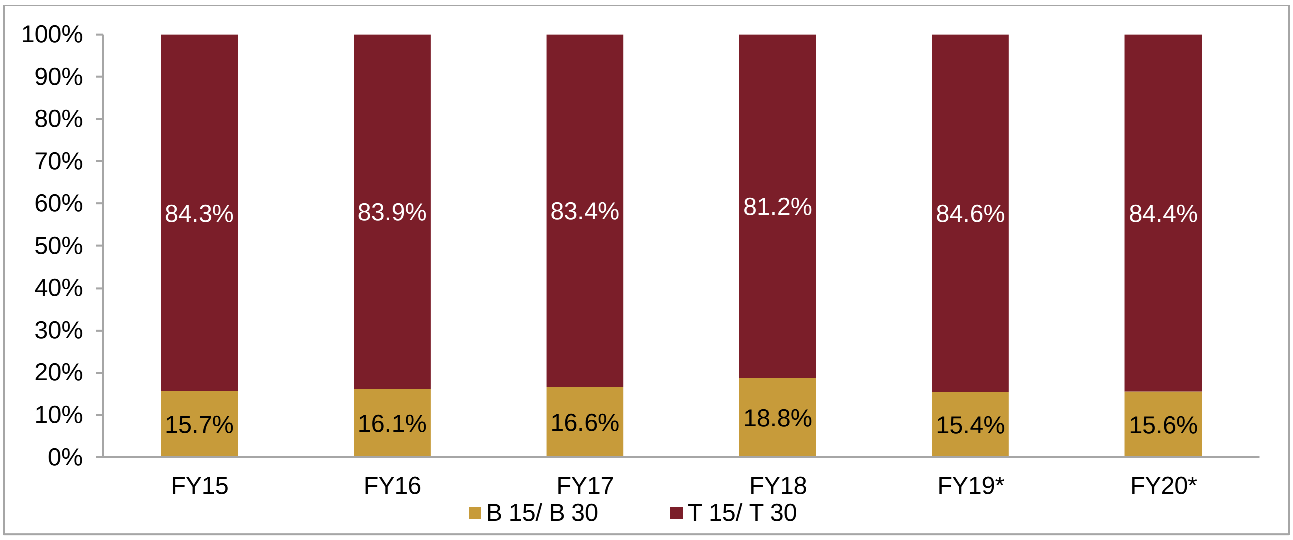
Note: As per monthly average AUM. Equity funds include growth/ equity-oriented schemes (other than ELSS), ELSS funds and balanced schemes. Debt funds include gilt funds, FMP, debt (assured return), IDFs and other debt schemes. Liquid/money market schemes include liquid fund/money market funds. Others include gold ETFs, other ETFs and FoF investing overseas; The charts may not add up to 100% due to rounding off

Mutual Fund penetration increasing in B30 cities

In November 2020, the monthly average AUM in T30 cities stood at Rs 25.0 trillion compared with Rs 4.7 trillion for B30 cities, as per AMFI data. SEBI has reclassified T15 and B15 as T30 and B30, respectively, to encompass a broader set of cities that have lower penetration after seeing the share of B15 cities improve regularly in the previous years.

Composition trends of overall T30/T15 and B30/B15 AUMs

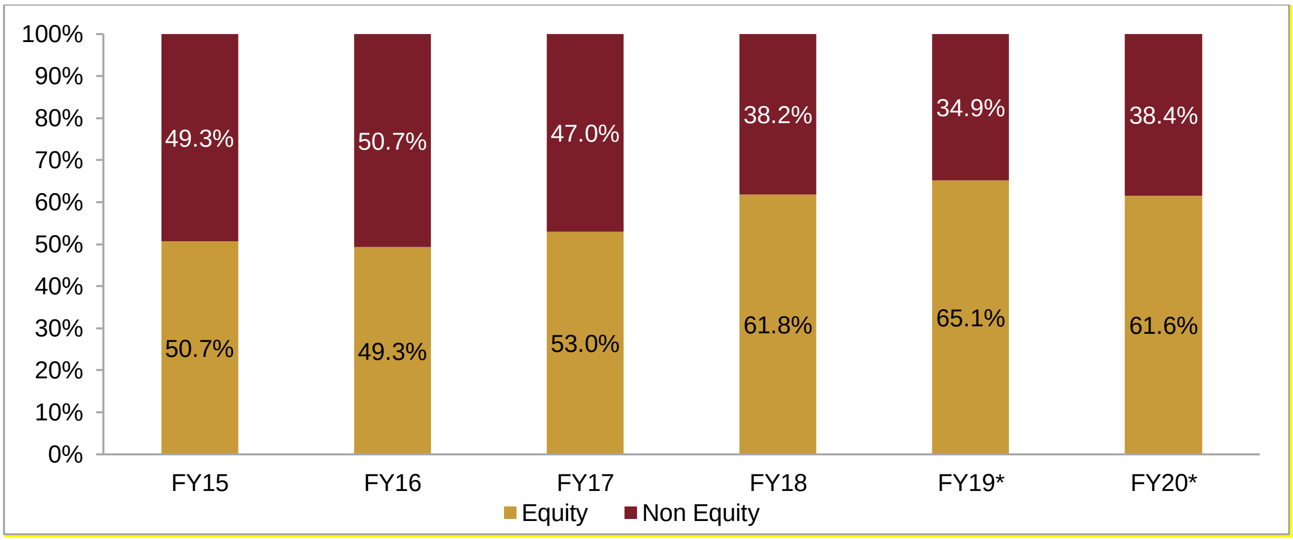


*Note: * For FY19 and FY20, AMFI classification has changed to T30 and B30 cities from T15 and B15, AUM data as on end of fiscal*

Source: AMFI, CRISIL Research

As of fiscal 2020, 61.6% of AUM in B30 geographies was concentrated in equity schemes compared with only 35.7% for T30 geographies. This was primarily owing to the higher presence of institutions and corporates in T30 geographies. Given the higher concentration of individual investors in equity products, an increased penetration of B30 markets should thus further increase the overall proportion of equity AUMs in aggregate industry AUM. AMCs with higher shares of AUM in B30 geographies are less susceptible to overall margin pressures compared with their T30-focused peers, especially given the recent regulatory actions such as reduction in total expense ratios across the industry.

Split of AUM in B30/B15 locations between equity and non-equity



*Note: * For FY19 and FY20, AMFI classification has changed to T30 and B30 cities from T15 and B15, AUM data as on end of fiscal*

Source: AMFI, CRISIL Research

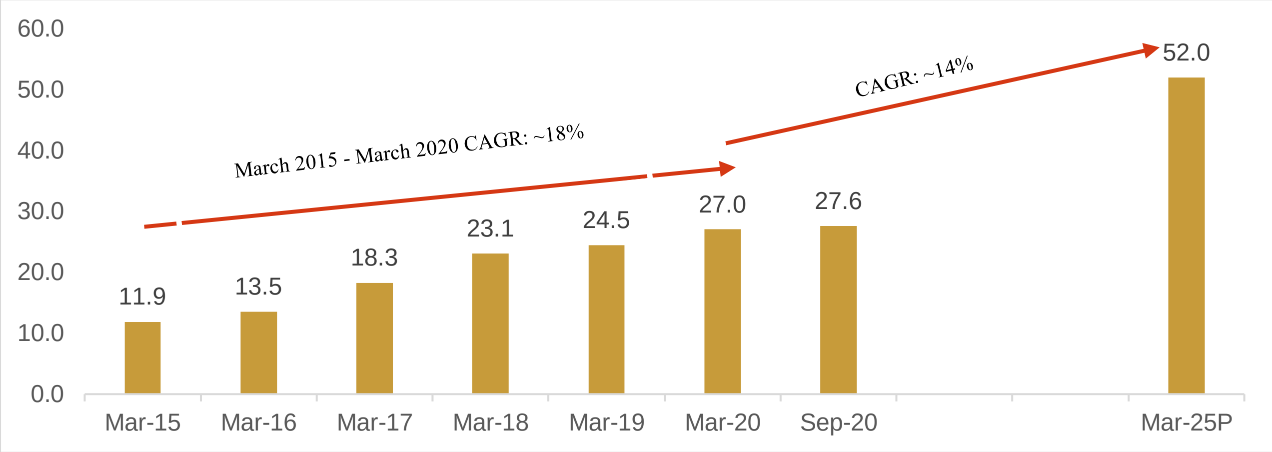
Despite the top players performing well, players outside top 10 are growing at a decent pace driven majorly by performance and distribution network

AUM growth

In an environment where the annual GDP growth is expected to be in the --8% territory, and there is no clear visibility on either corporate earnings growth or disposable incomes, fund flows into the mutual fund industry is likely to be volatile.

Once this volatility subsides, the QAAUMs are expected to gradually bounce back and clock ~14% CAGR between Mar-20 and Mar-25, to an expected size of ~Rs 52 trillion. CRISIL expects the key drivers of that growth to include: an anticipated pick-up in economic growth, growing investor base, higher disposable income levels and investable household surplus, increase in aggregate household and financial savings, increase in geographical penetration as well as better awareness, ease of investing, digitalisation, and perception of mutual funds as long-term wealth creators, driven in part by initiatives like the 'Mutual Fund Sahi Hai' campaign.

A gradual pick up in corporate earnings, inflation rates within targets, stable political environment, consistent growth in mutual fund inflows in addition to double-digit growth in nominal GDP post fiscal 2021 are expected to aid the mutual fund penetration further. Overall the mutual funds QAAUM are expected to grow at 14.2% CAGR between March 2020 and 2025



Note: AUM is the average of last quarter for each fiscal; P – Projected

Source: AMFI, CRISIL Research

Growth Drivers

Age and size of working population

As per the United Nations' World Population Prospects 2019 estimates, as many as 90% of Indians are expected to be below the age of 60 years by 2020, compared with 77%, 83% and 86% in the US, China and Brazil, respectively. By 2020, India's working population (15-59 years) is expected to be 64% of its total population.

Urbanisation

Urbanisation is one of India's most important economic growth drivers as it will drive substantial investments in infrastructure development, which, in turn, is expected to lead to job creation, development of modern consumer services and increased ability to mobilise savings. The country's urban population has been rising consistently over the decades. In 1950, it was 17% of total population. As per the 2018 revision of the World Urbanization Prospects, it was estimated at 34% for India. This is expected to reach 37% by 2025.

Mutual fund penetration

Mutual fund assets in India have seen robust growth, especially in recent years, driven by a growing investor base due to increasing penetration across geographies, strong growth of the capital markets, technological progress, and regulatory efforts aimed at making mutual fund products more transparent and investor friendly.

Although mutual fund AUM as a percentage of GDP has grown from 4.3% in fiscal 2002 to ~11% in fiscal 2020, penetration levels remain well below those in other developed and fast-growing peers.

According to IMF as of Q4 2019, India's mutual fund penetration (AUM to GDP) is significantly lower (12%) than the world average of 63% and also lower than many developed economies such as the US (120%), Canada (81%), France (80%) and the UK (67%), and key emerging economies such as Brazil (68%) and South Africa (48%).

Household savings

Gross domestic savings rate

India has historically been, and is expected to continue to be, a high savings economy. High savings can be used to finance investments, which can further ease supply-side constraints in the economy and drive long-term economic growth. India also has a high savings rate compared with other large economies.

Going forward, benign inflationary pressures would diminish the attractiveness of gold and real estate – which represent physical savings of households – as investment alternatives. Considering this, along with increase in financial literacy, the share of financial savings within household savings is likely to increase in the medium term. The government's measures to curb black money will also help increase the share of financial savings.

India's gross domestic savings (GDS) rate has declined to 30.1% of GDP in fiscal 2019 from 33.9% in fiscal 2013, this was primarily the result of a sharp drop in public savings as the central government resorted to fiscal stimulus to address the external shocks from the Global Financial Crisis of the past decade. Also, household savings, as a percentage of GDP, has declined to 18.2% in fiscal 2019 from 22.5% in fiscal 2013, largely because of higher consumption, low job creation, and increase in financial liabilities to meet short-term consumption needs. As of fiscal 2019, the quantum of gross household financial savings was ~Rs 20 trillion. With rising income levels and better control over inflation, CRISIL expects the household savings rate to have increased in fiscal 2020.

Gross domestic savings trend

Parameters (Rs billion)	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
GDS	33,692	36,082	40,200	42,823	48,251	55,384	57,129
Percentage of GDP	33.9%	32.1%	32.2%	31.1%	31.3%	32.4%	30.1%
Household sector savings (net financial savings, savings in physical assets and in the form of gold and silver ornaments)	22,353	22,853	24,391	24,749	27,871	32,773	34,468
Percentage of GDP	22.5%	20.3%	19.6%	18.0%	18.1%	19.2%	18.2%
Gross financial savings	10,640	11,908	12,572	14,962	16,147	20,610	19,957
Financial liabilities	3,304	3,587	3,768	3,854	4,686	7,381	7,655
Savings in physical assets	14,650	14,164	15,131	13,176	15,946	19,128	21,808
Savings in the form of gold and silver ornaments	367	368	456	465	465	415	358

Note: The data is for financial year ending March; Physical assets are those held in physical form, such as real estate, etc. March 2019 data is based on first revised estimates of national income, consumption expenditure, saving and capital formation released in January 2020.

Source: Handbook of Statistics on Indian Economy 2018-19, RBI, NSO, MOSPI, CRISIL Research

Rising share of mutual funds in gross financial assets

As per RBI's quarterly forecast on gross financial assets, mutual funds in outstanding position of household financial assets has continuously increased till the third quarter of fiscal 2020. However, it declined in last quarter of the fiscal on account the pandemic and significant outflows in AUMs due to the same.

(Rs trillion)	FY18				FY19				FY20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Bank deposits	74.1	76.5	75.9	79.9	79.2	82.2	82.3	87.3	86.8	89.6	90.6	94.4
Life insurance funds	29.4	30.4	31.7	32.1	32.7	33.6	34.1	35.6	36.5	36.9	37.9	38.8
Currency funds	13.8	14.2	15.3	16.7	17.8	17.5	18.5	19.5	20.1	19.8	20.7	22.3
Mutual funds	9.5	10.2	10.6	10.7	11.9	11.5	11.9	12.4	12.7	12.8	13.9	11.6

Note: The outstanding position for household investment in pension and provident funds is not published as the latest available data from Employees' Provident Fund Organization (EPFO), which constitute around 70% of this segment, pertains to fiscal 2017.

Source: RBI Bulletin June 2020.

Financial inclusion, investor education and regulatory initiatives

Financial inclusion

The low mutual fund penetration in the country is largely due to the lack of awareness about this investment vehicle. SEBI's investor awareness survey of 2015 showed that mutual funds/ SIPs were used by only 10% of the respondents as investment and saving avenues.

Investor education

As outlined above, SEBI has directed AMCs to annually set aside at least 2 bps of daily net assets for investor education initiatives like boosting awareness about capital market investment products. The overall increase in advertisement by the fund houses and robust market performance is likely to boost industry AUM, which, in turn, will result in higher spending on investor awareness. This will ultimately help deepen mutual fund penetration among new investors, particularly in B30 markets.

Retirement planning

Retirement planning is an untapped market in India. If channelled through mutual funds, it has the potential to significantly improve penetration among households. The EPFO's move to invest 15% of its fresh accretion into exchange-traded funds has boosted the industry. This illustrates how mutual funds can be promoted as a vehicle for retirement planning in India. The substantial proportion of young population offers huge potential for this.

Tax benefits

The popularity of Equity Linked Savings Scheme (ELSS), a mutual fund product that helps investors save income tax (under Section 80C of the Income Tax Act, 1961), has also grown. These schemes have a lock-in period of three years. Over the past five years, many of these schemes have outperformed their benchmark indices. Their aggregate AUM as of March 2019 stood at Rs 960 billion, up from Rs 255 billion in March 2014, clocking 30.3% CAGR. This further illustrates retail investors' rising interest in equity products.

Technology

Technology is expected to play a pivotal role in taking the financial sector to the next level by helping overcome the challenges stemming from India's vast geography. Financial sector players are finding it commercially unviable to have dense physical footprints in smaller locations. India's demographic structure, with the median age at 28 years, is also favourable for technological advancement in the sector. The younger population is expected to be able to use seamless technological platforms to meet their financial requirements. Increasing smartphone penetration and improved data speed are expected to support digitalisation of the sector, which, in turn, should help AMCs lower their cost and improve overall efficiency. Service providers with better mobile and digital platforms will be better positioned to acquire new customers entering the industry.

Easy access to mutual fund products

In May 2017, SEBI allowed investments up to Rs 50,000 per mutual fund per financial year through digital wallets. Given the rise in the penetration of smartphones and greater adaption of technology platforms by our young population, measures such as these can make mutual fund products more easily available to investors.

The growth of AUM through the direct route can also be partially attributed to ease of transactions facilitated by online portals, including mobile applications. While the direct route is mainly used by institutional investors, CRISIL has seen a gradual increase in the share of individual investors through this route. The introduction of the mutual fund utility platform, which allows investors to transact with schemes of multiple fund houses through a single window, has also boosted ease of access.

e-KYC for retail investors

Reintroduction of Aadhar-based KYC (which was discontinued in September 2018 due to a Supreme Court ruling) will allow investors residing in India to go to any AMC website to complete their e-KYC process. This will reduce the time and cost associated with paper on-boarding processes. The will also lower the inconvenience threshold, which keeps a section of investors from entering the market.

As per the latest notification on November 5, 2019, even SEBI-registered mutual fund distributors and advisors will be able to complete the e-KYC process by registering as a sub-KYC user agency (KUA) with a KUA. The KUA has to be registered with the Unique Identification Authority of India.

Fund performance across categories

Performance of various categories of schemes has been a key driver of the industry's growth. Despite the short-term volatility, long-term returns across segments have been robust and competitive. Availability of tax benefits and the ability to invest in different types of funds allow investors to allocate funds in keeping with their investment constraints and objectives. Overall, investor confidence in the asset class is likely to only increase over time.

OUR BUSINESS

In this section, unless the context otherwise requires, indicates, or implies, "we", "us" and "our", refer to our Company together with our Subsidiaries. This Letter of Offer, including this section "Our Business", includes financial measures and certain other statistical information of our financial condition and operations not prepared under or required by Ind AS, i.e., non-Ind AS financial information, which may not accurately represent our financial condition, performance and results of operations. Non-Ind AS information should not be considered in isolation from, or as a substitute for, financial information presented in the audited or reviewed consolidated financial statements of our Company. The non-Ind AS financial information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other NBFCs, HFCs or financial services companies. Accordingly, investors should not place undue reliance on the non-Ind AS financial information included in this Letter of Offer. For updates in relation to financial and operational performance as of and for the period ended December 31, 2020, see "Recent Developments" beginning on page 54.

Overview

Our Company is registered with the RBI as a non-banking financial company – core investment company ("**NBFC-CIC**") conducting business through our wholly-owned Subsidiaries. We are one of the leading private sector non-banking financial services companies in India in terms of our total Adjusted loans and advances outstanding *(source: CRISIL Report)*, with ₹ 98,822.84 crore of total loans outstanding as at September 30, 2020. We had quarterly average assets under management in our Investment Management (mutual funds) business amounting to ₹ 63,057.20 crore as on September 30, 2020.

Our Promoter, Larsen & Toubro Limited ("**L&T**") is one of the leading business conglomerates in India, with presence across infrastructure, power, heavy engineering, electrical and automation, hydrocarbons engineering, IT and technology services, financial services, power development, metallurgical and material handling, realty, shipbuilding, construction, mining and industrial machinery. L&T entered the financial services business in 1994. In 2008, our Company was incorporated as a holding company for L&T's financial services businesses and in 2011, our Company was listed on the stock exchanges. We classify our businesses into the following: Rural Finance, Housing Finance, Infrastructure Finance and Investment Management.

Our Rural Finance business comprises farm equipment finance, two-wheeler finance, micro loans and consumer loans. As at September 30, 2020 our total loans and advances under our Rural Finance business were ₹ 28,370.83 crore, with ₹ 9,190.93 crore ₹6,708.48 crore, ₹ 12,261.79 crore and ₹ 209.64 crore of loans and advances under our farm equipment finance, two wheeler finance, micro loans and consumer loans businesses, respectively. Further, as at September 30, 2020, total loans and advances under Rural Finance business was 29% of our total Adjusted loans and advances.

Our Housing Finance business comprises home loans, loans against property and real estate finance. As at September 30, 2020, our total loans and advances under our Housing Finance business were ₹ 27,241.28 crore; with ₹ 11,735.07 crore and ₹ 15,506.21 crore of loans and advances under our home loans and loans against property and real estate finance businesses, respectively. Further, as at September 30, 2020, total loans and advances under Housing Finance business was 28% of our total Adjusted loans and advances.

Our Infrastructure Finance business comprises infrastructure finance and infra debt fund. As at September 30, 2020, our Adjusted total loans and advances under our infrastructure finance business were ₹ 38,560.13 crore with ₹ 29,714.62 crore and ₹ 8,845.51 crore of Adjusted total loans and advances under our infrastructure finance and infra debt fund businesses, respectively. Further, as at September 30, 2020, Adjusted total loans and advances under Infrastructure Finance business was 39% of our total Adjusted loans and advances.

Our Investment Management business had average assets under management of ₹ 63,057.20 crore for the six months ended September 30, 2020, out of which the contribution of average equity assets under management was ₹ 35,123.00 crore for the six months ended September 30, 2020.

We operate in majority of states in India and we have 206 branches in 199 cities across 21 states and one union territory, as of September 30, 2020. In addition, for our micro loans business, we have 1,446 meeting centres covering 294 districts across 16 states in India, as of September 30, 2020.

Principles of Right Business, Right Structure and Right People

At the beginning of the Financial Year 2017, we launched a transformation strategy that targeted on identifying the 'Right Businesses', 'Right Structure', and 'Right People' to focus on growth, improved asset quality and profitability by leveraging on enhanced digital and analytics in future.

Right Business

As part of the transformation, we focused at developing and designing a sustainable business model which would allow us to have a 'Right to Win' in the market and achieve long-term, sustainable return on equity for our shareholders. As part of this model, we defocused from a multitude of products, rationalised business structure, identified focussed businesses (based on industry attractiveness, industry size, their potential to provide profitability across economic cycles) and exited non-core businesses, such as commercial vehicle finance, construction equipment finance, car loans, three wheeler loans amongst others. We also identified debt capital markets and structured finance portfolio as defocused business and exited the supply chain and wealth management business in the financial year 2019 and 2020.

Right Structure

We focused on restructuring and integrating the overall group structure to achieve one consolidated lending entity, which would allow us to increase our exposure limits, reduce additional liquidity requirements and achieve cost efficiency, which will potentially create value for all the shareholders. As part of this model, our Company merged four of our Subsidiaries, with a view to achieve optimal utilization of capital and management bandwidth as well as to achieve operational efficiencies. In the Financial Year 2021, we filed for the merger of three of our lending Subsidiaries, L&T Finance Limited, L&T Infrastructure Finance Limited and L&T Housing Finance Limited, which would be implemented upon receipt of applicable approvals.

Right People

We focussed on building a strong and sustainable institution by developing an engaged, skilled, and productive workforce to deliver higher productivity and efficiency. As part of this model, we defined clear roles and responsibilities and monitor these periodically. We have built a strong execution system and under the leadership of select middle management executives, we launched specific "Centres of Excellence" ("**CoEs**") to deliver certain key objectives through specific projects. We have defined targeted key performance indicators for all its employees and they are being monitored and awarded on the basis of such key performance indicators which has led to the CoEs delivering the objectives.

Some of our key financial information is set out below:

	As of / for the period ended	
	Six months September 20, 2020	**Financial Year March 31, 2020**
Adjusted loans and advances[1] (₹ crore)	98,822.84	98,384.00
Total disbursements (₹ crore)	9,447.48	37,160.46
Average assets under management[2] (₹ crore)	63,057.20	71,055.79
Adjusted total income (₹ crore)	3045.46	7143.48
Net interest income and fee income as a percentage of total assets (%)	5.13	5.57
Profit for the year (₹ crore)	413.43	1,700.17
Return on Assets (%)	0.79	2.05
Return on Equity (%)	5.77	14.96
Cost/income ratio (C/I Ratio) (%)	28.62	26.47
Gross NPA (gross stage 3 assets) to principal exposure (%)[3]	5.19	5.36
Provision coverage ratio (PCR %)	68.90	58.74

1. *Certain loans are treated as investments under Ind AS, however, as they are considered as loans by us, they are added to the loans and advances.*
2. *Assets under management are averaged over the last three months of the relevant period, in our Investment Management business.*
3. *Classification of Gross NPA (gross stage 3 assets) is determined based on ECL methodology as per Ind AS. This represents only the principal outstanding exposure. Principal exposure relates to the outstanding loan disbursed to the customers.*

As of and for the year ended March 31, 2016, our Adjusted loans and advances was ₹ 58,255.68 crore, our total disbursements was ₹ 41,764.54 crore, average assets under management was ₹ 25,944.80 crore, Adjusted total income was ₹ 3,437.33 crore and our profit for the year is ₹ 655.56 crore. Further, the net interest income and fee income as a percentage of total assets as of March 31, 2016 was 5.60%. Our percentage for return on assets, return on equity, cost/ income ratio, Gross NPA (gross stage 3 assets) to principal exposure and provision coverage ratio were 1.48%, 9.78%, 30.94%, 4.85% and 22.19%, respectively, as of and for the year ended March 31, 2016.

Our Strengths

Significant presence across diversified businesses

We are one of the leading private sector non-banking financial services companies in India in terms of our total Adjusted loans and advances outstanding *(source: CRISIL Report)*, with ₹ 98,822.84 crore of total loans outstanding as at September 30, 2020. We have a diversified portfolio across different business verticals, on the basis of our lending portfolio as on September 30, 2020, our Rural Finance, Housing Finance and Infrastructure Finance constitutes 29%, 28% and 39% respectively. In addition to the lending business, we have an Investment Management business with assets under management of ₹ 63,057.20 crore as of September 30, 2020. We have created branch and dealers network across India catering to a diverse customer base of more than 1.5 crore active customers.

The table below illustrates our key customers for our primary businesses:

Business	Key customers
Rural Finance	
Farm equipment finance	Farmers
Two-wheeler finance	Salaried and self-employed individuals across all age groups
Micro loans	Women micro entrepreneurs (through a joint liability group model)
Consumer loans	Existing retail customers
Housing Finance	
Home loans and Loans against property	Self-employed non-professionals and salaried professionals, and in relation to loans against property, small and medium enterprises
Real estate finance	Real estate developers
Infrastructure Finance	Infrastructure project developers
Investment management	Retail and corporate investors

Rural Finance:

The Rural Finance business comprises of farm equipment finance, two-wheeler finance, micro loans and consumer loan. Under our Rural Finance business, we recorded loan disbursements of ₹ 4,519.39 crore and ₹ 18,759.54 crore for the six months ended September 30, 2020 and the Financial Year ended March 31, 2020, respectively. We are amongst the top three financiers in farm equipment and have demonstrated increased market share to become number one financier in the six months ended September 30, 2020. (*source: CRISIL Report*) Further, we are amongst the top five financiers in the two wheelers segment and amongst the top three financiers in the micro loans segment as of September 30, 2020 (*source: CRISIL Report*) . In our Rural Finance business, we have long standing operating experience in rural markets with the key differentiators being:

- *Dealer network* – We have developed strong original equipment manufacturer (OEM) relationships and nurtured its dealer network tie-ups with more than 2,067 farm-equipment dealers and more than 3,037 two wheeler dealers across India as of September 30, 2020. This allows us to provide on-site financing and seamless services to the customers.
- *Branch footprint* **-** We have a PAN India branch network with 206 branches and 1,446 meeting centres in both rural, semi-urban and urban markets as of September 30, 2020. This has enabled us to reach the rural markets and increase our customer base from 2,067 in the Financial Year 2016 to 3,037 at the end of September 30, 2020.
- *Digital infrastructure* **-** Over the years, we have grown our Rural Finance business on the back of strong digital and analytics infrastructure. We are providing enhanced service proposition through quick TAT and seamless customer experience by way of end to end digital disbursement of loans. We use analytics not only in identifying the type of customers and geography but also in monitoring of the portfolio, early warning signals, collection prioritisation amongst others. We have built a self-adjusting algorithm based sourcing and monitoring model which takes into account local demographics, socio-economic factors along with both village and borrower specific credit appraisals. This also enables us in effective resource allocation and automatic decision making for disbursal of loans.
  Cross sell engine – We have created a cross sell business model using the database of internal customers by providing them with different financing solutions within our product range. This has helped us to increase our fee income substantially. The loans are provided on a digital platform thus making it a smooth and paperless journey for our customers.

- *Housing Finance:*

In our home loan and loan against property businesses, we recorded loan disbursements of ₹ 930.78 crore and ₹ 8,081.16 crore for the six months ended September 30, 2020 and the Financial Year 2020, respectively. We focus on larger cities and geographical locations with growing urbanization, income and demand for housing and housing projects. Our primary strengths in this business are:

- We have a strong marketing and distribution network which focuses on sourcing customers directly through in-house sales team and through our third party intermediaries channel.
- We have built a digital lending model, leading to paperless sanction of home loans to salaried customers. It is an important offering that has helped in quick TAT of sanction of loan proposals.
- We have increased our focus on increasing the composition of salaried segment with enhanced direct sourcing of customers.
- We have leveraged our relationships within the real estate developers through our real estate business to augment the direct sourcing portfolio.

Our real estate finance business is primarily present in six select urban locations, i.e. Mumbai, Pune, Delhi, Bengaluru, Chennai and Hyderabad. We offer wide-ranging financing solutions to address funding requirements of real estate developers concentrating on prominent real estate developers having better delivery and performance records on the basis of their financial strength, business strength, past experience and market reputation. We continue to focus on lending to top developers as it helps in leveraging relationships to provide home loans. We believe our key strength lies in:

- Use of L&T ecosystem for developer's selection and project monitoring to ensure project completion;
- Strong underwriting and structuring capability with focus on project completion; and
- Robust early warning mechanism.

Infrastructure Finance:

In relation to our Infrastructure Finance business, we primarily focus on financing renewable energy generation, transportation and power transmission. We have leveraged our knowledge of the infrastructure sector through our operating history and association with L&T group, and provide customized debt financing with an emphasis on structuring loans based on the needs of our customers. We have recorded loan disbursements of ₹ 3,997.30 crore and ₹ 10,319.47 crore for the six months ended September 30, 2020 and the Financial Year 2020, respectively. We are one of the leaders in financing of infrastructure sectors like renewables and roads in India *(source: CRISIL Report).*

Out of the above, the infra debt fund recorded loan disbursements of ₹ 441.32 crore and ₹ 1,302.10 crore for the six months ended September 30, 2020 and the Financial Year 2020, respectively.

We believe our key strength lies in:

- Use of L&T ecosystem for developer's selection and project monitoring to ensure project completion;
- Strong underwriting and structuring with adequate DSRA; and
- Real time monitoring of infrastructure financed assets using digital technology.

Investment Management Business: We established asset management business having an AUM of ₹ 63,057.20 crore as on September 30, 2020. We have focused on creating a high proportion of equity portfolio which stands at ₹ 35,123.37 crore as on September 30, 2020.

Market leadership: -

As on September 30, 2020, we have achieved leadership position across various products as given below:

- No. 1 financier in farm equipment *(source: CRISIL Report)*;
- One of the top five financier in two-wheeler *(source: CRISIL Report)*;
- No. 3 financier in micro loans *(source: CRISIL Report)*; and
- One of the leading players in financing of infrastructure sectors like renewables and roads *(source: CRISIL Report).*

Strong digital and analytics infrastructure

We believe digitalization is deployed appropriately across our business value chain through enhanced technological interventions in Rural Finance and Housing Finance business. We use analytics-based algorithms and evaluation metrics with inputs from our historical portfolio trends. This includes macro-economic indicators, demographics, credit repayment history, credit bureau data and asset selection that assist in evaluation of the creditworthiness of a borrower. Our credit decisions for these businesses are therefore largely standardised, template-driven and objective.

We believe that strong digital and data analytics infrastructure has enabled us to optimise customer acquisition, credit cost, collection cost, productivity and cost of service, among others. Further, we have designed a value proposition for higher customer wallet share apart from the cross-selling of products and customer acquisition initiatives. We have recently launched a new product of financing consumer loans based on entirely paperless disbursement through our digital service proposition. [Along with this, we have also used the digital and analytics to establish seamless fraud detection and loan disbursement processes to new customers through its assisted mobile app technology, bringing about 'anytime anywhere' banking to its users

Paperless on-boarding and verification process of customers have been introduced using e-KYC, e-sign, e-stamping, thus ensuring better TAT and reduction of costs. We believe that digitalisation has improved customer interface by providing quick and easy access to loans, customised products and transparent disbursements thus leading to improved customer satisfaction and stronger relationships. Analytics are deployed not only during the customer acquisition process but also during collections by bucketing customers according to their propensity to pay. Data from the credit bureau reports, credit history of the customer, customer demography, exposure to other lenders, regional influences (climate, political disturbances) are analysed to detect and predict early warning signals at both individual and geographical level. Further, we have created infrastructure to enhance our digital collections across all our portfolios.

Key aspects of our digitalisation are:

- End-to-end digital proposition in our two-wheeler, consumer loans and retail housing portfolio for sanction and disbursement of loan through self-adjusting algorithmic based credit decision making;
- Centralised underwriting through analytics-based assignments of business targets;
- Analytics based collection models and behavioral analysis of customer payment pattern. Customer acquisition and cross selling engine enabling the growth in fee income;
- Use of analytics for resource allocation in both sourcing and collection verticals in retail businesses; and
- Real time monitoring of infrastructure and real estate financed assets through digital technology.

Strong risk management framework

Risk management forms an integral part of our business and we recognize the importance of risk management towards our long-term success. We have a risk management framework in place and is supervised periodically by the Risk Management Committee which reviews our Company's risk appetite on a quarterly basis. We have an extensive pan India reach and has a diversified portfolio across businesses. Our risk appetite is well within the concentration limits set by us. This ensures that planned business activities provide an optimised balance of return for the risk assumed within the targeted risk appetite. The risk management framework includes risk appetite statement, risk limits framework, risk dashboards and early warning signals.

We believe our focused strategy of building an effective risk culture and framework has helped our Company to achieve highest credit rating of 'AAA / A1+' by CRISIL, ICRA, CARE and India Ratings. The strong risk management, rule-based centralized underwriting and strong early warning signal monitoring has led to improved asset quality in our business. As of March 31, 2020, and September 30, 2020, our gross stage 3 / gross NPA assets accounted for 5.36% and 5.19%, respectively, of our principal exposure. As of September 30, 2020, the provision coverage ratio in rural, infrastructure (ex-infra debt fund) and housing stands at 93%, 64% and 34%, respectively. For IDF, we have Nil gross stage 3 / gross NPA since inception. Overall, the provision coverage ratio improved from 54% to 69%, from September 30, 2019 to September 30, 2020.

Further, we believe that having a strong macro-prudential environment approach has helped us in staying resilient in the face of economic challenges and has also helped our organization strengthen our financial system and reduce the build-up of systemic risks. It provides a backup fund for any unforeseen risk that is over and above the expected credit losses on gross stage 3 / gross NPA assets and standard asset provisions. As of September 30, 2020, the total additional provisions including macro prudential provisions, COVID-19 provisions and enhanced provisions on standard book stand at 1.95%, being ₹1,757 crore, on total standard book principal exposure.

Strong liability franchise

We have taken initiatives to strengthen our liability profile by increasing the proportion of long-term borrowing and availing such loans from diversified sources. We have raised long-term funding among others, from NCD issuances (private and public issues), external commercial borrowings, priority sector loans, preference shares and term loans aggregating to over ₹ 28,000 crore in Financial Year 2020 and further raised ₹ 8,210 crores from some of these sources during the six month period ended September 30, 2020. Out of ₹ 28,000 crore, ₹ 9,415 crore was raised through external commercial borrowings (of which ₹ 750 crore were raised from Asian Infrastructure Investment Bank (AIIB). Further, the proportion of commercial paper in the overall liabilities has been reduced to 6% as of March 31, 2020, even though the asset liability management (ALM) allows for a higher proportion. We believe that, in addition to our diversified sources of borrowings, our conservative approach to ALM has enabled us to overcome the severe liquidity crisis and volatile interest rates in India following the debt default of IL&FS in mid-September 2018, which created difficulties and led to reduced investor confidence in lending to NBFCs.

Our prudent approach to ALM has helped us to maintain our credit ratings despite severe credit crunch in the sector. During the quarter ended September 30, 2021, additional average quarterly liquid assets of ~ ₹ 4,700 crore were maintained which had an impact of ₹ 64 crore to our net interest income due to borrowing at a higher cost of funds and investing in liquid assets at a lower yield (as compared to ₹ 84 crore in three months ended June 30, 2020). Currently, AAA/A1+ rated NBFCs such as our Company have seen easing of liquidity and we aim to focus to reduce excess liquidity and further bring down the cost of borrowing. We believe that we have demonstrated effective liability management by maintaining weighted average cost of borrowings in a narrow range, despite focusing on diversification, reduction in commercial paper and increase in proportion of long-term borrowings.

Strong Parentage

Our Promoter, L&T, is one of the leading business conglomerates in India, with presence across infrastructure, power, heavy engineering, electrical and automation, hydrocarbons engineering, IT and technology services, financial services, power development, metallurgical and material handling, realty, shipbuilding, construction, mining and industrial machinery L&T provides strategic insights to our Company through its representation on our Board. L&T also has its representation on the strategic business committees such as asset-liability, risk management and credit committees. For example, we have grown our real estate financing business leveraging on L&T's relationships with real estate developers, which leverages the strong L&T knowledge of the ecosystem to identify top developers and incorporate best practices in project monitoring and early warning signals. Similarly, in our infrastructure expertise and knowledge, L&T ecosystem helps us manage our risks, including measuring project costs and projecting cash flows and completion timelines through rigorous project monitoring. We believe that our relationship with the L&T group provides great value and we will continue to derive significant marketing and operational benefits from such relationship.

Experienced and professional management team

Our Company has a professional and experienced management team, led by Mr. Dinanath Mohandas Dubhashi, Managing Director and Chief Executive Officer, which is supported by a capable and motivated pool of employees. Each of our businesses are led by senior management, who are, generally, also responsible for certain organizational functions, including central operations, marketing, information technology, digital and analytics for our Company. Together, they have demonstrated an ability to manage and grow our operations. Our senior managers have diverse experience in various financial services businesses across functions related to our business. Our senior managers have an in-depth understanding of the specific industry, products and geographic regions they cover, which enables them to appropriately lead and provide guidance to our employees. We believe we are able to react faster to the needs of our customers and are efficient in making the most of market opportunities.

Further, we have instituted several training and mentorship programs for our junior and mid-management employees. We have successfully recruited and retained talented employees from a variety of backgrounds, including credit evaluation, risk management, treasury, technology and marketing.

Our Board, including the independent directors, also has extensive experience in the financial services and banking industries in India and represents an optimal mix of professionalism, diversity, knowledge and experience. Our Board comprises eminent personalities from diverse fields entrepreneurs / professionals, private sector / public sector, social sector / commercial sector, banking sector / non-banking sector.

Our Strategies

We intend to grow our market share across portfolios using our business strengths, improve margins and profitability and become distinctive in each of our key businesses with a focus on shareholder returns, as follows:

Responsible growth in focussed businesses

Our growth is driven by our strategy to penetrate new geographies in India with good macroeconomic indicators while maintaining leadership position in the geographies where we have an established presence. We believe in leveraging digital and analytics to drive growth while ensuring the quality of our portfolio. We have defined strong risk parameters at each product, geographical, and demographic level. Further, we periodically review potential acquisition of companies, products, and complementary businesses and intend to continue to evaluate, potential product or business and seek to engage in strategic transactions with third parties or divestments in existing businesses or products due to strategic reasons from time to time.

For our Rural Finance business, we intend to expand our branch network in the existing rural and semi-urban markets of India, as well as additional districts in the states in which we are present. We believe this allows us to expand to markets which are underserved while maintaining our presence in saturated markets. In addition, we also seek to grow our presence at dealerships and points of sale for farm equipment and two-wheelers and seek to strengthen our relationships with equipment manufacturers and top dealers to increase our counter share by providing trade advances, quick TAT in processing loans by using technology. We believe that digital and analytics will be a key differentiator for resource allocation and increasing our market presence in the desired geographies.

In the Financial Year 2020, we started offering consumer loans to our existing borrowers which are pre-approved personal loans to borrowers with an excellent credit history, for their personal requirements, such as house renovations, travel, purchase of white goods, and education. We have built a cost-efficient pan India footprint by effectively leveraging technology in order to expand our customer base.

For our Housing Finance business, our aim is to increase our market share in retail housing portfolio through quick TAT and direct sourcing by our real estate developer relationship. We have shifted the focus on increasing the salaried customer base in retail housing portfolio along-with increased dependence on direct sourcing of customers. Further we also seek to leverage our relationships with developers in our real estate finance business to grow our home loans business, particularly in the six cities where we have significant presence, reducing our reliance on intermediaries such as direct sourcing agencies. For our LAP portfolio, we have been maintaining tight credit policy and conservative approach in sourcing new business. For our real estate business, we will continue to leverage on synergies with the L&T group to increase lending to larger developers with high pedigree of delivering projects and emphasize on monitoring of projects closely, including through monitoring the early warning signals and progress of collections. We continue to offer customized loan products to real estate developers considering their underlying project cashflows and also continue to support the existing projects to ensure that the construction is not hampered.

In our Infrastructure Finance business, we are focused on growing our loans disbursed in the sectors in which we have demonstrated presence and expertise, such as renewable power generation, transportation, and power transmission, while also seeking to expand our focus to other sectors. In addition to underwriting under construction projects, we have also been focusing on refinancing operational assets with full control on the cash flows. Further, we follow a strategy of underwriting the loan and subsequently distribute the loan through assignment or syndication to other financiers. This strategy enables efficient capital utilisation as well as earns the fee income and maintains the desired portfolio mix under Infrastructure Finance Business. In order to assign and increase our fee income, we aim to leverage on our ability to evaluate project finance risks and construction timelines and act as lead consortium arranger for the same. We have been steadily focusing towards renewables (low gestation periods and quicker cash flow generation) and transportation (sector activity picking up with more projects going operational).

For our Investment Management business, we seek to grow our assets under management particularly in relation to our equity mutual fund products in order to improve profitability. We also seek to expand our distribution reach by increasing the number of distributors such as foreign banks, Indian private and public sector banks, independent financial advisors, broking companies, national distributors and electronic platforms we conduct business with. We are focusing on increasing the AUM through enhancing equity and high-quality fixed asset portfolio in the overall AUM.

Further enhance technology systems and data analytics as a competitive advantage

We have increased the use of digital and analytics in most of our retail portfolios. This digital transformation is focused on making business processes strong through the use of data intelligence. We believe that this will help us achieve multi-fold improvement in scale, cost effectiveness and customer experience. Further, we believe that a data-analytics-based approach would help us to identify the right market and gain access to targeted customer base through service propositions without affecting asset quality and operational efficiency.

Digital advancement and technology have helped us bring financial services to the doorstep of individual customers. An assisted smart mobile app handled by our sales executives helped in catering to our customer needs has led to a reduction in TAT for loan sanctioning and disbursement. We aim to use digital and analytics as the key differentiator by improving the resource allocation, market segmentation and TAT further in all our retail portfolios.

We are focused to increasingly shift from discretion-based loan approval to rule-based underwriting, relying on established evaluation metrics and parameters and similarly drive our collection strategy based on data analytics. For example, for our two-wheeler finance and micro loans businesses we analyse data gathered for loan disbursement and assessing collection patterns, credit stress on borrowers due to delay or inability to pay and likelihood of default. We aim to increase our use for our farm equipment financing business and other products. We continue to increasingly add additional external and public data inputs, such as, credit bureau assessments, utility payments, credit history with other lenders and real time bank account information, as data points into our evaluation metrics. We believe these initiatives will also enable us to assess potential cross-selling opportunities over time, for example top-up and refinancing loans, sale of two-wheeler loans to farm equipment financing or micro loan clients, among others. Further adoption of data analytics will also help us increasingly assess customers using algorithms, particularly those customers who do not have a credit history and have historically been under-served.

We believe that enhanced technology and data analytics would benefit us with the following:

- Implementation of straight-through-processing (which includes end-to-end digital automation) at all operational levels;
- Increased integration of certain aspects, including loan sourcing, direct digital payments, KYC of third-party providers into operations to improve cost efficiency and build capabilities;
- Transformation from manual, time-consuming, rule based underwriting process using technology advances to provide instant, real-time approvals;
- Smarter and efficient decision-making and ensuring availability of credit for the customers at the best rates at all times basis their risk profile.

Emphasize on net interest margin and fee income to deliver improved performance metrics

We have devised our lending model to shift to a combination of fee-based income and net interest margins to serve as an effective mitigation mechanism against potential interest rate volatility, which has a direct impact on profitability. Our lending business model is developed in a manner such that we reduce our reliance on net interest margins alone and shift to a combination of net interest margin and fee-based income and we believe this strategy serves effectively against potential interest rate volatility. For example, in our Rural Finance and Housing Finance business, we have launched a model that, in addition to generating interest income as part of a loan, it focuses on accrual of various fee income during the lifecycle of customers, fees received from equipment manufacturers and arranger fees from ancillary products sold along with the loan such as insurance and processing fees. Additionally, we intend to increasingly syndicate loans and grow our fee income, such as fees related to processing, underwriting and syndication, across businesses. We have increased our focus on generating additional fee income by enhancing our cross-sell model across different product segments. In the Infrastructure Finance business, we generate fees through processing fees by structuring loan facilities, underwriting fees by structuring loans for the entire duration of the construction of projects and generating syndication fees by assignment of loans to various banks, infrastructure debt funds and financial institutions.

Continue to focus on prudent ALM and well diversified liability franchise

We have taken initiatives to strengthen our liability profile by increasing the proportion of long-term borrowing and availing such loans from diversified sources. We have incrementally tapped into new sources of funding like NCD issuances (both private and public issuances), priority sector funding from banks as well as external commercial borrowings while ensuring the cost of funds is continuously reduced. We aim to continue to focus on asset specific financing both for retail as well as for wholesale assets.

We have adopted a prudent and conservative approach towards ALM and have continued to maintain cumulative positive liquidity gaps for all tenor buckets upto one year since the Financial Year 2020, enabling us to tide over recent liquidity crisis. We aim to continue to ensure effective liability management through focusing on diversification in the overall borrowing mix and will keep aligning our borrowing plan to tap market opportunities.

Responding to the challenges posed by COVID-19

On March 14, 2020, India declared COVID-19 as a "notified disaster" and imposed a nationwide lockdown beginning on March 25, 2020. The steps taken by us to address the challenges posed by COVID-19, include the following:

Maintaining operations and business continuity: We temporarily closed all the branches. Subsequently, with easing of the lockdown, we gradually resumed branch level business operations with all our branches currently being operational, following hygiene checks and sanitization. Further, we also redefined our standard operating procedures for key processes and identification of employees into work from home, partial work from home and work from office categories to improve productivity and ensuring our operations and business continuity. Further, we continue to enhance our digital capabilities and use of technology to improve our operational efficiencies.

Collections: During the lockdown, we strengthened our collections infrastructure by re-skilling certain members of our workforce, rebalancing the sales and collection teams within products, and increasing our workforce dedicated to concentrated collection efforts. Upon the gradual relaxations in the lockdown, we recommenced our collection efforts and introduced enhanced use of digital and analytics to strengthen the collection strategy.

Liquidity and capital adequacy: In the six months ended September 30, 2020, we raised funds amounting to ₹ 8,210.00 crore which comprised issuance of NCDs, bank loans, and priority sector lending amongst others.
Cost reduction measures: We have rationalised operating expenses such as rent, advertisement, travelling, legal expenditure, among others, through rationalising the branches, locations, and renegotiating the terms with vendors to reduce the overall expenses and to keep the overall cost under control.

Stress testing: We have conducted specific stress tests to gauge the impact of COVID-19 in different scenarios and we actively monitor economic developments by performing sensitivity analysis on our loan portfolio to prepare for dealing with various eventualities.

For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" beginning on page 259.

Description of our businesses

We are one of the leading private non-banking financial services companies in India in terms of total Adjusted loans and advances outstanding, with ₹ 98,822.84 crore of total Adjusted loans and advances outstanding as at September 30, 2020 *(source: CRISIL Report)*. We had ₹ 63,057.20 crore of average assets under management in our Investment Management (mutual funds) business as on September 30, 2020.

Our Company is registered with the RBI as a NBFC – CIC, conducting business through our wholly-owned Subsidiaries. Our primary businesses are Rural Finance, Housing Finance, Infrastructure Finance and Investment Management.

Key business parameters

The table below sets forth our total income from continuing operations for the periods indicated:

(₹ in crore)

Adjusted Total income	Six months ended September 30, 2020	Year ended March 31, 2020
Rural Finance business	1,755.02	3,596.99
Housing Finance business	640.41	1,566,67
Infrastructure Finance business	511.15	1,409.43
Defocused Business	32.90	323.63
Investment management business	165.43	318.35
Others and inter-company eliminations	(59.43)	(71.60)
Total income	3,045.48	7,143.47

The table below sets forth details in relation to our total Adjusted loans and advances portfolio by business segment as of the dates indicated:

(*₹ in crore*)

	Six months ended September 30, 2020	Year ended March 31, 2020
Rural Finance business	28,370.83	27,661.36
Housing Finance business	27,241.28	26,583.52
Infrastructure Finance business	38,560.13	38,909.14
Defocussed businesses	4,650.59	5,229.98
Total Adjusted loans and advances	**98,822.84**	**98,384.00**

Our Rural Finance business

Our Rural Finance business comprises farm equipment finance, two-wheeler finance, micro loans and consumer loans businesses. The loans and advances under our Rural Finance business comprised 28.71% of our total loans and advances as at September 30, 2020.

The table below sets forth loans and advances broken down by products in our Rural Finance business, as of dates indicated:

(*₹ in crore*)

Rural – Loans & Advances	As of September 30, 2020	As of March 31, 2020
Farm equipment loans	9,190.93	8,437.88
Two-wheeler loans	6,708.48	6,574.80
Micro loans	12,261.79	12,495.02
Consumer loans	209.64	153.67
Total	**28,370.83**	**27,661.36**

The table below sets forth loans disbursed broken down by businesses in our Rural Finance business, for the periods indicated:

(*₹ in crore*)

Rural – Disbursements	As of September 30, 2020	As of March 31, 2020
Farm Equipment loans	1,678.67	3,820.59
Two-Wheeler loans	1,412.61	4,901.02
Micro loans	1,360.30	9,884.01
Consumer loans	67.82	153.92
Total	**4,519.39**	**18,759.54**

Farm Equipment Finance

We provide secured financing to our customers in rural India through 167 branches in 15 states as of September 30, 2020, where primary states are Telangana, Madhya Pradesh, Uttar Pradesh, Karnataka and Bihar, principally to individual farmers, for the acquisition of a wide range of farm equipment for their own use, such as tractors, trailers and harvesters. We are amongst the top 3 financiers in farm equipments and have demonstrated increased market share to become number 1 financier in the six months ended September 30, 2020 *(source: CRISIL Report)*. Our primary loan products are new tractor loans and refinance or top-up loans to existing customers. Loan instalments are structured in accordance with cropping and harvest cycles to enable smooth repayment flow. We provide secured term loans for the financing of both new and used farm equipment and typically, the tenure of a farm equipment loan is between one and six years, and a charge on the equipment is created in our favour as security for repayment of the loan by asset hypothecation. Our LTV in relation to loans disbursed for the six months ended September 30, 2020 was 67%.

Our farm equipment loan interest rate generally ranges from 14% to 22%, however actual interest rates for a customer may vary based on market conditions and the level of credit worthiness of the borrower. The average ticket size for such loans was ₹ 4 lakhs and the average tenure was 43 months, for six months ended September 30, 2020. Eligible borrowers are between the age of 18 to 65 years and are required to meet our income requirement criteria which is articulated in relation to the size of landholdings and per acre yield and must complete know-your-customer compliance.

Two-Wheeler Finance

We provide secured loans for the purchase of two-wheelers such as scooters and motorcycles to individuals such as salaried professionals and self-employed non-professionals largely in rural and semi-urban locations. The interest rate for our two-wheeler finance business generally ranges between 18% to 22% based on the profile and credit worthiness of the borrower. For six months ended September 30, 2020, the average ticket size for such loans was ₹ 65,000 and the average tenure was 26 months. Eligible borrowers are required to be between 18 to 65 years old and we consider the residence and employment or business stability of borrowers as well as income generating capacity in order to accept applications and providing two wheeler loans. The loans to customers are secured by asset hypothecation of two-wheeler being financed. Our LTV in relation to loans disbursed for the six months ended September 30, 2020 was 69%.

We have presence through 72 branches across 20 states in India as of September 30, 2020, with primary locations being Kolkata, Pune, Mumbai, Bengaluru, Hyderabad, Ahmedabad, and Delhi. As of September 30, 2020, we are amongst the top 5 financiers in the two wheelers and have demonstrated increased market share in the current financial year. *(source: CRISIL Report)*

Micro Loans

We operate our micro loans business in the rural market covering 16 states in India through a network of 1,446 meeting centers as of September 30, 2020. Our micro loans business is aimed at providing capital to women for small business start-ups and entrepreneurial initiatives. In terms of our credit policy these loans are intended primarily to finance activities such as dairy production and processing, goat rearing and the operations of grocery shops, hawkers and vegetable vendors. The micro loans granted typically range in principal amount from ₹ 8,000 to ₹ 58,000 and for terms of two years for repayment. For the six months ended September 30, 2020, the average ticket size for such loans was ₹ 34,000 and the average tenure was 24 months with repayments for the principal and interest rate due on a monthly basis. The ultimate credit decision is based on both geographic and borrower-specific credit appraisals. Our interest rate for our micro loans finance business is at 24%. Further, we are amongst the top financiers in the micro loans and have demonstrated increased market share as of September 30, 2020 *(source: CRISIL Report).*

Our micro loans business works on the model of joint liability groups. We use analytics for our sourcing and appraisal of our loans. We lend directly to the customers rather than through an intermediary. Through our micro lending business, we extend credit to individuals to enable them to grow an existing business or identify new income-generating opportunities.

Consumer Loans

We commenced our consumer loan financing business in the Financial Year 2020. This product is aimed at providing personal loan credit facility to our existing good customer base with proven track record. Our consumer loans business operates in a paperless manner for our customers. We use analytics to create a pool of eligible customers from our existing customer base, End to end digital service proposition is used for identifying the pre-approved customers and enabling them in getting the money in their bank accounts. Once the customer submits all the valid details, the sanction is provided and loan is disbursed.

The loans granted are in the range of ₹ 50,000 to ₹ 7,00,000 and loan tenure ranging from 12 to 60 months. Eligible borrowers are required to be between 25 to 60 years old. Principal and interest repayments are due on a monthly basis.

Our Housing Finance business

We commenced our home loans and loans against property business through asset acquisitions from Indo Pacific Housing Finance Limited in 2012 and commenced our real estate finance business in 2014. As part of our home loans and loans against property business, we primarily provide home loans and loans against properties to salaried professionals and self-employed non-professionals. We also provide real estate financing to developers including financing for construction of residential and commercial projects and pre-approval funding. Our Housing Finance business is focused on larger cities, with branches for our home loans and loans against property business located in 22 cities and for our real estate financing business located in six cities, in India, as of September 30, 2020. The loans and advances under our Housing Finance business comprised 27.57 % of our total Adjusted loans and advances as at September 30, 2020.

We believe that the following are our key differentiators under the Housing Finance business:

- Digital-lending model for home loans and LAP, to provide quick TAT;
- Comprehensive and strong early warning signals framework; and
- Strong loan structuring and underwriting capability with focus on project completion in Real Estate.

The table below sets forth breakup of the total loans and advances under the Housing Finance business, as of the dates indicated:

(*₹ in crore*)

Housing Finance – Loans & Advances	As of September 30, 2020
Home Loans and Loans Against Property	11,735.07
Real Estate Finance	15,506.21
Total	**27,241.28**

The table below sets forth loans disbursed broken down by businesses in our Housing Finance business, for the periods indicated:

(*₹ in crore*)

Housing Finance – Disbursement	**Six months ended September 30, 2020**
Home Loans and Loans Against Property	504.38
Real Estate Finance	426.41
Total	**930.78**

Home Loans and Loans Against Property

Home loans

Our home loans business comprises loans provided towards purchase, construction, extension or improvement of residential properties such as apartments, individual houses and self-constructed houses. Home loans are offered to salaried as well as to self-employed non-professionals whose main source of income is their business. We source customers through sourcing agencies, real estate developers and directly leveraging our electronic processes and data analytics systems for cross selling to such customers. We have presence through 31 branches across 22 cities in India with a focus on larger cities such as Mumbai, Delhi, Bengaluru, Pune, Hyderabad, and Chennai.

We provide financing for tenures up to 30 years with average loan sizes of ₹ 0.48 crore, for the six months ended September 30, 2020, for our home loans business and up to 15 years with average loan sizes of ₹ 0.47 crore as on September 30, 2020, for our loans against property business. We offer our home loan customers the option to choose between a fixed interest rate or a variable interest rate or from a combination of fixed and variable rates of interest in order to allow them to hedge against unexpected interest rate movements. Interest rates for our home loans typically start at 7.70%. We are currently focused on increasing the share of salaried customers in our home loans and LAP business. For the six months ended September 30, 2020, salaried customers were 73% of the overall disbursement in our home loans and LAP business.

Our home loans include:

- *Home purchase loans*: Loans for financing the purchase of under-construction or completed apartments, houses, bungalows or other kinds of freehold or leasehold properties from real estate developers, co-operative housing societies or apartment owners' associations.
- *Residential construction loans*: Loans for financing the construction of a residential property on a plot of land already owned or to be acquired.
- *Top-up loans:* Additional loan to existing customers based on assessment of current income, property value and repayment track record.
- *Residential plot loans*: Loans for financing the purchase of a residential plot of land, with an option to finance construction thereon.
- *Home extension loans*: Loans for financing the extension of an existing residential property, such as adding new floors or rooms.
- *Home improvement loans*: Loans for financing the renovation or improvement of an existing residential property.
- *Home loan balance transfer*: Loans for transfer of balance outstanding of a home loan from an existing financier to us.

Loans against property

Loans against property are provided primarily for business financing requirements, such as the expansion or working capital requirements for a business. Loans against property are usually secured through an equitable mortgage by way of deposit of title deeds or by registered mortgage on the customers' existing commercial, residential or industrial property or land assets.

Real Estate Finance

In our real estate finance business, we offer financing solutions to address overall funding requirements of real estate developers primarily in six markets (i.e. Mumbai Metropolitan Region, Pune, NCR, Hyderabad, Bengaluru and Chennai). We largely focus on prominent real estate developers and provide loans for entire lifecycle of the project such as construction finance and pre-approval funding. As of September 30, 2020, our total loans and advances under our real estate finance business was ₹ 15,506.21 crore. Our experienced team of professionals coupled with a strong credit underwriting mechanism helps us in creating a diversified portfolio. Our main focus in considering sanction of loans is to evaluate financial metrics and payment tenures in line with liquidity and cash flows for a particular project, such that risks associated with construction are reduced. We are also using the knowledge repository of L&T. We provide financing for tenures ranging between four to eight years with average maturity of four to six years and loan sizes ranging between ₹ 100 crore to ₹ 600 crore, and average loan sizes of ₹ 190 crore, at interest rates ranging between 9% to 18%.

Construction finance loans

We offer construction finance loans directly to real estate developers for residential housing or commercial projects they are developing. A dedicated team conducts a detailed evaluation of projects and real estate developers, including financial appraisal, project risk analysis and cash flow analysis. This enables us to offer customized loans to real estate developers based on their expected acquisition and construction cost. We monitor projects for delivery standards and maintain an internal grading for the relevant real estate projects and developers, leveraging on the experience and knowledge of L&T.

The security for all the construction finance loans are created either through equitable or registered mortgages (as defined in the Transfer of Property Act, 1882, as amended) of immovable property tendered as collateral for the loan. In addition to the mortgage of immovable property, in most of the cases, security is also provided by the developers by way of personal guarantee of the promoters or a corporate guarantee of the related holding or group companies in addition to the hypothecation of project or rent receivables and assignment of the relevant insurance policy based on credit requirements.

Our Infrastructure Finance business

Our Infrastructure Finance business provides customized debt financing products to infrastructure projects and their sponsor companies, with a focus on construction and development of renewable power generation projects, power transmission and transportation projects.

We believe that the following are our key differentiators under the Infrastructure Finance business:

- Leadership in infrastructure sectors: renewables and roads *(source: CRISIL Report)*;
- Long term business experience in the focused sectors such as renewable, road and power backed by strong L&T knowledge and ecosystems;
- Focus on projects with strong sponsors and off-takers with proven track record;
- Project monitoring ability through strong credit appraisal, structuring, risk and asset-management expertise with strategy of assignment of portfolio;
- Structuring capabilities with endeavour to maintain sufficient covers in the form of DSRA and working capital lines.

We follow internally created norms on renewable disbursements considering changes in contractual structures/supply chain challenges. The tenure and repayment schedules of the loans vary depending on our assessment of the cash flows of the borrower. The collateral is determined following our assessment of the borrower, and includes forms of security such as charges (over the project assets or assets of the borrower (as the case may be), a project escrow account, debt service repayment accounts and/or residual cash flows of the borrower), and rights typically granted under various project concession agreements including but not limited to substitution rights, termination payments and tolling rights or collateral such as guarantees from the project promoters or sponsors, corporate guarantees or pledges of shares, government guarantee or a combination of one or more of these forms of security.

In relation to our secured loans, collateral includes a combination of mortgages over immoveable properties, hypothecation of moveable assets, charges of bank accounts, pledges of securities such as equity and debentures and corporate and personal guarantees and for working capital loans we generally seek a first charge on current assets of the borrower. The average tenure of loans under this business is 140 months for Infrastructure Finance. The interest rates vary across businesses depending on the nature of asset and type of loan required. Variable interest rates are generally linked to our L&T infra prime lending rate.

Adjusted Loans and advances under our Infrastructure Finance business comprised 39% and 40% of our total Adjusted loans and advances as of September 30, 2020 and as of March 31, 2020, respectively. The key sectors in which we had Adjusted loans and advances were renewable energy, transportation and power transmission, which accounted for 22%, 10% and 2%, respectively of our loans outstanding under our Infrastructure Finance business as of September 30, 2020.

The table below sets forth total Adjusted loans and advances outstanding broken down by sectors in our Infrastructure Finance business, as of dates indicated:

(*₹ in crore*)

Infrastructure Finance – Adjusted Loans & Advances	As of September 30, 2020	As of March 31, 2020
Renewable power generation	21,400.70	20,591.85
Transportation	9,430.75	9,588.44
Power transmission	1,599.95	2,672.08
Others	6,128.73	6,056.77
Total Adjusted loans and advances	**38,560.13**	**38,909.14**

There has been a significant pickup in the Infrastructure Finance disbursements in the six months ended September 30, 2020 especially in renewables power generation segment along with highest ever quarterly assignment of ₹ 4,073 crore since the Financial Year 2016. The table below sets forth loans disbursed broken down by sectors in our Infrastructure Finance business, for the periods indicated:

(*₹ in crore*)

Infrastructure Finance - Disbursements	As of September 30, 2020	As of March 31, 2020

Renewable power generation	3,414.81	6,015.57
Transportation	207.49	1,117.81
Power transmission	134.77	2,324.30
Others*	240.23	861.79
Total	**3,997.30**	**10,319.47**

**Others include infrastructure project implementers, thermal power, healthcare, water treatment, city gas distribution.*

- *Renewable power generation sector:* We finance and advise on projects for renewable electricity generation, primarily for photo-voltaic cell based solar power generation and wind power generation. We intend to provide disbursements in solar space linked to module shipping date to support the supply chain.
- *Transportation sector:* We finance and advise on projects involving the operation and maintenance of existing stretches of national and state highways and expressways, focusing on projects and state-sponsored projects and financing of other transportation projects such as airports, ports, railways, among others.
- *Power transmission sector:* We finance and advise on projects for setting up power transmission as well as for the maintenance of grid capacity and operation of the distribution networks.
- *Other sectors*: Social infrastructure, infrastructure engineering, and construction among others.

Infrastructure debt fund:

We provide refinancing to infrastructure projects that have at least one year of successful operating history through our Infrastructure Debt Fund which is registered as an infra debt fund-NBFC and commenced business in 2013. We provide low cost refinancing solutions to low risk projects across key sectors such as renewable power, transportation and power transmission, with relatively longer tenures and structured repayments to match cash flows of projects. For the six months ended September 30, 2020 and the Financial Year 2020, our loans and advances under infrastructure debt fund were ₹ 8,845.51 crore and ₹ 8,795.93 crore, respectively.

Our Investment Management business

We have a pan-India presence with 42 L&T service centres covering 35 cities in India, and approximately 49,000 distributors for our mutual fund products as of September 30, 2020. With 0.28 crore live folios as of September 30, 2020, our client base accounts for 3.0% of the approximately 9.33 crore folios of Indian mutual fund industry. Our Investment Management business had average assets under management of ₹ 63,057.20 crore, ₹ 71,055.79 crore as of September 30, 2020 and March 31, 2020, respectively, averaged over three months. Our experienced investment team and strong fund performance has resulted in improvement in market ranking and higher growth than industry from the Financial Year 2016 to September 30, 2020. Our distributors comprise independent financial advisors, foreign banks, Indian private and public sector banks, broking companies, national distributors, and electronic platforms. Our relationships with national distributors provide access to a large and diversified category of customers. Our individual assets (inclusive of retail and HNI category) accounts for 66% of September 30, 2020 Monthly Average AUM whereas industry accounts for 52% only.

Our Investment Management business commenced through acquisition of DBS Cholamandalam Mutual Fund in 2010, which was rebranded as L&T Mutual Fund. In 2012, we acquired Fidelity Mutual Fund to expand our equity mutual fund business. Our Investment Management business comprises the management, administration and distribution of L&T Mutual Fund products. We offer a wide portfolio of differentiated mutual fund products, catering to the needs of retail and institutional investors. Over the years, we have created several mutual fund schemes, and have 29 open ended schemes as of September 30, 2020, which are supported by our experienced investment team with a track record of managing portfolios across asset classes.

We are focused on delivering profitability by emphasizing on strong fund performance, higher share of equity and rationalization of cost.

Our Defocused Portfolio

We have streamlined and reorganized our financing businesses and employees under three primary financing businesses, i.e., Rural Finance, Housing Finance and Infrastructure Finance. As a result, we have divested or are in the process of reducing certain non-core business assets, i.e. our defocused portfolio which includes commercial vehicle financing, construction equipment financing, receivable discounting, small and medium enterprise term loans, car financing, loyalty and personal loans, Debt capital markets, Structured finance group, Supply chain, among others. We have created a dedicated team to reduce the exposure under this portfolio and have demonstrated substantial reduction in the book in the Financial Year 2019 and the Financial Year 2020.Our defocused portfolio comprised ₹ 4,650.59 crore (4.71%) and ₹ 5,229.98 crore (5.32%) of our Adjusted total loans and advances as of September 30, 2020 and March 31, 2020, respectively.

Our lending policies and processes

Our loan offerings cater to a broad cross-section of Indian businesses and consumers, with products that range from micro loans to individuals in rural India, to cash flow and asset-backed project finance loans to major corporate entities. The lending policies that we have in place are aimed at ensuring that our loan portfolio remains of a high quality. We also maintain prudent provisioning and write-off policies in respect of our NPAs in line with regulatory requirements.

Lending policies

Our lending products and policies are aligned to the specific needs of diverse categories of our customer base. To ensure this, each of our businesses maintains its own internal credit policies and approval processes, which are in line with our established risk evaluation criteria.

Rural Finance, home loans and loan against property: credit policy and approval process

Our credit appraisal policies are in place in order to manage the credit risks associated with the loans granted under our Rural Finance business and home loans business. Various aspects of credit risk management are addressed by different processes and teams and are designed to manage risks at different stages of the financing process, *i.e.* both pre- and post-disbursement. We have defined risk policies across businesses which are made more stringent such as reduced LTVs in retail business portfolio to improve the portfolio quality.

Credit Assessment Process

Our approach is to maintain competitive strength with focus on targeted business in respective geographies using data analytics. We have built analytics based proprietary decision management algorithms and evaluation metrics with inputs from portfolio trends over the years in our Rural Finance business. The credit decisions are therefore standardized, template driven and generally objective. These statistical models generally consist of variables attributable to demographics, credit repayment history and asset selection that assist in the evaluation of the creditworthiness of the borrower.

In retail home loan business, we have delegated credit authority to the teams at locations. Majority of the loans are approved at the branch level. Most of the team members have prior experience of working in home loan business and thus are aware about the various risks associated with the business. In the case of asset finance loans or loans against property the asset value and its income-generating capability forms an integral component of the credit assessment process. For all cases, diligence is undertaken in respect of know-your-customer policies, credit references and banking history.

Eligibility Criteria

Our focus is on acquiring new customers while retaining existing good customers with excellent track record of repayment and leverage. One of the key eligibility criteria for approving a customer’s loan is the customer’s repayment capacity, which is determined by factors such as the customer’s age, educational qualification, number of dependents and the stability and continuity of the customer’s income, and, if applicable, the co-applicant’s income, assets and liabilities. Subject to the regulatory limits, the amount of the loan is determined based on our evaluation of the repayment capacity of the customer and the value of the relevant property.

Loan Administration and Monitoring

We give our customers an option to pay using methods such as cash, cheque, automated clearing house and other electronic modes of payment - at a frequency that is fixed after determining the customer’s expected cash flow. For cash collections, our field executives visit customers to collect instalments as they become due. We engage with the customers through call-centers, SMS or face to face meetings, in accordance with the payment behaviour of a customer.

We track loan repayment schedules on a monthly basis and monitor instalments due and loan defaults. We carry out portfolio-level monitoring on a regular basis to help us take appropriate decisions for steering the portfolio in the desired direction.

Collection and Recovery

Our collections team across our businesses are responsible to streamline the asset management activities for individual businesses. We believe that this helps the respective business groups to focus on business generation and collections while expert teams deal with delinquencies management, repossessions, and resales of assets in a timely and efficient manner. We also believe that this enables the timely involvement of recovery experts in the debtor management process.

Asset management teams are responsible for identifying signs of delinquency at an early stage, implementing appropriate recovery measures in order to prevent the degradation of accounts, repossession of assets in cases of wilful default, storing and valuation of assets, obtaining best possible prices on resale, minimizing repossession sale losses, instituting appropriate legal action (in conjunction with the legal team) and obtaining property details of the customer for attachment of the assets.

The repossession of assets typically only takes place when recovery is not possible. Repossession is undertaken by an appointed panel of repossession agents, and in accordance with the guidelines prescribed by us. Once the asset is repossessed, the customer is given an opportunity to clear any outstanding amounts and take back possession of the asset, failing which we proceed with the sale of the asset. Asset liquidation is normally done within 45 to 60 days of repossession to reduce depreciation on the farm equipment or two-wheeler. Any shortfall on sale of assets is recovered from the customer through arbitration loss recovery. We aim to further strengthening collections structure to increase the zero days past due customers.

Real estate finance and Infrastructure Finance: credit policy and approval process

Our real estate finance business and Infrastructure Finance business manage their investment and credit approval process in accordance with their investment and credit policy. Dedicated credit committees discharge the responsibility for approving the advances made by our real estate finance and Infrastructure Finance businesses at meetings which are generally convened periodically.

Eligibility and Policy Objectives

The policy objectives include, providing a framework for evaluating financing opportunities aligned to our risk-return strategy and in the context of the applicable regulatory environment and managing the credit risk profile of our portfolio with an emphasis on portfolio quality, close monitoring, timely collection and well delineated exit options.

Project and Credit Assessment Process

A dedicated team within the project finance segment, appraises the proposed project for which funding is sought and conducts due diligence investigations on the project and project sponsor. Technical feasibility is appraised by reputed valuation firms. We also have our internal valuation team which independently assesses the valuation and other aspects related with the project. Legal diligence is undertaken by reputed law firms, wherein title of the property is verified and based on the clear title report given by the firm, we release the funding for the project.

We have developed an internal credit rating model that provides a consistent and uniform scale for measurement of credit risk of a loan asset in terms of 'probability of default' across products and sectors. All credits proposals are assigned internal credit ratings, which coupled with an estimation of 'loss given default', enables the organisation to make an estimate of credit cost for the loan assets and thus, helps to differentiate among loan assets as objectively as possible.

The repayment of loans and facilities is normally fixed on a case-by-case basis, depending on the nature of the project, its projected cash flows and the maturity profile of our own funding mix. A pre-payment premium may be charged in case of early repayment of the facility.

Security

The project assets typically form the security for the credit facilities we provide. The security package for each facility is structured in such a manner so as to endeavour to cover the risks associated with the facility. In the case of loans made for specific infrastructure assets, the security is normally an exclusive and first charge on the underlying assets to be financed. We follow appropriate processes to create enforceable security in the form of a mortgage, hypothecation, assignment, or pledge.

Portfolio and Asset Monitoring

Once the funds are disbursed, periodic reviews on the borrowers are conducted. Notwithstanding our appraisal and risk management procedures, some accounts may develop weakness due to changes in internal or external factors, such as delay in approvals, sale of the project and legal issues. Mechanisms for monitoring and identifying early warning signals are put in place to review the portfolio and identify such weak accounts before they turn into NPAs, thereby allowing remedial actions to be taken so as to limit losses.

Recovery Process: Loans for real estate projects are structured facilities. We set up an escrow mechanism for each project and project receivables are collected in the designated escrow account and that amount is then used for repayment of principal and interest payments.

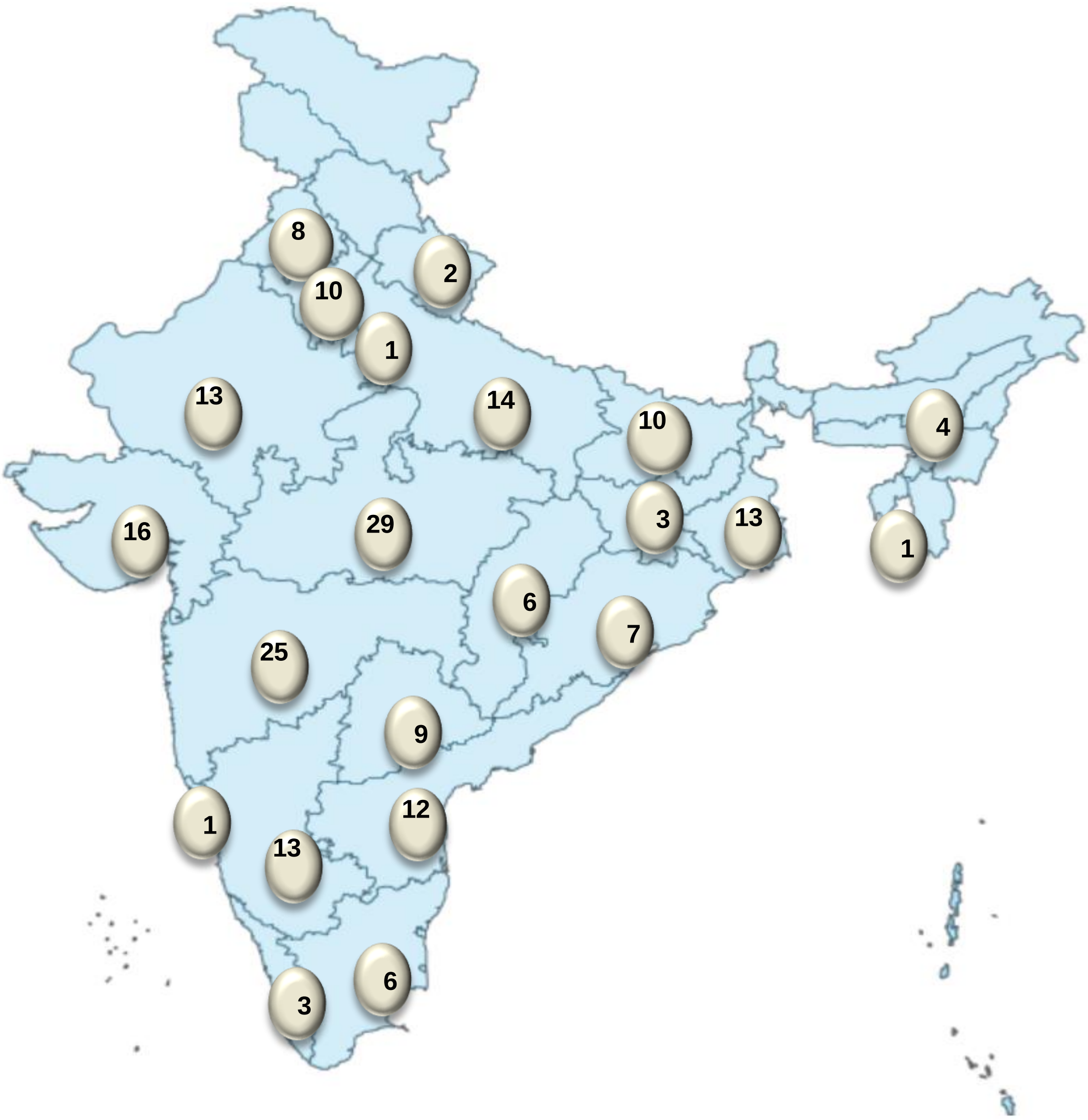
Primary responsibility of recovery is allocated to our relationship teams. We also create a Debt Service Reserve Account (DSRA), and trust retention account equivalent to interest payments for up to three months. In case an account incurs greater delays towards repayment we involve our legal team. Various legal actions are explored including through SARFAESI and arbitration proceedings.

Office Network

Our operations are spread throughout India and we have 206 branches in 199 cities across 21 states and one union territory, as of September 30, 2020. In addition, for our micro loans business we have 1,446 meeting centres covering 294 districts across 16 states in India, as of September 30, 2020.

The distribution of our branches across India by state as of September 30, 2020 is set out in the map below (not to scale):

**map not to scale*



Asset Quality

We maintain our asset quality by adhering to credit evaluation standards, limiting customer and sectoral exposure and regular interaction with customers. We ensure that prudent LTV ratios are adhered to while lending. We ensure prompt collection and proper storage of post-disbursement documents. We periodically conduct a portfolio and an account-level review either by loan officers or by our in-house internal audit team.

Asset Classification

The Non-Banking Financial Company - Systematically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ("**Master Directions**") provide standards for asset classification, treatment of NPAs and provisioning against NPAs for non-deposit-taking NBFCs in India.

Our Company holds provisions as per the expected loss framework provided under Ind AS 109. The RBI requires us to simultaneously compute provisions as per extant prudential norms on income recognition, asset classification and provisioning and appropriate from net profit or loss after tax, the difference between the aggregate provisioning at the individual company level using the two approaches to a separate impairment reserve. Any withdrawals from this reserve can be done only with prior permission from the RBI.

As required by Ind AS 109, a 'three-stage' model for impairment based on changes in credit quality since initial recognition has been built as summarised below:

- A loan asset that is not credit-impaired, on initial recognition, is classified as 'Stage 1' and has its credit risk continuously monitored by Management.
- If a significant increase in credit risk since initial recognition is identified, the loan asset is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

Over and above the output of the expected loss model based on the probability of default, loss given default and exposure at default, we hold management overlay provisions which *inter alia* include macro prudential provisions against potential event risks that cannot be modelled accurately, duly factoring in factors such as growth, expected pro-cyclicality.

Details of provisions and amounts written off of by us, as of the specified dates are set out in the table below:

Particulars	As of September 30, 2020	As of March 31, 2020
Gross NPA (stage 3 assets) (₹ in crore)	4,920.73	5,037.16
Net NPA (stage 3 assets) (₹ in crore)	1,530.41	2,078.15
Gross NPA (stage 3 assets) to Gross Loan (%)	5.19%	5.36%
Net NPA (stage 3 assets) to Net Loan Book (%)	1.67%	2.28%
Provision Coverage Ratio (%)	68.90%	58.74%

Capital Adequacy Ratio

Our Company as an NBFC-CIC-SI is required to maintain a capital ratio-requirement of at least 30% of our aggregate risk-weighted assets of our balance sheet (on-balance sheet and of risk adjusted value of off balance sheet items) on an ongoing basis. In addition, our subsidiaries, being financial institutions regulated by the RBI and/or NHB, are subject to capital adequacy ratio consisting of Tier I and Tier II capital of not less than 15.0% (i) 13% on or before March 31, 2020, (ii) 14% on or before March 31, 2021, and 15% on or before March 31, 2022 and thereafter, of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items in case of NHB of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off balance sheet items. The total Tier I capital, at any point is required to be at least 10%. Our CRAR was 21.37% and 21.60% on September 30, 2020 and March 31, 2020, respectively. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital Adequacy Ratio*" on pages 286-287.

Treasury Operations

Our treasury department primarily assists us in raising funds to meet our funding requirements and aims at ensuring the availability of adequate funds to meet our financing requirements, timely debt servicing and manage short-term surpluses. Apart from complying with the RBI's requirements for asset and liability management, our treasury department also analyses prevailing market conditions and seeks to maintain an optimum level of liquidity.

Our fund requirements are predominantly sourced through term loans, issuance of debentures and commercial paper based on factors such as cost of funds, diversification of funding sources and interest rate risk management. We believe that through our treasury operations, we maintain our ability to repay borrowings as they mature and obtain new borrowings at competitive rates to fund assets. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources*" on pages 284-287.

Our objective is to ensure the smooth functioning of our business and at the same time avoid holding excessive cash which helps in reducing the negative carry. We actively manage our cash and funds flow using various cash management services provided by banks. As part of our treasury activities, we also invest our surplus fund in fixed deposits with banks, liquid debt-based mutual funds. All our investments are made in accordance with the investment policy approved by our Board.

The principal components of secured loans of our subsidiaries carrying out financing business as of the dates indicated are set out below:

(₹ *in crore*)

Secured Loans	As of September 30, 2020	As of March 31, 2020
Long Term Borrowings (including current maturities of long-term debt)		
Non-convertible Debentures	36,857.40	35,782.25
Term Loans from Banks	22,621.34	25,104.91
Foreign Currency Loan	2,966.23	2,588.58
Demand loan/Cash credit/Line of Credit	2,390.00	4,100.00
Sub Total	**64,834.96**	**67,575.74**
Short Term Borrowings		
Term Loans from Banks	100.00	
Cash Credit	6,795.02	7,514.47
Sub Total	**6,895.02**	**7,514.47**
Grand Total	**71,729.98**	**75,090.20**

The principal components of unsecured loans of our subsidiaries carrying out financing business as of the dates indicated are set out below:

(₹ *in crore*)

Unsecured Loans	As of September 30, 2020	As of March 31, 2020
Long Term Borrowings (including current maturities of long-term debt)		
Non-convertible Debentures	195.00	500.00
Tier II Bonds	2,783.50	2,597.50
Perpetual Debt	595.00	595.00
Cash Credit/ Line of Credit	425.76	425.76
Sub Total	420.00	120.00
Short Term Borrowings		
Commercial Paper	8,510.00	5,400.00
Loans and advances from related parties (ICDs)		
Bank Overdraft/Cash credit	3,770.00	4,370.00
Sub Total	**12,280.00**	**9,770.00**
Preference shares	1,444.20	2,044.20
Grand Total	**18,143.46**	**16,052.46**

In our Rural Finance, Infrastructure Finance and Housing Finance businesses, we generate profit from the difference between the interest rates on our interest-earning assets, which are the loans we extend, and interest-bearing liabilities, which are our borrowings.

Our Investment Management business maintains a dedicated treasury department which monitors the inflows to, and outflows from, our various schemes on a daily basis. Any scheme can have inflows in the form of subscriptions from investors, the sale or maturity of securities held in the portfolio of the scheme and dividend and interest payments in relation to any securities in the portfolio. Similarly, outflows can take the form of redemption pay-outs to investors, the purchase of securities for the scheme, brokerage or any other expenses relating to the scheme. In addition, the department also monitors the confirmation of various transactions with counterparties and monitors intraday limits with banks.

Our Credit Ratings

Our Company has been rated at the highest level of 'AAA / A1+' by CRISIL, ICRA, CARE and India Ratings. Our current credit ratings for our Company and certain of our Subsidiaries are set forth below:

Name of the entity	CARE	ICRA	CRISIL	India Ratings
L&T Finance Holdings Limited	CARE AAA / Stable(1) CARE AAA (RPS) / Stable(2) CARE A1+(5)	ICRA AAA / Negative(1) ICRA A1+(5)	CRISIL AAA / Stable(1 & 2) CRISIL AAA / Stable CRISIL A1+(5)	IND AAA / Stable(1) IND A1+(5)
L&T Finance Limited	CARE AAA / Stable(1) CARE AAA PP-MLD / Stable(3) CARE AA+ / Stable(4) CARE A1+(5)	ICRA AAA / Negative(1) PP-MLD ICRA AAA / Negative(3) ICRA AA+ / Negative(4) ICRA A1+(5)	CRISIL AAA / Stable(1) CRISIL A1+(5)	IND AAA / Stable(1) IND PP-MLD AAA emr/Stable(3)
L&T Infrastructure Finance Company Limited	CARE AAA / Stable(1) CARE AAA PP-MLD / Stable(3) CARE AA+ / Stable(4) CARE A1+(5)	ICRA AAA / Negative(1) ICRA AA+ / Negative(4) ICRA A1+(5)	CRISIL AAA / Stable(1) CRISIL A1+(5)	IND AAA / Stable(1) IND PP-MLD AAA emr/Stable(3)
L&T Housing Finance Limited	CARE AAA / Stable(1) CARE AAA PP-MLD / Stable(3) CARE AA+ / Stable(4) CARE A1+(5) CARE AAA (FD) / Stable(6)	ICRA AAA / Negative(1) ICRA AA+ / Negative(4) ICRA A1+(5)	CRISIL AAA / Stable(1) CRISIL A1+(5)	IND AAA / Stable(1) IND PP-MLD AAA emr/Stable(3)
L&T Infra Debt Fund Limited	CARE AAA / Stable(1) CARE AAA PP-MLD / Stable(3) CARE A1+(5)	ICRA AAA / Stable(1) PP-MLD ICRA AAA / Stable(3) ICRA A1+(5)	CRISIL AAA / Stable(1 & 2) CRISIL PP-MLD AAA / Stable (3) CRISIL A1+(5)	

Notes:
(1) NCDs (public issue / private), subordinate debt and infrastructure bonds
(2) Redeemable preference shares
(3) Principle protected market linked debentures
(4) Perpetual debt programme / bonds
(5) Commercial papers
(6) *Fixed deposits*

Risk Management

Risk management forms an integral part of our business. As a lending institution, we are exposed to various risks that are related to our lending business and operating environment. Our objective in our risk management processes is to measure and monitor the various risks that we are subject to and to follow policies and procedures to address these risks. We do so through our risk management framework, which includes a team, headed by our Chief Risk Officer who identifies, assesses and monitors all of our principal risks. The major types of risk we face in our businesses are credit risk, concentration risk, interest rate risk, operational risk, liquidity risk, and foreign exchange risk.

We have a strong credit assessment and risk management framework to identify, monitor and manage risks inherent in our operations. In order to control our operational risks, we have adopted clearly defined loan approval processes and procedures as well as uniform pricing and rating models, across our businesses. We have implemented a centralized risk management framework, covering capital adequacy, liquidity and earnings volatility and maintain a strong system of internal controls. These include establishing well-defined key risk parameters which are customized for each of our businesses, instituting systems and procedures to monitor transactions at various stages and undertaking adequate provisioning and contingency planning.

Risk Management Framework

In order to address the risks that are inherent to our business, we have developed a risk management architecture that includes monitoring by our Board through the Audit Committee, the Asset Liability Committee and the Risk Management Committee.

- *Audit Committee:* Our Audit Committee acts as a link between the statutory and internal auditors and our Board. Our Audit Committee oversees our financial reporting process, reviews our financial statements and relevant disclosures, auditors' independence and performance, effectiveness of our audit process and adequacy of internal control systems and recommends the appointment and remuneration of the auditors to the Board. Our Audit Committee is entitled to obtain external professional advice where required.

- *Risk Management Committee:* Our Risk Management Committee manages the integrated risk which includes credit risk, liquidity risk, interest rate risk and operational risk. Our Board is informed about the risk assessment and risk reduction procedures undertaken. Our Board periodically reviews the risk management policies and practices followed by our Company.

- *Asset Liability Committee:* Our Asset Liability Committee reviews the structural mismatches in our liquidity statement, as per the guidelines of the RBI and other regulatory or statutory bodies. Depending upon inherent nature of required assets and prevailing interest rate view, the Committee provides guidance on borrowing instruments and overall debt composition. Our Asset Liability Committee also reviews risk management policies related to liquidity, interest rates periodically. Other functions include monitoring market risk management systems, compliance with the asset liability management policy and prudent gaps and tolerance limits and reporting systems set out by the Board and ensuring adherence to the regulatory guidelines; monitoring our business strategy in line with our budget and risk management practices; reviewing the effects of changes in market conditions and recommending the action needed to adhere to the organization's internal limits related to liquidity and interest rate risk management.

Our Subsidiaries

L&T Finance Holdings is registered with the RBI as an NBFC-CIC conducting business through our wholly-owned Subsidiaries, as detailed below:

Name of wholly-owned Subsidiary*
L&T Finance Limited
L&T Infrastructure Finance Company Limited
L&T Housing Finance Limited
L&T Infra Debt Fund Limited@
L&T Infra Investment Partners#
L&T Investment Management Limited
L&T Mutual Fund Trustee Limited
L&T Financial Consultants Limited
L&T Infra Investment Partners Advisory Private Limited**
L&T Infra Investment Partners Trustee Private Limited**
Mudit Cement Private Limited

* *While the financial statements of L&T Capital Markets Limited have been incorporated in the preparation of our Audited Consolidated Financial Statements, it ceased to be a subsidiary of our Company with effect from April 24, 2020. Similarly, while the financial statements of L&T Capital Markets (Middle East) Limited have been incorporated in the preparation of Audited Consolidated Financial Statements and the Unaudited Consolidated September Financial Results, it ceased to be a subsidiary of our Company with effect from December 17, 2020 on account of being voluntarily wound up.*

** *indirectly wholly owned Subsidiary of our Company, with L&T Infrastructure Finance Company Limited holding 100% of outstanding share capital*

Subsidiary of our Company in terms of Ind AS.

@*indirectly wholly owned Subsidiary of our Company, holding 23.36%, with L&T Infrastructure Finance Company Limited holding 48.36%, L&T Finance Limited holding 28.28% of its outstanding share capital.*

Information technology and data analysis

Information technology and data analysis play an important role in performing our businesses operations, as detailed below:

On-boarding and Servicing: We have introduced mobile-based platforms for our customers and customer-facing employees for our open market, rural, and home loan businesses. All these platforms are hosted in Google cloud platform which ensures 24*7 uninterrupted availability, quick response, and recovery time. Our application enables end-to-end digital proposition, prompt credit decisions, automated mandate registration, and assisted/self-onboarding. Technology like optical character recognition, e-mandate registration, e-sign of agreements, help to achieve the quick TAT across the industry. We also have a loan management system to provide an integrated platform for loan origination and sourcing. Our loan management system is integrated with our in-house customized enterprise reporting tool, which enables us to service our customers seamlessly across locations.

Credit Assessment: We use multiple variables, across our financing businesses, such as customer's credit score, credit history, ongoing loan status, bureau result, income assessment, to develop and update our evaluation and assessment metrics. These metrics are utilized in 'business rule engine' which helps to deliver automated credit assessments of customers and faster TAT to customers. These evaluation and assessment metrics are updated at regular intervals in order to accurately assess risk parameters.

Data Analytics: We have instituted an enterprise data warehouse which serves our entire operations. Our management reporting data and information is generated from our data warehouse without manual intervention and on a real time basis. Our data warehouse enables our management to take timely decisions that affect the strategy and operations of our Company and businesses. We have also implemented a business information system which is integrated with our data warehouse to enable analysis of data across parameters and presentation metrics. This assists our management in applying data analysis to business processes such as customer segmentation, determining geographic expansion strategy, allocating targets to teams, designing incentive programs, selecting channel partners, among others.

Our data analytics team carries out various analysis for our businesses in order to continually assess creditworthiness, attrition analysis of our home loan customers and trend analysis across businesses. Our internal analytics driven trade advances helps in increasing counter share with dealers, especially top dealers. Our risk management framework is further supported by data analysis and emphasizes on rule-based assessment as opposed to individual discretion. Based on our key risk parameters, we have deployed algorithms to trigger early warning signals, for each of our business. These early warning signals rely on in-depth data analysis and utilize extensive data collected over the course of our operations.

IT Security: We have also instituted security protocols such as firewalls, intrusion prevention system to detect and stop threats and have separations for internet facing applications and critical internal applications. We periodically assess our IT infrastructure and applications to find potential security threats and remedy threats discovered as well as monitor critical applications and systems for any suspicious activity. We have internal policies for acceptable use of corporate systems, confidential data, email, mobile devices and passwords. We also have deployed tools such as 'data loss prevention' and 'identity and access management' to handle different threats and unauthorized access to our systems and networks. We have a disaster recovery system for our business-critical applications, located at Chennai.

Insurance

We maintain a wide range of insurance policies including standard fire and special perils, burglary, fidelity, workmen compensation and employer liability and group personal accident covers in respect of our offices across India. We also have a money insurance policy in respect of cash in safe and cash in transit commercial crime insurance and cyber insurance. In addition, our Directors are insured under directors' and officers' liability insurance policy.

Employees

As of September 30, 2020, we employed 22,079 employees. The following table sets out a breakdown of our employees by function, as on September 30, 2020:

Particulars	No. of employees
Group Functions	866
Rural Finance	20,056
Housing Finance	746
Infrastructure Finance	76
Investment Management	240
Special situation group	95
Grand Total	**22,079**

To create a sense of ownership among and as a long-term incentive to our employees, our Company has adopted ESOP Schemes to issue options convertible into Equity Shares to select employees linked to their performance. We also carry out periodic evaluation of our senior personnel on an annual basis with the relevant department heads and senior management. We identify key performance indicators and set benchmarks against which we measure the performance of our employees and payment of remuneration and annual increments are determined after the completion of the evaluation process. We identify and reward those employees who have demonstrated exceptional performance during any financial year.

Awards and Accolades

In the Financial Year 2021, we won the 'DX CEO for Transforming financial services delivery with digitization project Award', the 'Asset Triple A Infrastructure Awards 2020' for renewable energy acquisition financing deal of the year and for the utility deal of the year. We were also ranked number 3 mandated lead arranger and number 4 bookrunner (Asia Pacific ex Japan) for green Up Loans by Bloomberg.

In the Financial Year 2020, we won the 'Business Standard Social Excellence Award 2019' for the most socially aware corporate of the year, 'Corporate Social Responsibility Award Women Empowerment' from FICCI, 'Golden Peacock Award' for corporate social responsibility and the Digital Social and Economic Empowerment Award at the '10th India Digital Awards'.

Competition

Competition in our industry is expected to continue to increase. Our primary competitors are public sector banks, private banks (including foreign banks), co-operative banks, regional rural banks and NBFCs and private unorganized lenders. Banks are increasingly expanding into retail loans in the rural and semi-urban areas of India. We are exposed to the risk that these banks continue to expand their operations into the markets in which we operate, which would result in greater competition and lower spreads on our loans, particularly because these banks have greater resources and access to cheaper funding than us. See "*Industry Overview*" beginning on page 85.

Intellectual property

Our Company and certain of our Subsidiaries have entered into a trademark license agreement dated December 1, 2010, amended from time to time (the "**Trademark License Agreement**") as licensee, with L&T and we have been granted a global non-exclusive, non-transferrable license to use the "L&T" trademark and logo for a consideration payable by each of the licensees of up to 0.15% of the assets, or 1.5% of the PAT for the first year, 0.15% of the assets or 3.0% of the PAT for the second year or 0.15% of the assets or 5.0% of PAT for the third year onwards of each of the licensees, whichever is lower, plus applicable taxes if any. The payment of such consideration is to be made on an annual basis, unless otherwise agreed amongst the parties. The Trademark License Agreement can be terminated by the parties thereto upon written notice in accordance with its terms. Furthermore, the Trademark License Agreement can also be terminated by any party upon change in management control of any of the licensees or upon breach of the terms of the Trademark License Agreement by any of the licensees. In case the Trademark License Agreement is terminated, we may have to discontinue the use of the "L&T" trademark and logo

Corporate Social Responsibility (CSR)

CSR forms an integral part of our Company's organization philosophy and is governed by the CSR Committee of our Board which has formulated a CSR policy and stipulates a framework for an effective functioning.

The mission of our CSR policy is to reach marginalized farmers and women micro entrepreneurs in the rural communities that we serve and work towards rejuvenating their ecosystems thereby creating sustainable livelihoods and enabling financial inclusion.

Properties

Our Registered and Corporate Office is located at 'Brindavan', Plot No. 177, CST Road, Kalina, Santacruz (East), Mumbai 400 098, which we utilize on a leasehold basis from our Subsidiary L&T Financial Consultants Limited. In addition, most of our branches are located on leased premises.

OUR MANAGEMENT

Board of Directors

Our Board of Directors presently consists of nine Directors including one Executive Director and eight non-executive Directors, (out of which five are Independent Directors and one Nominee Director). Our Chairman is a Non-Executive Independent Director. The Articles of Association provide that our Company shall not have less than three Directors and not more than 15 Directors.

Pursuant to the provisions of the Companies Act, 2013, at least two-third of the total number of Directors, excluding the Independent Directors, are liable to retire by rotation, with one-third of such number retiring at each annual general meeting. A retiring director is eligible for re-appointment. Further, an Independent Director may be appointed for a maximum of two consecutive terms of up to five years each.

The following table sets forth details regarding our Board of Directors as of the date of this Letter of Offer.

Sr. No.	Name, designation, address, DIN, date of birth, term, period of directorship, occupation	Age (in years)	Other directorships
1.	**Shailesh Vishnubhai Haribhakti** ***Designation:*** Non-Executive Chairman (Independent Director) ***Address***: 10 - 11 Sahil Apartment, 14 Altamount Road, Aiiravat Coop Housing Society Limited, Cumbala Hill, Mumbai 400 026 ***DIN***: 00007347 ***Date of birth:*** March 12, 1956 ***Term***: Re-appointed for a period of five years with effect from April 1, 2019 ***Period of directorship:*** Since July 24, 2014 ***Occupation***: Chartered Accountant	64	• ACC Limited • Ambuja Cements Limited • Bajaj Electricals Limited • Bennett Coleman and Company Limited • Blue Star Limited • Bluevine Technologies Private Limited • Brookprop Management Services Private Limited • Epigeneres Biotech Private Limited • Foundation for Audit Quality • Future Lifestyle Fashions Limited • Gaja Trustee Company Private Limited • IBS Fintech India Private Limited • Goveva Private Limited • L&T Mutual Fund Trustee Limited • Mentorcap Management Private Limited • NSDL E-Governance Infrastructure Limited • Planet People and Profit Consulting Private Limited • Torrent Pharmaceuticals Limited
2.	**Dinanath Mohandas Dubhashi** ***Designation:*** Managing Director and Chief Executive Officer ***Address***: 9, Prabhat, PM Road, Vile Parle - East, Mumbai 400 057	54	• L&T Finance Limited • L&T Housing Finance Limited • L&T Infra Debt Fund Limited • L&T Infra Investment Partners Advisory Private Limited

Sr. No.	Name, designation, address, DIN, date of birth, term, period of directorship, occupation	Age (in years)	Other directorships
	DIN: 03545900 ***Date of birth***: May 31, 1966 ***Term***: Up to April 13, 2021, liable to retire by rotation* ***Period of directorship:*** Since April 14, 2016 ***Occupation***: Service		• L&T Infrastructure Finance Company Limited • L&T Investment Management Limited
3.	**Ramamurthi Shankar Raman** ***Designation***: Non- Executive Director ***Address***: Flat No. 123, Kalpataru Royale, 12th Floor, Road No. 29, Near Sion Circle Sion East, Sion Mumbai 400 022 ***DIN***: 00019798 ***Date of birth***: December 20, 1958 ***Term***: Liable to retire by rotation ***Period of directorship:*** Since May 1, 2008 ***Occupation***: Service	62	• Larsen & Toubro Infotech Limited • Larsen & Toubro Limited • L&T Hydrocarbon Engineering Limited • L&T Infrastructure Development Projects Limited • L&T Investment Management Limited • L&T Metro Rail (Hyderabad) Limited • L&T Realty Developers Limited • L&T Seawoods Limited • Mindtree Limited
4.	**Pradeep Vasudeo Bhide** ***Designation***: Independent Director ***Address***: House number D-1/48 First Floor, Vasant Vihar, Near D Block Market, Vasant Vihar-1, South West Delhi, New Delhi 110 057 ***DIN***: 03304262 ***Date of birth***: January 8, 1950 ***Term***: Re-appointed for a period of five years with effect from April 1, 2019 ***Period of directorship:*** Since July 24, 2014 ***Occupation***: Professional	71	• A.P.I.D.C. Venture Capital Private Limited • Borosil Renewables Limited • Glaxosmithkline Pharmaceuticals Limited • L&T Finance Limited • L&T Housing Finance Limited • Nocil Limited • Shiksha Financial Services India Private Limited • TRL Krosaki Refractories Limited
5.	**Thomas Mathew Thumpeparambil** ***Designation***: Independent Director ***Address***: 19A011, Kohinoor city, Phase-2, Kirol Road, Kurla West, Mumbai, Mumbai Suburban 400 070 ***DIN***: 00130282 ***Date of birth***: June 3, 1953	67	• Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited • L&T Infra Debt Fund Limited • L&T Infrastructure Finance Company Limited • LIC (International) B.S.C.(c), Bahrain • PTC India Financial Services Limited

Sr. No.	Name, designation, address, DIN, date of birth, term, period of directorship, occupation	Age (in years)	Other directorships
	Term: Re-appointed for a period of five years with effect from July 1, 2020 ***Period of directorship:*** Since July 23, 2015 ***Occupation***: Retired from service		
6.	**Nishi Vasudeva** ***Designation***: Independent Director ***Address***: 21 A, Land Breeze, 52 Pali Hill, Bandra West, Mumbai 400 050 ***DIN***: 03016991 ***Date of Birth***: March 30, 1956 ***Term***: For a period of five years with effect from June 15, 2017 to June 14, 2022 ***Period of Directorship***: Since June 15, 2017 ***Occupation***: Professional	64	• ABB Power Products and Systems India Limited • Atria Convergence Technologies Limited • HCL Technologies Limited • L&T Infra Debt Fund Limited • L&T Infrastructure Finance Company Limited
7.	**Rajani Rajiv Gupte** ***Designation***: Independent Director ***Address***: 10, Dream Residency, 128 Anand Park, Aundh, Pune 411 007 ***DIN***: 03172965 ***Date of Birth***: November 18, 1955 ***Term:*** For a period of five years with effect from June 28, 2018 to June 27, 2023 ***Period of Directorship***: Since June 28, 2018 ***Occupation:*** Professional	65	• L&T Finance Limited • L&T Housing Finance Limited • L&T Hydrocarbon Engineering Limited • National Securities Depository Limited • Symbiosis Centre for Entrepreneurship and Innovation
8.	**Pavninder Singh**** ***Designation***: Nominee Director ***Address***: 703, Taj Wellington Mews, 33 Nathalal Parekh Marg, Colaba, Mumbai 400 001 ***DIN***: 03048302 ***Date of Birth***: October 24, 1976 ***Term:*** Not liable to retire by rotation ***Period of Directorship***: Since June 15, 2017 ***Occupation:*** Service	44	• Chindata Group • International Cargo Terminals and Infrastructure Private Limited • QuEST Global Services Pte. Ltd. • Trans Maldivian Airways
9.	**Prabhakar Banavar Anantharamaiah**	67	• Asrec (India) Limited

Sr. No.	Name, designation, address, DIN, date of birth, term, period of directorship, occupation	Age (in years)	Other directorships
	Designation*: Non-Executive Director ***Address: 333/13, Halagevaderahalli, BEML layout, 5-stage, R R Nagar, Bangalore 560 098 ***DIN***: 02101808 ***Date of Birth***: August 4, 1953 ***Term****:* Liable to retire by rotation ***Period of Directorship***: Since June 28, 2018 ***Occupation****:* Retired		• Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited • Conatus Finserve Private Limited • National Securities Depository Limited

* *The Equity Shareholders of our Company at their AGM held on August 23, 2016 approved the appointment of Dinanath Mohandas Dubhashi as a Whole Time Director designated as a Deputy Managing Director with effect from April 14, 2016 up to and including July 21, 2016 and as the Managing Director for the period from July 22, 2016 up to and including April 13, 2021.*

** *Nominee Director of our Equity Shareholders, BC Investments VI Limited and BC Asia Growth Investments*

Confirmations

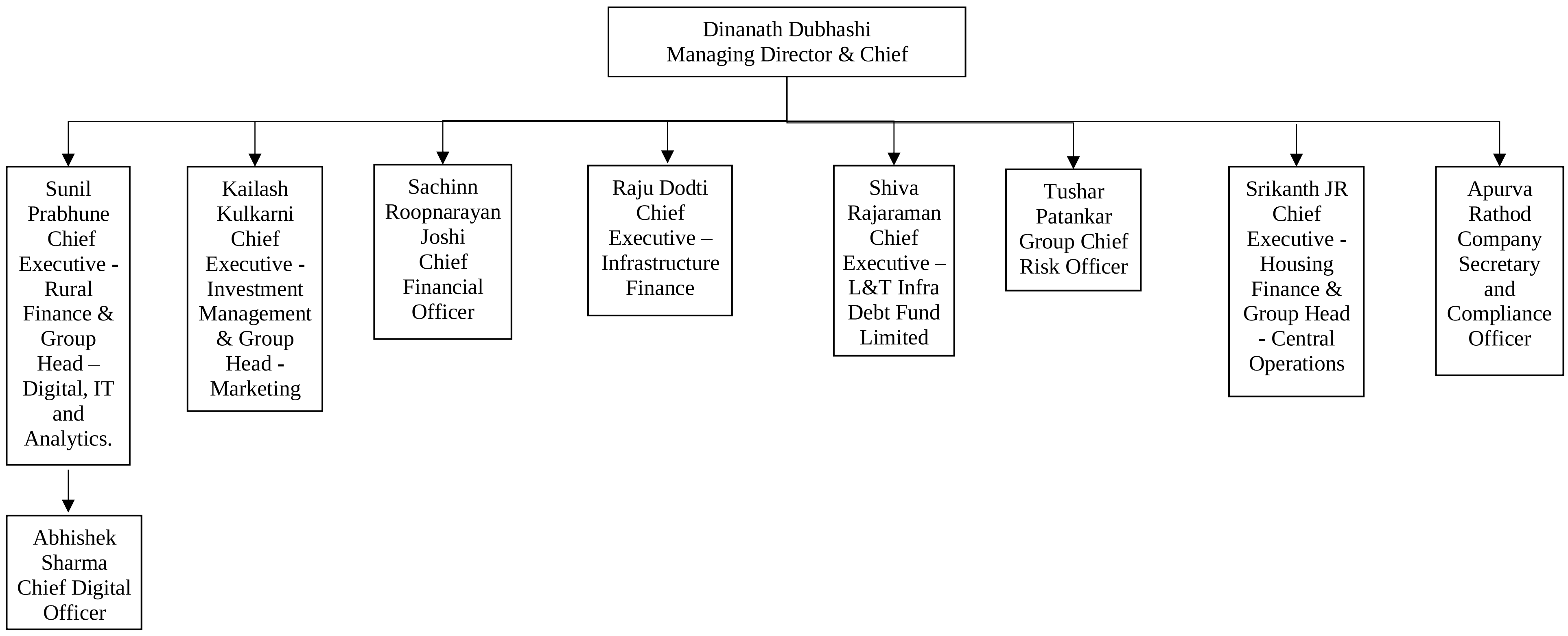
None of our Directors is or was a director of any listed company during the five years preceding the date of filing of this Letter of Offer, whose equity shares have been or were suspended from being traded on any stock exchange, during the term of their directorship in such company.

None of our Directors is or was a director of any listed company which has been or was delisted from any stock exchange, during the term of their directorship in such company, in the last ten years immediately preceding the date of filing of this Letter of Offer.

Details of key management personnel and senior management personnel

S No.	Name of key management personnel and senior management personnel	Designation
1.	Dinanath Mohandas Dubhashi	Managing Director and Chief Executive Officer
2.	Sachinn Roopnarayan Joshi	Chief Financial Officer
3.	Apurva Rathod	Company Secretary and Compliance Officer
4.	Sunil Prabhune	Chief Executive – Rural Finance & Group Head – Digital, IT and Analytics
5.	Kailash Kulkarni	Chief Executive – Investment Management and Group Head - Marketing
6.	Raju Dodti	Chief Executive – Infrastructure Finance
7.	Srikanth JR	Chief Executive – Housing Finance & Group Head – Central Operations
8.	Tushar Patankar	Group Chief Risk Officer
9.	Shiva Rajaraman	Chief Executive – L&T Infra Debt Fund Limited
10.	Abhishek Sharma	Chief Digital Officer

Current organisational structure



SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

DELOITTE HASKINS & SELLS LLP
Chartered Accountants
One International Center, Tower 3
27th – 32nd Floor, Senapati Bapat Marg
Elphinstone Road (West)
Mumbai 400013.

B. K. KHARE & CO.
Chartered Accountants
706/708, Sharda Chambers
New Marine Lines
Mumbai 400004.

INDEPENDENT AUDITORS' REVIEW REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF
L&T FINANCE HOLDINGS LIMITED

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of **L&T FINANCE HOLDINGS LIMITED** (the "Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as the "Group"), for the quarter and six months ended September 30, 2020 (the "Statement") being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

2. This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

3. We conducted our review of the Statement in accordance with the Standard on Review Engagements ("SRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India ("ICAI"). A review of interim financial information consists of making inquiries, primarily of Parent's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

4. The Statement includes the results of the following entities:

Sr. No.	Name of the Company	Nature of relationship
1	L&T Finance Holdings Limited	Holding
2	L&T Finance Limited	Subsidiary
3	L&T Infrastructure Finance Company Limited	Subsidiary
4	L&T Housing Finance Limited	Subsidiary
5	L&T Infra Debt Fund Limited	Subsidiary
6	L&T Infra Investment Partners Advisory Private Limited	Subsidiary
7	L&T Infra Investment Partners Trustee Private Limited	Subsidiary
8	L&T Investment Management Limited	Subsidiary
9	L&T Mutual Fund Trustee Limited	Subsidiary
10	L&T Capital Markets Limited (divestment of entire stake from April 24, 2020)	Subsidiary
11	L&T Financial Consultants Limited	Subsidiary
12	Mudit Cement Private Limited	Subsidiary
13	L&T Infra Investment Partners Fund	Subsidiary
14	L&T Capital Markets (Middle East) Limited	Subsidiary

5. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review reports of the other auditors referred to in paragraph 7 below, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

6. We draw attention to Note 9 to the consolidated financial results in which the Group describes the uncertainties arising from the COVID 19 pandemic.

   Our conclusion on the Statement is not modified in respect of this matter.

7. We did not review the interim financial information/financial results of six subsidiaries included in the Statement, whose interim financial information/financial results reflect total assets of ₹1,294.50 crore as at September 30, 2020, total revenues of ₹117.44 crore and ₹216.36 crore for the quarter and six months ended September 30, 2020 respectively, total net profit after tax of ₹56.33 crore and ₹101.39 crore for the quarter and six months ended September 30, 2020 respectively, total comprehensive income of ₹56.78 crore and ₹102.37 crore for the quarter and six months ended September 30, 2020 respectively and net cash flows of ₹80.10 crore for the six months ended September 30, 2020, as considered in the Statement. These interim financial information/ financial results have been reviewed by the other auditors whose reports have been furnished to us by the Management, and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors and the procedures performed by us as stated in paragraph 3 above.

   Our conclusion on the Statement is not modified in respect of this matter.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

G.K. Subramaniam
(Partner)
(Membership No. 109839)
(UDIN: 20109839AAAAVV1352)

Mumbai, October 22, 2020

For B. K. KHARE & CO.
Chartered Accountants
(Firm's Registration No. 105102W)

Shirish Rahalkar
(Partner)
(Membership No. 111212)
(UDIN:20111212AAAAOC4646)

Mumbai, October 22, 2020

L&T FINANCE HOLDINGS LIMITED

CIN. L67120MH2008PLC181833

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(₹ in Crore)

STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS ENDED SEPTEMBER 30, 2020

Sr. No.	Particulars	Quarter ended			Six months ended		Year ended
		September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Revenue from operations						
(i)	Interest income	3,281.56	3,295.24	3,294.38	6,576.80	6,607.15	13,244.74
(ii)	Dividend income	0.01	0.01	0.05	0.02	0.08	0.12
(iii)	Rental income	1.17	1.51	2.51	2.68	6.28	9.03
(iv)	Fees and commission income	121.55	81.23	210.36	202.78	435.39	812.39
(v)	Net gain on fair value changes	2.61	9.07	89.52	11.68	142.46	109.22
(vi)	Net gain on derecognition of financial instruments under amortised cost category	1.20	-	14.49	1.20	14.49	-
(I)	**Total revenue from operations**	**3,408.10**	**3,387.06**	**3,611.31**	**6,795.16**	**7,205.85**	**14,175.50**
(II)	Other income	100.81	10.47	100.54	111.28	195.50	372.63
(III)	**Total income (I+II)**	**3,508.91**	**3,397.53**	**3,711.85**	**6,906.44**	**7,401.35**	**14,548.13**
	Expenses						
(i)	Finance costs	1,888.78	1,978.20	1,897.95	3,866.98	3,820.89	7,513.60
(ii)	Fees and commission expenses	-	-	-	-	3.22	17.51
(iii)	Net loss on fair value changes	164.39	138.81	67.81	303.20	67.81	107.53
(iv)	Net loss on derecognition of financial instruments under amortised cost category	63.89	45.87	30.19	109.76	80.10	274.22
(v)	Impairment on financial instruments	604.52	943.52	480.56	1,548.04	1,011.08	1,994.19
(vi)	Employee benefits expense	236.20	241.59	263.53	477.79	509.30	1,062.32
(vii)	Depreciation, amortisation and impairment	25.16	18.59	15.89	43.75	31.66	81.59
(viii)	Other expenses	196.94	157.30	199.63	354.24	378.37	817.09
(IV)	**Total expenses**	**3,179.88**	**3,523.88**	**2,955.56**	**6,703.76**	**5,902.43**	**11,868.05**
(V)	**Profit/(loss) before exceptional items and tax (III-IV)**	**329.03**	**(126.35)**	**756.29**	**202.68**	**1,498.92**	**2,680.08**
(VI)	Exceptional items (refer note 6)	-	225.61	-	225.61	-	-
(VII)	**Profit before tax (V+VI)**	**329.03**	**99.26**	**756.29**	**428.29**	**1,498.92**	**2,680.08**
(VIII)	Tax expense:						
	(1) Current tax (refer note 11)	242.81	250.18	240.59	492.99	377.70	632.50
	(2) Deferred tax	(161.50)	(298.36)	(132.19)	(459.86)	(76.09)	(126.06)
(IX)	**Profit before impact of change in the rate on opening deferred tax (VII-VIII)**	**247.72**	**147.44**	**647.89**	**395.16**	**1,197.31**	**2,173.64**
(X)	Impact of change in the rate on opening deferred tax	-	-	473.38	-	473.38	473.38
(XI)	**Profit after tax (IX-X)**	**247.72**	**147.44**	**174.51**	**395.16**	**723.93**	**1,700.26**
(XII)	Add: Share in profit of associate company	-	-	-	-	-	-
(XIII)	**Profit after tax and share in profit of associate company (XI+XII)**	**247.72**	**147.44**	**174.51**	**395.16**	**723.93**	**1,700.26**
	Profit for the period/ year attributable to:						
	Owners of the company	265.12	148.31	174.20	413.43	722.99	1,700.17
	Non-controlling interest	(17.40)	(0.87)	0.31	(18.27)	0.94	0.09
(XIV)	**Other comprehensive income**	(6.87)	24.42	(14.34)	17.55	(44.03)	(159.36)
	A (i) Items that will not be reclassified to profit or loss						
	(a) Remeasurements of the defined benefit plans (net of tax)	2.96	0.82	(1.70)	3.78	(2.02)	(4.59)
	(b) Equity instruments through other comprehensive income	33.14	21.91	-	55.05	-	(56.16)
	B (i) Items that may be reclassified to profit or loss						
	(a) Debt instruments through other comprehensive income (net of tax)	(18.50)	13.22	12.93	(5.28)	(7.10)	0.16
	(b) The effective portion of gains and loss on hedging instruments in a cash flow hedge	(24.26)	(11.50)	(25.71)	(35.76)	(35.00)	(99.54)
	(c) Exchange differences in translating the financial statements of foreign operations (net)	(0.21)	(0.03)	0.14	(0.24)	0.09	0.77
	Other comprehensive income for the period/ year attributable to:						
	Owners of the company	(6.87)	24.42	(14.34)	17.55	(44.03)	(159.36)
	Non-controlling interest	-	-	-	-	-	-
(XV)	**Total comprehensive income (XIII+XIV)**	**240.85**	**171.86**	**160.17**	**412.71**	**679.90**	**1,540.90**
	Total comprehensive income for the period/ year attributable to:						
	Owners of the company	258.25	172.73	159.86	430.98	678.96	1,540.81
	Non-controlling interest	(17.40)	(0.87)	0.31	(18.27)	0.94	0.09
(XVI)	Paid-up equity share capital (face value of ₹ 10 each) (refer note 12)	2,006.53	2,004.85	2,000.48	2,006.53	2,000.48	2,004.83
(XVII)	Other equity						12,687.59
(XVIII)	**Earnings per share (*not annualised):**						
	(a) Basic (₹)	* 1.32	* 0.74	* 0.87	* 2.06	* 3.62	8.50
	(b) Diluted (₹)	* 1.32	* 0.74	* 0.87	* 2.06	* 3.60	8.46

Notes:

1 **Consolidated statement of assets and liabilities as at September 30, 2020** (₹ in Crore)

	Particulars	As at September 30, 2020	As at March 31, 2020
		(Unaudited)	(Audited)
	ASSETS:		
(1)	**Financial assets**		
(a)	Cash and cash equivalents	3,894.20	5,598.69
(b)	Bank balance other than (a) above	1,995.09	2,205.71
(c)	Derivative financial instruments	23.61	155.06
(d)	Receivables		
	(i) Trade receivables	27.69	64.74
	(ii) Other receivables	44.72	19.31
(e)	Loans	90,458.07	91,462.50
(f)	Investments	6,453.16	5,979.27
(g)	Other financial assets	1,956.49	91.97
(2)	**Non-financial assets**		
(a)	Current tax assets (net)	813.04	901.24
(b)	Deferred tax Assets (net)	1,924.29	1,452.97
(c)	Investment property	308.75	311.01
(d)	Property, plant and equipment	38.52	47.91
(e)	Intangible assets under development	60.09	62.04
(f)	Goodwill	636.71	636.71
(g)	Other intangible assets	89.90	70.44
(h)	Right of use asset	34.49	34.00
(i)	Other non-financial assets	672.37	340.95
(3)	**Group of asset classified as held for sale**	-	94.50
	TOTAL - ASSETS	**1,09,431.19**	**1,09,529.02**

(₹ in Crore)

	Particulars	As at September 30, 2020 (Unaudited)	As at March 31, 2020 (Audited)
	LIABILITIES		
(1)	**Financial liabilities**		
(a)	Derivative financial instruments	4.76	-
(b)	Trade payables		
	(i) Total outstanding dues of micro enterprises and small enterprises	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	37.67	64.84
(c)	Other payables		
	(i) Total outstanding dues of micro enterprises and small enterprises	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	8.31	0.80
(d)	Debt securities	48,151.96	43,992.31
(e)	Borrowings (other than debt securities)	39,709.51	44,523.00
(f)	Subordinated liabilities	5,064.44	5,379.18
(g)	Lease liability	40.32	39.58
(h)	Other financial liabilities	577.39	444.07
(2)	**Non financial liabilities**		
(a)	Current tax liabilities (net)	402.66	107.89
(b)	Provisions	49.22	41.27
(c)	Deferred tax liabilities (net)	0.62	0.46
(d)	Other non-financial liabilities	30.14	13.03
(3)	**Group of liabilities classified as held for sale**	-	9.96
(4)	**EQUITY**		
(a)	Equity share capital	2,006.53	2,004.83
(b)	Other equity	13,148.44	12,687.59
(5)	**Non-controlling interest**	199.22	220.21
	TOTAL - LIABILITIES AND EQUITY	**1,09,431.19**	**1,09,529.02**

2 **Statement of consolidated cash flows for the six months ended September 30, 2020** (₹ in Crore)

Particulars	Six months ended September 30, 2020 (Unaudited)	Six months ended September 30, 2019 (Unaudited)
A. Cash flow from operating activities		
Profit before tax	428.29	1,498.92
Adjustment for:		
Depreciation, amortisation and impairment	43.75	31.66
Loss on sale of property, plant and equipment (net)	0.42	0.77
Net fair value loss on loan asset	178.04	63.12
Net fair value loss/ (gain) on financial instruments	113.48	(130.27)
Net loss on derecognition of financial instruments under amortised cost category	108.56	80.10
Impairment on financial instruments	1,548.04	1,003.58
Gain from sale of investment in subsidiary	(225.61)	-
Share based payment to employees	28.77	51.37
Operating profit before working capital changes	2,223.74	2,599.25
Changes in working capital		
Decrease in financial and non-financial assets	145.01	126.82
Increase in financial and non-financial liabilities	548.28	149.62
Cash generated from operations		
Direct taxes paid	(110.02)	(314.14)
Loans disbursed (net of repayments)	(1,163.08)	(2,945.78)
Net cash flow generated from/(used) in operating activities (A)	**1,643.93**	**(384.23)**
B. Cash flows from investing activities		
Add: Inflow from investing activities		
Proceeds from sale of property, plant and equipment	3.84	9.13
Investment in other bank balances	208.14	-
Proceed from sale of investments	954.31	4,272.60
Less: Outflow from investing activities		
Purchase of property, plant and equipment	(35.90)	(30.89)
Investment in other bank balances	-	(541.77)
Purchase of investments	(3,183.00)	(380.20)
Net cash flow (used in)/generated from investing activities (B)	**(2,052.61)**	**3,328.87**
C. Cash flows from financing activities		
Add: Inflow from financing activities		
Proceeds from issue of share capital including security premium on account of employee stock options	2.81	11.27
Proceeds from issue of preference share capital	-	609.10
Proceeds from borrowings	12,058.72	19,659.46
Less: Outflow from financing activities		
Payment to non-controlling interests	(2.72)	(2.15)
Share issue expenses	-	(0.01)
Dividend paid (including dividend distribution tax)	-	(202.20)
Repayment of borrowing	(12,754.64)	(21,877.48)
Redemption of preference shares	(600.00)	(184.40)
Net cash used in financing activities (C)	**(1,295.83)**	**(1,986.41)**
Net (decrease)/increase in cash and cash equivalents (A+B+C)	**(1,704.51)**	**958.23**
Cash and cash equivalents as at beginning of the period	5,598.69	1,826.65
Exchange difference on translation of foreign currency cash and cash equivalents	0.02	(0.05)
Cash and cash equivalents as at end of the period	**3,894.20**	**2,784.83**

3 These consolidated financial results have been prepared in accordance with the recognition and measurement principles of Indian Accounting Standard ("Ind AS") prescribed under section 133 of the Companies Act 2013 (the "Act") read with relevant rules issued thereunder and the other accounting principles generally accepted in India.

4 These consolidated financials results have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on October 22, 2020. The Joint Statutory Auditors of the Company have carried out a limited review of the aforesaid results.

5 The Company reports quarterly financial results of the group on a consolidated basis, pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended read with circular dated July 5, 2016. The standalone financial results are available on the website of the Company at www.ltfs.com, the website of BSE Limited ("BSE") at www.bseindia.com and on the website of National Stock Exchange of India Limited ("NSE") at www.nseindia.com. The specified items of the standalone financial results of the Company for the quarter and six months ended September 30, 2020 are given below.

(₹ in Crore)

Particulars	Quarter ended			Six months ended		Year ended
	September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Total income from operations	20.61	24.68	41.51	45.29	66.69	522.38
Profit/(loss) before tax	(34.59)	174.30	(13.34)	139.71	(38.69)	283.74
Profit/(loss) after tax	(41.10)	125.91	(17.62)	84.81	(47.57)	266.81
Total comprehensive income	(40.98)	125.92	(17.67)	84.94	(47.65)	266.70

6 Exceptional item during the six months ended September 30, 2020 represents net gain of ₹ 225.61 crore on the divestment of entire stake in the subsidiary company, L&T Capital Markets Limited. The transaction was concluded on April 24, 2020.

7 During the six months ended September 30, 2020, 8.15% Cumulative Compulsorily Redeemable Preference Shares (CRPS) amounting to ₹ 600.00 crore have been redeemed. The Company has paid dividend of ₹ 5.03 crore on redeemed Preference Shares.

8 Moratorium in accordance with the Reserve Bank of India (RBI) guidelines:
The outbreak of Covid-19 pandemic across the globe & India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. Pursuant to the guidelines issued by RBI dated, March 27, 2020, April 17, 2020 and May 23, 2020 relating to COVID-19 Regulatory Package, the Company has granted moratorium on the payment of instalments falling due between March 1, 2020 and August 31, 2020 to the eligible borrowers. For the purpose of asset classification on all such accounts, the number of days past due as on September 30, 2020 excludes the moratorium period to the respective borrower, as per the Group's policy.

9 Estimation of uncertainty relating to COVID-19 global health pandemic:
In assessing the recoverability of loans, receivables, intangible assets (including Goodwill) and investments, the L&T Financial Services Group has considered internal and external sources of information, including credit reports, economic forecasts and industry reports upto the date of approval of these consolidated financial results. The Group has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the Group expects to recover the carrying amount of these assets. The Group has developed estimates and applied management overlays for the purpose of determination of the provision for impairment of financial assets. Given the uncertainty over the potential macro-economic condition and external developments including the final decision of the Honourable Supreme Court of India in relation to moratorium and other related matters, the eventual outcome of impact of the aforesaid factors may be different from those estimated as on the date of approval of these consolidated financial results and the Group will continue to monitor any material changes to the future economic conditions, which will be given effect to in the respective future period.

The Honourable Supreme Court of India (Hon'ble SC), in a public interest litigation (Gajendra Sharma vs. Union of India & Anr), vide an interim order dated September 3, 2020 ('interim order), directed that borrowers who were not declared Non Performing Assets (NPA) till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the lending entities of the Group have not classified any borrowers as NPA from August 31, 2020 as per RBI Prudential norms. However, provision for such borrowers have been made appropriately considering them as Stage 3 assets in accordance with Company's Expected Credit Loss Policy.

10 The Code on Social Security, 2020 (the "Code") has been enacted. The date of coming into force of the various provisions of the Code is to be notified and the rules thereunder are yet to be announced. The potential impact of the change will be estimated and accounted in the period of notification.

11 During the quarter ended September 30, 2020, the Central Board of Direct Taxes ("CBDT") notified L&T Infra Debt Fund Limited as an Infrastructure Debt Fund under section 10(47) of the Income Tax Act, 1961 for the assessment year 2018-19 and subsequent assessment years. This notification entitles the Company to exemption of its income from income tax on and from the assessment year 2018-19. The Company has also applied to the CBDT to give effect to the notification under section 10(47) retrospectively from the financial year 2013-14 (i.e. the year in which it received RBI registration as NBFC-IDF) on the basis that it had complied with the applicable guidelines during that period as well. Pending approval, a provision of ₹ 23.32 crore has been held for earlier assessment years. The contingent liability in respect of the earlier years is ₹ 35.65 crore.

12 The Company, during the quarter and six months ended September 30, 2020 has allotted 1,680,992 and 1,698,992 equity shares respectively of ₹10 each, fully paid up, on exercise of options by employees, in accordance with the Company's Employee Stock Option Scheme(s).

13 Consolidated segment wise revenue, result, total assets and total liabilities in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

(₹ in Crore)

Sr. No.	Particulars	Quarter ended			Six months ended		Year ended
		September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Gross segment revenue from continuing operations						
(a)	Rural finance	1,320.78	1,337.58	1,272.22	2,658.36	2,512.10	5,308.80
(b)	Housing finance	866.36	858.37	848.70	1,724.73	1,728.42	3,366.42
(c)	Infrastructure finance	1,009.82	997.20	1,175.60	2,007.02	2,288.34	4,385.01
(d)	Defocused business	108.80	119.45	186.49	228.25	436.28	665.70
(e)	Others	142.47	120.65	176.74	263.12	326.73	1,027.24
	Segment revenue from continuing operations	**3,448.23**	**3,433.25**	**3,659.75**	**6,881.48**	**7,291.87**	**14,753.17**
	Less: Inter segment revenue	(40.13)	(46.19)	(48.44)	(86.32)	(86.02)	(577.67)
	Revenue as per the statement of profit and loss	**3,408.10**	**3,387.06**	**3,611.31**	**6,795.16**	**7,205.85**	**14,175.50**
	Segment result (Profit/(loss) before tax)						
(a)	Rural finance	51.33	123.19	344.68	174.52	689.00	1,225.87
(b)	Housing finance	132.80	12.85	257.23	145.65	537.45	871.13
(c)	Infrastructure finance	93.95	22.68	201.63	116.63	533.06	919.45
(d)	Defocused business	19.54	(304.10)	(95.75)	(284.56)	(354.18)	(554.87)
(e)	Others	31.41	244.64	48.50	276.05	93.59	218.50
	Profit before tax	**329.03**	**99.26**	**756.29**	**428.29**	**1,498.92**	**2,680.08**
	Segment assets						
(a)	Rural finance	28,741.17	28,442.49	27,041.06	28,741.17	27,041.06	28,491.28
(b)	Housing finance	30,642.50	30,693.14	28,580.65	30,642.50	28,580.65	30,410.87
(c)	Infrastructure finance	41,465.60	42,617.05	39,300.41	41,465.60	39,300.41	41,705.39
(d)	Defocused business	4,278.10	4,946.19	7,066.24	4,278.10	7,066.24	5,230.76
(e)	Others *	12,694.77	12,484.26	11,927.54	12,694.77	11,927.54	12,878.62
	Sub total	**1,17,822.14**	**1,19,183.13**	**1,13,915.90**	**1,17,822.14**	**1,13,915.90**	**1,18,716.92**
	Less: Inter segment assets	(11,128.28)	(11,703.70)	(10,874.66)	(11,128.28)	(10,874.66)	(11,548.39)
	Segment assets	**1,06,693.86**	**1,07,479.43**	**1,03,041.24**	**1,06,693.86**	**1,03,041.24**	**1,07,168.53**
(f)	Unallocated	2,737.33	2,493.75	1,964.92	2,737.33	1,964.92	2,360.49
	Total assets	**1,09,431.19**	**1,09,973.18**	**1,05,006.16**	**1,09,431.19**	**1,05,006.16**	**1,09,529.02**

(₹ in Crore)

Sr. No.	Particulars	Quarter ended			Six months ended		Year ended
		September 30, 2020	June 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019	March 31, 2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Segment liabilities **						
(a)	Rural finance	24,861.98	24,580.34	23,269.27	24,861.98	23,269.27	24,613.00
(b)	Housing finance	26,797.53	26,948.52	24,886.16	26,797.53	24,886.16	26,631.96
(c)	Infrastructure finance	36,011.50	37,289.37	35,371.12	36,011.50	35,371.12	36,435.59
(d)	Defocused business	3,696.19	4,389.37	6,009.54	3,696.19	6,009.54	4,489.67
(e)	Others *	3,596.43	3,368.69	3,163.88	3,596.43	3,163.88	3,987.22
	Sub total	**94,963.63**	**96,576.29**	**92,699.97**	**94,963.63**	**92,699.97**	**96,157.44**
	Less: Inter segment liabilities	(1,090.70)	(1,607.86)	(1,706.49)	(1,090.70)	(1,706.49)	(1,429.19)
	Segment liabilities	**93,872.93**	**94,968.43**	**90,993.48**	**93,872.93**	**90,993.48**	**94,728.25**
(f)	Unallocated	403.29	123.91	31.84	403.29	31.84	108.35
	Total liabilities	**94,276.22**	**95,092.34**	**91,025.32**	**94,276.22**	**91,025.32**	**94,836.60**

* Includes group of assets and liabilities classfied as held for sale
** Including non controlling interest

(i) The Group has reported segment information as per Indian Accounting Standard 108 "Operating Segments" (Ind AS 108) read with SEBI circular dated July 5, 2016. The identification of operating segments is consistent with performance assessment and resource allocation by the management.

(ii) Segment composition :
Rural finance comprises of Farm Equipment Finance, Two Wheeler Finance, Micro Loans and Consumer Finance.
Housing finance comprises of Home Loans, Loan against Property and Real Estate Finance.
Infrastructure finance comprises of Infrastructure business.
Defocused Business comprises of Structured Corporate Loans, Debt Capital Market, Commercial Vehicle Finance, Construction Equipment Finance, SME term loans and Leases.
Others comprises of Asset Management, Wealth Management etc.
Unallocated represents tax assets and tax liabilities

14 Previous period/year figures have been regrouped/reclassified to make them comparable with those of current period.

For and on behalf of the Board of Directors
L&T Finance Holdings Limited

Dinanath Dubhashi
Managing Director & Chief Executive Officer
(DIN :03545900)

Place : Mumbai
Date : October 22, 2020

DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Indiabulls Finance Centre, Tower 3
27th – 32nd Floor, Senapati Bapat Marg
Elphinstone Road (West)
Mumbai 400013.

B. K. KHARE & CO.
Chartered Accountants
706/708, Sharda Chambers
New Marine Lines
Mumbai 400004.

INDEPENDENT AUDITOR'S REPORT
To The Mem ers of L&T Finan e Holdin s Limited
Report on the Audit of the Consolidated Finan ial Statements

Opinion

We have audited the accompanying consolidated financial statements of **L&T Finan e Holdin s Limited** ("the Parent") and its subsidiaries, (the Parent and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2020, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of the other auditors on separate financial statements of the subsidiaries referred to in the Other Matters section below, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ('Ind AS') and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, and their consolidated profit, their consolidated total comprehensive income, their consolidated cash flows and their consolidated changes in equityfor the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing specified under section 143 (10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in the sub-paragraphs (a) of the Other Matters section below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

As more fully described in note 54 to the consolidated financial statements, to assess the recoverability of certain assets, the Company has considered internal and external information upto the date of the consolidated financial statements in respect of the current and estimated future global economic indicators consequent to the global health pandemic. The actual impact of the pandemic may be different from that considered in assessing the recoverability of these assets.

Our report is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	**Key Audit Matter**	**Auditor's Response**
1	Impairment of goodwill on consolidation: The Group's Goodwill may be impaired due to the inherent uncertainty involved in forecasting and discounting future cash flows, determination of discount and terminal growth rates, which are the basis of the assessment of recoverability. These are the key judgement areas for our audit. The Group annually carries out an impairment assessment of goodwill using a value-in-use model which is based on the net present value of the forecast earnings of the cash-generating units. This is calculated using certain assumptions around discount rates, growth rates and cashflow forecasts.	Principal audit procedure performed – Obtained an understanding of Management's processes and controls with regard to testing the goodwill for impairment. Compared the Group's assumptions with comparable benchmarks in relation to key inputs such as long-term growth rates and discount rates. Assessed the appropriateness of the forecast cash flows within the budgeted period based on their understanding of the business and sector experience. Considered historical forecasting accuracy, by comparing previously forecasted cash flows to actual results achieved. Performed a sensitivity analysis in relation to key assumptions
2	**Allo an es for E pe ted Credit Losses** (Refer Note 1, 6 and 50 to the Consolidated financial statements) As at March 31, 2020, loan assets aggregated Rs. 96,308.29 crore, constituting 84% of the Company's total assets. Of these, loan assets aggregating Rs. 71, 209.82 crore are measured at amortised cost.	**Prin ipal audit pro edures** We have examined the policies approved by the Board of Directors of the Company that articulate the objectives of managing each portfolio and their business models (including policies for sale out of amortised cost business model). We have also verified the methodology adopted for computation of ECL ("ECL Model") that addresses policies approved by the Board

Sr. No.	Key Audit Matter	Auditor's Response
	Significant judgement is used in classifying these loan assets and applying appropriate measurement principles. The allowance for expected credit losses ("ECL") on such loan assets measured at amortised cost is a critical estimate involving greater level of management judgement. As part of our risk assessment, we determined that the allowance for ECL on loan assets (including undisbursed commitments) has a high degree of estimation uncertainty, with a potential range of reasonable outcomes for the financial statements. The elements of estimating ECL which involved increased level of audit focus are the following: Qualitative and quantitative factors used in staging the loan assets measured at amortised cost. Basis used for estimating Probabilities of Default ("PD"), Basis used for estimating Loss Given Default ("LGD") Judgements used in projecting economic scenarios and probability weights applied to reflect future economic conditions. Adjustments to model driven ECL results to address emerging trends.	of Directors, procedures and controls for assessing and measuring credit risk on all lending exposures measured at amortised cost. Additionally, we have confirmed that adjustments to the output of the ECL Model is consistent with the documented rationale and basis for such adjustments and that the amount of adjustment has been approved by the Audit Committee of the Board of Directors Our audit procedures related to the allowance for ECL included the following, among others: • Testing the design and effectiveness of internal controls over the: – completeness and accuracy of the Exposure at Default ("EAD") and the classification thereof into stages consistent with the definitions applied in accordance with the policy approved by the Board of Directors including the appropriateness of the qualitative factors to be applied. – Completeness, accuracy and appropriateness of information used in the estimation of the PD and LGD for the different stages depending on the nature of the portfolio; and – computation of the ECL including methodology used to determine macro economic overlays and adjustments to the output of the ECL Model. • Also, for a sample of ECL on loan assets tested: – we tested the input data such as ratings and period of default and other related information used in estimating the PD; – we evaluated reasonableness of LGD estimates by comparing actual recoveries post the loan asset becoming credit impaired with estimates of LGD. – we evaluated the incorporation of the applicable assumptions into the ECL Model and tested the mathematical accuracy and

Sr. No.	Key Audit Matter	Auditor's Response
		computation of the allowances by using the same input data used by the Company. • We also tested the adequacy of the adjustment after stressing the inputs used in determining the output as per the ECL Model and ensured that the adjustment was in conformity with the amount approved by the Audit Committee. We also assessed the disclosures made in relation to the ECL allowance to confirm compliance with the provisions of Ind AS 107.

Information Other than the Finan ial Statements and Auditor's Report Thereon

The Parent's Board of Directors is responsible for the other information. The other information comprises the information included in the Board of Director' report and its annexures, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information, compare with the financial statements of the subsidiaries audited by the other auditors, to the extent it relates to these entities and, in doing so, place reliance on the work of the other auditors and consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated. Other information so far as it relates to the subsidiaries, is traced from their financial statements audited by the other auditors.

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.**Error Boo mar not defined.**

Mana ement's Responsi ility for the Consolidated Finan ial Statements

The Parent's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsi ility for the Audit of the Consolidated Finan ial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Parent Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- 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 ability of the Group 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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the branches, entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the consolidated financial statements of which we are the independent auditors. For the other entities or business activities included in the consolidated financial statements, which have been audited by the other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent and such other entities included in the consolidated financial statements of which we are the independent auditors 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

Other Matters

(a) We did not audit the financial statements of 6 subsidiaries, whose financial statements reflect total assets of Rs.1,190.75 crore as at March 31, 2020, total revenues of Rs.521.35 crore and net cash outflows amounting to Rs. 1.85 crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of subsection (3) of Section

143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Le al and Re ulatory Re uirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of the reports of the other auditors on the separate financial statements of the subsidiaries referred to in the Other Matters section above we report, to the extent applicable 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 of the aforesaid consolidated financial statements.

   b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.

   c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cash Flows and the Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

   d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

   e) On the basis of the written representations received from the directors of the Parent as on March 31, 2020 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of its subsidiary companies, none of the directors of the Group companies is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

   f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditors' reports of the Parent and subsidiary companies. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting of those companies.

   g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Parent to its directors during the year is in accordance with the provisions of section 197 of the Act.

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

i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.

ii) The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.

iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Parent and its subsidiary companies.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rupen K. Bhatt
(Partner)
(Membership No. 046930)
(UDIN:20046930AAAABU4567)
Mumbai, May 29, 2020

For B. K. KHARE & CO.
Chartered Accountants
(Firm's Registration No. 105102W)

Shirish Rahalkar
(Partner)
(Membership No. 111212)
(UDIN:20111212AAAAIO8003)
Mumbai, May 29, 2020

ANNE URE A TO THE INDEPENDENT AUDITOR'S REPORT
Referred to in para raph f under Report on Other Le al and Re ulatory Re uirements' se tion of our report of e en date

Report on the Internal Finan ial Controls O er Finan ial Reportin under Clause i of Su se tion of Se tion of the Companies A t the A t

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2020, we have audited the internal financial controls over financial reporting of L&T Finance Holdings Limited (hereinafter referred to as "the Parent") and its subsidiary companies, as of that date.

Mana ement's Responsi ility for Internal Finan ial Controls

The respective Board of Directors of the Parent, its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsi ility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent, its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by other auditors of the subsidiary companies, which are companies incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent, its subsidiary companies, which are companies incorporated in India.

Meanin of Internal Finan ial Controls O er Finan ial Reportin

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

Inherent Limitations of Internal Finan ial Controls O er Finan ial Reportin

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

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors referred to in the Other Matters paragraph below, the Parent and its subsidiary companies, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2020, based on the criteria for internal financial control over financial reporting established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 6 subsidiary companies, which are companies incorporated in India, is based solely on the corresponding reports of the auditors of such companies incorporated in India.

Our opinion is not modified in respect of the above matters.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)

Rupen K. Bhatt
(Partner)
(Membership No. 046930)
(UDIN:20046930AAAABU4567)
Mumbai, May 29, 2020

For B. K. KHARE & CO.
Chartered Accountants
(Firm's Registration No. 105102W)

Shirish Rahalkar
(Partner)
(Membership No. 111212)
(UDIN:20111212AAAAIO8003)
Mumbai, May 29, 2020

L&T Finance Holdings Limited
Consolidated Balance Sheet as at March 31, 2020

₹ in Crore

	Particulars	Note	As at March 31, 2020	As at March 31, 2019
	ASSETS			
1	**Financial assets**			
	(a) Cash and cash equivalents	2	5,598.69	1,826.65
	(b) Bank balance other than (a) above	3	2,205.71	47.50
	(c) Derivative financial instruments	4	155.06	7.20
	(d) Receivables	5		
	(I) Trade receivables		64.74	106.37
	(II) Other receivables		19.31	10.63
	(e) Loans	6	91,462.50	91,324.63
	(f) Investments	7	5,979.27	8,640.81
	(g) Other financial assets	8	91.97	126.29
			1,05,577.25	**1,02,090.08**
2	**Non-financial assets**			
	(a) Current tax assets (net)		901.24	642.97
	(b) Deferred tax assets (net)	44	1,452.97	1,777.15
	(c) Investment property	9	311.01	367.66
	(d) Property, plant and equipment	10	47.91	67.69
	(e) Intangible assets under development	10	62.04	38.65
	(f) Goodwill on consolidation		636.71	638.91
	(g) Other intangible assets	10	70.44	53.04
	(h) Right of use asset	11, 41	34.00	-
	(i) Other non-financial assets	12	340.95	378.95
			3,857.27	**3,965.02**
3	Group of asset classified as held for sale	43	**94.50**	**-**
	Total assets		**1,09,529.02**	**1,06,055.10**
	LIABILITIES AND EQUITY			
	LIABILITIES			
1	**Financial liabilities**			
	(a) Payables	13		
	(I) Trade payables			
	(i) total outstanding dues of micro enterprises and small enterprises		-	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		64.84	120.05
	(II) Other payables			
	(i) total outstanding dues of micro enterprises and small enterprises		-	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		0.80	16.12
	(b) Debt securities	14	43,992.31	51,268.31
	(c) Borrowings (other than debt securities)	15	44,523.00	35,785.15
	(d) Subordinated liabilities	16	5,379.18	4,453.52
	(e) Lease Liability	41	39.58	-
	(f) Other financial liabilities	17	444.07	569.22
			94,443.78	**92,212.37**
2	**Non-Financial Liabilities**			
	(a) Current tax liabilities (net)		107.89	33.51
	(b) Provisions	18	41.27	42.04
	(c) Deferred tax liabilities (net)	44	0.46	5.19
	(d) Other non-financial liabilities	19	13.03	91.13
			162.65	**171.87**
3	Group of liabilities classified as held for sale	43	**9.96**	**-**
4	**EQUITY**			
	(a) Equity share capital	20	2,004.83	1,998.81
	(b) Other equity	21	12,687.59	11,449.79
	Equity attributable to owners of the Company		**14,692.42**	**13,448.60**
5	Non-controlling interest		**220.21**	**222.26**
	Total liabilities and equity		**1,09,529.02**	**1,06,055.10**

Significant accounting policies 1
See accompanying notes forming part of the consolidated financial statements 2 to 58

In terms of our report attached,
For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Rupen K. Bhatt
Partner

Place : Mumbai
Date : May 29, 2020

In terms of our report attached,
For B. K. KHARE & CO.
Chartered Accountants

Shirish Rahalkar
Partner
Membership no. 111212

Place : Mumbai
Date : May 29, 2020

For and on behalf of the Board of Directors of
L&T FINANCE HOLDINGS LIMITED

S. V. Haribhakti
Non-Executive Chairman
(DIN: 00007347)

Dinanath Dubhashi
Managing Director &
Chief Executive Officer
(DIN: 03545900)

Apurva Rathod
Company Secretary

Sachinn Joshi
Chief Financial Officer

Place : Mumbai
Date : May 15, 2020

L&T Finance Holdings Limited
Consolidated Statement of Profit and Loss for the year ended March 31, 2020

₹ in Crore

	Particulars	Note	Year ended March 31, 2020	Year ended March 31, 2019
	Revenue from operations			
(i)	Interest income	22	13,244.74	11,640.28
(ii)	Dividend income	23	0.12	0.21
(iii)	Rental income	24	9.03	18.84
(iv)	Fees and commission income	25	812.39	1,274.73
(v)	Net gain on fair value changes	26	109.22	55.66
I	**Total revenue from operations**		**14,175.50**	**12,989.72**
II	Other income	27	372.63	311.80
III	**Total income (I + II)**		**14,548.13**	**13,301.52**
	Expenses			
(i)	Finance costs	28	7,513.60	6,860.03
(ii)	Fees and commission expense	29	17.51	325.71
(iii)	Net loss on fair value changes	30	107.53	383.16
(iv)	Net loss on derecognition of financial instruments under amortised cost category	31	274.22	384.01
(v)	Impairment on financial instruments	32	1,994.19	700.88
(vi)	Employee benefits expenses	33	1,062.32	824.73
(vii)	Depreciation, amortization and impairment	34	81.59	49.62
(viii)	Other expenses	35	817.09	721.40
IV	**Total expenses (IV)**		**11,868.05**	**10,249.54**
V	**Profit before exceptional items and tax (III - IV)**		**2,680.08**	**3,051.98**
VI	Exceptional items		-	-
VII	**Profit before tax (V - VI)**		**2,680.08**	**3,051.98**
VIII	**Tax expense**			
(i)	Current tax	36	632.50	749.49
(ii)	Deferred tax	36	(126.06)	70.46
(iii)	Reversal of deferred tax assets on account of change in tax rate	36	473.38	-
IX	**Profit after tax (VII -VIII)**		**1,700.26**	**2,232.03**
X	Share in profit of associates		-	-
XI	**Profit after tax and share in profit of associate company (IX+X)**		**1,700.26**	**2,232.03**
	Profit for the year attributable to:			
	Owners of the company		1,700.17	2,226.30
	Non-controlling interest		0.09	5.73
XII	**Other comprehensive income**			
A	**Items that will not be reclassified to profit or loss**			
	(a) Remeasurements of the defined benefit plans (net of tax)		(4.59)	(1.50)
	(b) Equity Instruments through Other Comprehensive Income		(56.16)	-
B	**Items that will be reclassified to profit or loss**			
	(a) Change in fair value of debt instruments measured at fair value through other comprehensive income		0.16	(0.68)
	(b) The effective portion of gains and loss on hedging instruments in a cash flow hedge		(99.54)	-
	(d) Exchange differences in translating the financial statements of foreign operations (net)		0.77	(0.23)
	Other comprehensive income for the year attributable to:			
	Owners of the company		**(159.36)**	**(2.41)**
	Non-controlling interest		**-**	**-**
XIII	**Total comprehensive income (XI+XII)**		**1,540.90**	**2,229.62**
	Total comprehensive income for the year attributable to:			
	Owners of the company		1,540.81	2,223.89
	Non-controlling interest		0.09	5.73
XIV	**Earnings per equity share**	42		
	Basic (₹)		8.50	11.15
	Diluted (₹)		8.46	11.10

Significant accounting policies 1
See accompanying notes to the consolidated financial statements 2 to 58

In terms of our report attached,
For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Rupen K. Bhatt
Partner

Place : Mumbai
Date : May 29, 2020

In terms of our report attached,
For B. K. KHARE & CO.
Chartered Accountants

Shirish Rahalkar
Partner
Membership no. 111212

Place : Mumbai
Date : May 29, 2020

For and on behalf of the Board of Directors of
L&T FINANCE HOLDINGS LIMITED

S. V. Haribhakti
Non-Executive Chairman
(DIN: 00007347)

Dinanath Dubhashi
Managing Director &
Chief Executive Officer
(DIN: 03545900)

Apurva Rathod
Company Secretary

Sachinn Joshi
Chief Financial Officer

Place : Mumbai
Date : May 15, 2020

L&T Finance Holdings Limited
Consolidated statement of changes in equity for the year ended March 31, 2020

a. Equity share capital

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	(₹ in crore)	No. of Shares	(₹ in crore)
Issued, subscribed and fully paid up equity shares outstanding at the beginning of the year	1,99,88,12,360	1,998.81	1,99,56,76,960	1,995.68
Add: Shares issued during the year:				
- Against employee stock option	60,21,250	6.02	31,35,400	3.13
Issued, subscribed and fully paid up equity shares outstanding at the end of the year	**2,00,48,33,610**	**2,004.83**	**1,99,88,12,360**	**1,998.81**

b. Other equity

(₹ in crore)

Particulars	Reserve and surplus								
	Securities premium account	General reserve	Debenture redemption reserve	Capital reserve on consolidation	Reserve under section 36 (1)(viii) of Income tax Act, 1961	Reserve u/s 45-IC of Reserve Bank of India Act, 1934	Reserve under section 29C of National Housing Bank Act, 1987	Employee stock option outstanding account	Retained earnings
Balance as at April 1, 2018	5,039.39	88.18	422.45	492.36	587.15	1,401.35	15.56	63.63	1,300.94
Profit for the year (a)	-	-	-	-	-	-	-	-	2,226.30
Other comprehensive income, net of tax (b)	-	-	-	-	-	-	-	-	(1.50)
Total comprehensive income for the year (c)=(a)+(b)	-	-	-	-	-	-	-	-	2,224.80
Issue of equity shares	28.14	-	-	-	-	-	-	-	-
Share issue expenses	(1.29)	-	-	-	-	-	-	-	-
Employee share options (net)	-	-	-	-	-	-	-	58.37	-
Transfer to general reserve	-	29.33	(29.27)	-	-	-	-	(0.06)	-
Transfer to reserve u/s 45-IC of Reserve Bank of India Act, 1934	-	-	-	-	-	295.32	-	-	(295.32)
Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961	-	-	-	-	114.35	-	-	-	(114.35)
Transfer to reserve u/s 29C of National Housing Bank Act, 1987	-	-	-	-	-	-	11.87	-	(11.87)
Transfer to debenture redemption reserve	-	-	62.41	-	-	-	-	-	(62.41)
Dividend paid	-	-	-	-	-	-	-	-	(199.71)
Additional tax on dividend paid	-	-	-	-	-	-	-	-	(70.67)
Net gain/(loss) on transaction with non-controlling interest	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2019	5,066.24	117.51	455.59	492.36	701.50	1,696.67	27.43	121.94	2,771.41

Particulars	Items of other comprehensive income			Total Other Equity	Non-Controlling interest	Total
	Foreign currency translation reserve	Fair value changes of financial instrument measured at fair value through other comprehensive income	Effective portion of cash flow hedge			
Balance as at April 1, 2018	-	0.05	-	9,411.06	223.48	9,634.54
Profit for the year (a)	-	-	-	2,226.30	5.73	2,232.03
Other comprehensive income, net of tax (b)	(0.23)	(0.68)	-	(2.41)		(2.41)
Total comprehensive income for the year (c)=(a)+(b)	(0.23)	(0.68)	-	2,223.89	5.73	2,229.62
Issue of equity shares	-	-	-	28.14	-	28.14
Share issue expenses	-	-	-	(1.29)	-	(1.29)
Employee share options (net)	-	-	-	58.37	-	58.37
Transfer to general reserve	-	-	-	0.00	-	0.00
Transfer to reserve u/s 45-IC of Reserve Bank of India Act, 1934	-	-	-	-	-	-
Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961	-	-	-	-	-	-
Transfer to reserve u/s 29C of National Housing Bank Act, 1987	-	-	-	-	-	-
Transfer to debenture redemption reserve	-	-	-	-	-	-
Dividend paid	-	-	-	(199.71)	-	(199.71)
Additional tax on dividend paid				(70.67)	-	(70.67)
Net gain/(loss) on transaction with non-controlling interest	-	-	-	-	(6.95)	(6.95)
Balance as at March 31, 2019	(0.23)	(0.63)	-	11,449.79	222.26	11,672.05

L&T Finance Holdings Limited
Consolidated statement of changes in equity for the year ended March 31, 2020

b. Other Equity

(₹ in crore)

Particulars	Reserve and surplus								
	Securities premium account	General reserve	Debenture redemption reserve	Capital reserve on consolidation	Reserve under section 36 (1)(viii) of Income tax Act, 1961	Reserve u/s 45-IC of Reserve Bank of India Act, 1934	Reserve under section 29C of National Housing Bank Act, 1987	Employee stock option outstanding account	Impairment Reserve
Balance as at March 31, 2019	5,066.24	117.51	455.59	492.36	701.50	1,696.67	27.43	121.94	-
Transaction Impact due to IND AS 116	-	-	-	-	-	-	-	-	-
Balance as at April 1, 2019	5,066.24	117.51	455.59	492.36	701.50	1,696.67	27.43	121.94	-
Profit for the year (a)	-	-	-	-	-	-	-	-	-
Other comprehensive income, net of tax (b)	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year (c)=(a)+(b)	-	-	-	-	-	-	-	-	-
Issue of equity shares	60.93	-	-	-	-	-	-	-	-
Share issue expenses	(0.66)	-	-	-	-	-	-	-	-
Employee share options (net)	-	-	-	-	-	-	-	61.40	-
Transfer to general reserve	-	36.34	(34.27)	-	-	-	-	(2.07)	-
Transfer to reserve u/s 45-IC of Reserve Bank of India Act, 1934	-	-	-	-	-	225.06	-	-	15.82
Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961	-	-	-	-	80.75	-	-	-	-
Transfer to debenture redemption reserve	-	102.12	(102.12)	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-
Additional tax on dividend paid	-	-	-	-	-	-	-	-	-
Net gain/(loss) on transaction with non-controlling interest	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2020	5,126.51	255.97	319.20	492.36	782.25	1,921.73	27.43	181.27	15.82

Particulars	Reserve and surplus	Items of other comprehensive income				Total Other Equity	Non-Controlling interest	Total
	Retained earnings	Foreign currency translation reserve	Change in fair value of equity instruments measured at fair value through other comprehensive income	Fair value changes of financial instrument measured at fair value through other comprehensive income	Effective portion of cash flow hedge			
Balance as at March 31, 2019	2,771.41	(0.23)	-	(0.63)	-	11,449.79	222.26	11,672.05
Transaction Impact due to IND AS 116	(2.35)	-	-	-	-	(2.35)	-	(2.35)
Balance as at April 1, 2019	2,769.06	(0.23)	-	(0.63)	-	11,447.44	222.26	11,669.70
Profit for the year (a)	1,700.17	-	-	-	-	1,700.17	0.09	1,700.26
Other comprehensive income, net of tax (b)	(4.59)	0.77	(56.16)	0.16	(99.54)	(159.36)	-	(159.36)
Total comprehensive income for the year (c)=(a)+(b)	1,695.58	0.77	(56.16)	0.16	(99.54)	1,540.81	0.09	1,540.90
Issue of equity shares	-	-	-	-	-	60.93	-	60.93
Share issue expenses	-	-	-	-	-	(0.66)	-	(0.66)
Employee share options (net)	-	-	-	-	-	61.40	-	61.40
Transfer to general reserve	-	-	-	-	-	0.00	-	0.00
Transfer to reserve u/s 45-IC of Reserve Bank of India Act, 1934	(240.88)	-	-	-	-	-	-	-
Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961	(80.75)	-	-	-	-	-	-	-
Transfer to debenture redemption reserve	-	-	-	-	-	-	-	-
Dividend paid	(380.48)	-	-	-	-	(380.48)	-	(380.48)
Additional tax on dividend paid	(41.85)	-	-	-	-	(41.85)	-	(41.85)
Net gain/(loss) on transaction with non-controlling interest	-	-	-	-	-	-	(2.14)	(2.14)
Balance as at March 31, 2020	3,720.68	0.54	(56.16)	(0.47)	(99.54)	12,687.59	220.21	12,907.80

Significant accounting policies 1
See accompanying notes forming part of the financial statements 2 to 58

In terms of our report attached,
For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Rupen K. Bhatt
Partner

Place : Mumbai
Date : May 29, 2020

In terms of our report attached,
For B. K. KHARE & CO.
Chartered Accountants

Shirish Rahalkar
Partner
Membership no. 111212

Place : Mumbai
Date : May 29, 2020

For and on behalf of the Board of Directors of
L&T FINANCE HOLDINGS LIMITED

S. V. Haribhakti
Non-Executive Chairman
(DIN: 00007347)

Dinanath Dubhashi
Managing Director & Chief Executive Officer
(DIN: 03545900)

Apurva Rathod
Company Secretary

Sachinn Joshi
Chief Financial Officer

Place : Mumbai
Date : May 15, 2020

L&T Finance Holdings Limited

Consolidated statement of cash flows for the year ended March 31, 2020

₹ in Crore

Particulars		Year ended March 31, 2020	Year ended March 31, 2019
A. Cash flow from operating activities			
Profit before tax		2,680.08	3,051.98
Adjustment for:			
Depreciation, amortization and impairment		81.59	49.62
Loss on sale of property, plant and equipment (net)		0.32	7.46
Fair value change in loan asset		91.96	49.02
Net fair value (gain)/ loss on financial instruments		(104.67)	257.27
Net loss on derecognition of financial instruments under amortised cost category		274.22	384.01
Impairment on Financial Instruments		1,994.19	700.88
Share based payment to employees		88.63	68.16
Operating profit before working capital changes		5,106.32	4,568.40
Changes in working capital			
(Increase)/decrease in financial and non-financial assets		62.35	(21.04)
Increase/(decrease) in financial and non-financial liabilities		49.09	(27.28)
Cash generated from operations			
Direct taxes paid		(817.13)	(795.60)
Loans disbursed (net of repayments)		(2,238.87)	(15,367.93)
Net cash flow generated from/(used) in operating activities	**(A)**	**2,161.76**	**(11,643.45)**
B. Cash flows from investing activities			
Add: Inflow from investing activities			
Proceeds from sale of property, plant and equipment		25.78	11.33
Proceed from sale of Investments		40,918.86	1,23,016.63
Less: Outflow from investing activities			
Purchase of property, plant and equipment[1]		(79.71)	(91.20)
Investment in other bank balance in investing activities		(2,154.77)	-
Purchase of Investments		(38,550.64)	(1,26,524.17)
Net cash flow generated from/(used) in investing activities	**(B)**	**159.52**	**(3,587.41)**
C. Cash flows from financing activities			
Add: Inflow from financing activities			
Proceeds from issue of share capital including security premium on account of employee stock options		39.70	21.50
Proceeds from issue of preference share capital		874.10	250.00
Proceeds from borrowings		55,399.26	43,173.22
Less: Outflow from financing activities			
Payment to non-controlling interests		(2.14)	(6.95)
Share issue expenses		(0.66)	(1.29)
Dividend paid (including dividend distribution tax)		(484.13)	(270.38)
Repayment of borrowing		(54,191.20)	(26,907.92)
Redemption of preference shares		(184.40)	(250.00)
Net cash generated from financing activities	**(C)**	**1,450.53**	**16,008.19**
Net increase in cash and cash equivalents	**(A + B + C)**	**3,771.81**	**777.33**
Cash and cash equivalents as at beginning of the year		1,826.65	1,049.39
Exchange difference on translation of foreign currency cash and cash equivalents		0.23	(0.07)
Cash and cash equivalents as at end of the year		**5,598.69**	**1,826.65**

Notes:

1. Purchase of property, plant and equipment represents additions to property, plant and equipment and other intangible assets adjusted for movement of (a)
2. Net cash used in operating activity is determined after adjusting the following:

₹ in crore

	Year ended March 31, 2020	Year ended March 31, 2019
Interest received	12,699.80	11,051.55
Interest paid	7,024.44	6,848.01

Significant accounting policies	1
See accompanying notes to the financial statements	2 to 58

In terms of our report attached,
For DELOITTE HASKINS & SELLS LLP
Chartered Accountants

Rupen K. Bhatt
Partner

Place : Mumbai
Date : May 29, 2020

In terms of our report attached,
For B. K. KHARE & CO.
Chartered Accountants

Shirish Rahalkar
Partner
Membership no. 111212

Place : Mumbai
Date : May 29, 2020

For and on behalf of the Board of Directors of
L&T FINANCE HOLDINGS LIMITED

S. V. Haribhakti
Non-Executive Chairman
(DIN: 00007347)

Dinanath Dubhashi
Managing Director & Chief Executive Officer
(DIN: 03545900)

Apurva Rathod
Company Secretary

Sachinn Joshi
Chief Financial Officer

Place : Mumbai
Date : May 15, 2020

1. Significant Accounting Policies:

1.1 Statement of compliance:

The Consolidated financial statements of L&T Finance Holdings Limited (the Company) and its subsidiaries and associates (together the Group) have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) issued by Ministry of Corporate Affairs in exercise of the powers conferred by section 133 read with sub-section (1) of section 210A of the Companies Act, 2013. In addition, the applicable regulations of Reserve Bank of Indi (RBI) /National Housing Bank (NHB) and the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied.

1.2 Basis of preparation:

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Fair value measurements under Ind AS are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at reporting date

Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the valuation of assets or liabilities

1.3 Presentation of financial statements:

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Division III of Schedule III to the Companies Act, 2013 (the Act) applicable for Non-Banking Finance Companies (NBFC). The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 Statement of Cash Flows . The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of the financial statements along with the other notes required to be disclosed under the notified accounting Standards and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Amounts in the financial statements are presented in Indian Rupees in Crore rounded off to two decimal places as permitted by Schedule III to the Companies Act, 2013. Per share data are presented in Indian Rupee to two decimal places.

1.4 Basis of consolidation:

a) The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries. For this purpose, an entity which is, directly or indirectly, controlled by the Parent Company is treated as subsidiary. The Parent Company together with its subsidiaries constitute the Group. Control is achieved when the Group, directly or indirectly:
   - has power over the investee.
   - is exposed, or has rights, to variable returns from its involvement with the investee and
   - has the ability to use its power to affect its returns.

b) The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

c) Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests (NCI) and have been shown separately in the financial statements. Total comprehensive income of the subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

d) here necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group s accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the Parent Company.
e) All intragroup assets and liabilities, equity, income, expenses, unrealised profits/losses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.
f) The consolidated financial statements of the Group combine financial statements of the Parent Company and its subsidiaries line-by-line by adding together the like items of assets, liabilities, income and expenses.
g) Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.

1.5 Investments in associates:

An Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using equity method of accounting. nder the equity method, an investment in associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group s share of profit or loss and other comprehensive income of the associate. Distributions received from an associate reduce the carrying amount of the investment. hen the Group s share of losses of an associate exceeds the Group s interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The carrying amount of investment in associates is reduced to recognize impairment, if any, when there is objective evidence of impairment.

1.6 Business combinations:

The Group accounts for its business combinations under acquisition method of accounting. Acquisition related costs are recognised in profit or loss as incurred. The acquiree s identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, which are recognised and measured in accordance with Ind AS 12- Income taxes and Ind AS 19- Employee benefits, respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of non-controlling interest in the aquiree, and the fair value of acquirer s previously held equity instrument in the aquiree (if any) over the net of acquisition date fair value of identifiable assets acquired and liabilities assumed. here the fair value of identifiable assets and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interest s proportionate share of the acquiree s identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis.

1.7 Goodwill:

Goodwill on consolidation as on the date of transition represents the excess of cost of acquisition at each point of time of making the investment in the subsidiary over the Group s share in the net worth of a subsidiary. For this purpose, the Group s share of net worth is determined on the basis of the latest financial statements, prior to the acquisition, after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital reserve on consolidation represents excess of the Group s share in the net worth of a subsidiary over the cost of acquisition at each point of time of making the investment in the subsidiary. Goodwill arising on consolidation is not amortised, however, it is tested for impairment annually. In the event of cessation of operations of a subsidiary, the unimpaired goodwill is written off fully.

For the purposes of impairment testing, goodwill is allocated to each of the Group s cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.8 Non-current assets held for sale:

Non-current assets and disposal groups are classified as held for sale if their carrying amount is intended to be recovered principally through a sale (rather than through continuing use) when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group) and the sale is highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

1.9 Financial instruments:

Financial assets and financial liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at F TPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at F TPL are recognised immediately in profit or loss.

A financial asset and a financial liability is offset and presented on net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously:

(i) Financial assets:

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group s business model for managing the asset.

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

The Group has more than one business model for managing its financial instruments which reflect how the Group manages its financial assets in order to generate cash flows. The Group s business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However, this assessment is performed on the basis of scenarios that the Group reasonably expects to occur and not so-called worst case or stress case scenarios. The Group takes into account all relevant evidence available such as:

how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity s key management personnel and
the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group s financial assets.

The Group considers sale of financial assets measured at amortised cost portfolio as consistent with a business model whose objective is to hold financial assets in order to collect contractual cash flows if these sales are

due to an increase in the assets credit risk or
due to other reasons such as sales made to manage credit concentration risk (without an increase in the assets credit risk) and are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

In addition, the Group also considers sale of such financial assets as consistent with the objective of holding financial assets in order to collect contractual cash flows if the sale is made close to the maturity of the financial assets and the proceeds from sale approximate the collection of the remaining contractual cash flows.

(a) Financial assets at amortised cost:
Financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at fair value through other comprehensive income (FVTOCI):
Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to sole payments of principal and interest on the principal amount outstanding and by selling financial assets.

(c) Financial assets at fair value through profit or loss (FVTPL):
Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

Investments in equity instruments are classified as F TPL, unless the related instruments are not held for trading and the Group irrevocably elects on initial recognition of financial asset on an asset-by-asset basis to present subsequent changes in fair value in other comprehensive income.

(d) Debt instruments at amortised cost or at FVTOCI:
For an asset to be classified and measured at F TOCI, the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and the contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that are subsequently measured at amortised cost or at F TOCI are subject to impairment.

(e) De-recognition:

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily de-recognised when:

The rights to receive cash flows from the asset have expired, or
The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

(ii) Financial liabilities:

a) Financial liabilities, including derivatives, which are designated for measurement at F TPL are subsequently measured at fair value. Financial guarantee contracts are subsequently measured at the amount of impairment loss allowance or the amount recognised at inception net of cumulative amortisation, whichever is higher.

   All other financial liabilities including loans and borrowings are measured at amortised cost using Effective Interest Rate (EIR) method.

b) A financial liability is derecognised when the related obligation expires or is discharged or cancelled.

1.10 Impairment:

The Group recognises loss allowances for ECLs on the following financial instruments that are not measured at F TPL:
Loans and advances to customers
Debt investment securities
Trade and other receivable
Lease receivables
Irrevocable loan commitments issued and
Financial guarantee contracts issued

Credit-impaired financial assets:

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

significant financial difficulty of the borrower or issuer
a breach of contract such as a default or past due event
the lender of the borrower, for economic or contractual reasons relating to the borrower s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider
the disappearance of an active market for a security because of financial difficulties or
the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortised cost or F TOCI are credit-impaired at each reporting date. To assess if corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower s financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for more than 90 days. The 90-day criterion is applicable unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate**.**

Definition of default:
Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Group: or
- the borrower is unlikely to pay its credit obligations to the Group in full.

The forbearance granted to borrowers in accordance with CO ID 19 Regulatory Package notified by the Reserve Bank of India (RBI) is excluded in determining the period of default (Days Past Due) in the assessment of default.

hen assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. uantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources. The definition of default is applied consistently to all financial assets unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial asset.

ith the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1) or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition (and consequently to credit impaired financial assets). For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset s EIR.

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics.

Significant increase in credit risk:
The Group monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group s historical experience and expert credit assessment.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the Probability of Default will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when loan asset not being a corporate loans becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL in respect of all retail assets. In respect of the corporate loan assets, shifting to Stage 2 has been rebutted using historical evidence from own portfolio to a threshold of 60 days past due, which is reviewed annually.

Purchased or originated credit impaired (POCI) financial assets:
POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

1.11 rite off:
Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group s enforcement activities will result in impairment gains.

1.12 Modification and derecognition of financial assets:
A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan may constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

hen a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group s policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers the following:

a) ualitative factors, such as contractual cash flows after modification are no longer SPPI,
b) Change in currency or change of counterparty,
c) The extent of change in interest rates, maturity, covenants.

If these do not clearly indicate a substantial modification, then

a) In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

b) hen the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset s credit risk has increased significantly since initial recognition by comparing:

  the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms with the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified, where modification did not result in derecognition, the estimate of PD reflects the Group s ability to collect the modified cash flows taking into account the Group s previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower s payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower s improved repayment behaviors following modification leading to a reversal of the previous significant increase in credit risk.

here a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognises a financial asset only when the contractual rights to the asset s cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset s carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at F TOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at F TOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

1.13 Presentation of allowance for ECL in the Balance Sheet:

Loss allowances for ECL are presented in the Balance sheet as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets
- for debt instruments measured at F TOCI: no loss allowance is recognised in the Balance Sheet as the carrying amount is at fair value.

1.14 Derivative financial instruments:

The Group enters into swap contracts and other derivative financial instruments to hedge its exposure to foreign exchange and interest rates. The Group does not hold derivative financial instruments for speculative purpose. Hedges of foreign exchange risk on firm commitments are accounted as cash flow hedges.

Cash flow hedges: In case of transaction related hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity as hedging reserve . The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity relating to the effective portion are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same head as the hedged item. The effective portion of the hedge is determined at the lower of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in the fair value of the hedged item from the inception of the hedge and the remaining gain or loss on the hedging instrument is treated as ineffective portion.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised in profit or loss when the forecast transaction is ultimately recognised in profit or loss.

1.15 Revenue recognition:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured and there exists reasonable certainty of its recovery. Revenue is measured at the fair value of the consideration received or receivable as reduced for estimated customer credits and other similar allowances.

(i) Interest and dividend income:

Interest income is recognised in the Consolidated Statement of Profit and Loss and for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (F TPL) is measured using the effective interest method (EIR).

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at F TPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Dividend income is recognised when the Group s right to receive dividend is established by the reporting date and no significant uncertainty as to collectability exists.

(ii) Fee and commission income:

Fee and commission income and expense include fees other than those that are an integral part of EIR. The fees included in the Consolidated statement of profit and loss include among other things fees charged for servicing a loan, non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan advisory fees.

Fee and commission expenses with regards to services are accounted for as the services are received.

(iii) Net gain or fair value change:

Any differences between the fair values of the financial assets classified as fair value through the profit or loss, held by the Group on the balance sheet date is recognised as an unrealised gain/loss in the statement of profit and loss. In cases there is a net gain in aggregate, the same is recognised in Net gains or fair value changes under revenue from operations and if there is a net loss the same is disclosed Expenses , in the statement of profit and loss.

(iv) Investment management fees, guarantee fees and portfolio management fees:

Income from investment management fees is recognised in accordance with the Investment Management Agreement and the SEBI regulations based on average Assets nder Management (A M) of mutual fund schemes over the period of the agreement in terms of which services are performed.

Guarantee fees is recognised on pro rata basis over the period of the guarantee.

Portfolio management fees are recognised on accrual basis in accordance with Portfolio Management Agreement entered into with respective clients over the period of the agreement in terms of which the services are rendered.

(v) Income from financial instruments at FVTPL:

Income from financial instruments at F TPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at F TPL except those that are held for trading.

(vi) Other operational revenue:

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

1.16 Borrowing costs:

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

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

1.17 Property, plant and equipment (PPE):

PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment, if any. Cost includes all direct cost related to the acquisition of PPE and, for qualifying assets, borrowing costs capitalised in accordance with the Group s accounting policy.

Land and buildings held for use are stated in the consolidated balance sheet at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

PPE not ready for the intended use on the date of the Balance Sheet are disclosed as capital work-in-progress . Depreciation is recognised using straight line method so as to write off the cost of the assets (other than freehold land) less their residual values over their useful lives specified in Schedule II to the Companies Act, 2013, or in case of assets where the useful life was determined by technical evaluation, over the useful life so determined.

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

Depreciation for additions to/deductions from, owned assets is calculated pro rata to the period of use. Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

Assets held under finance leases are depreciated over the shorter of lease term and their useful life on the same basis as owned assets. However, when there is no reasonable certainty that the Group shall obtain ownership of the assets at the end of the lease term, such assets are depreciated based on the useful life prescribed under Schedule II to the Companies Act, 2013 or based on the useful life adopted by the Group for similar assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is recognised in profit or loss.

1.18 Investment property:

Investment properties are properties (including those under construction) held to earn rentals and/or capital appreciation are classified as investment property and are measured and reported at cost, including transaction costs.

Depreciation is recognised using straight line method so as to write off the cost of the investment property less their residual values over their useful lives specified in Schedule II to the Companies Act, 2013, or in the case of assets where the useful life was determined by technical evaluation, over the useful life so determined.

Depreciation method is reviewed at each financial year end to reflect the expected pattern of consumption of the future benefits embodied in the investment property. The estimated useful life and residual values are also reviewed at each financial year end and the effect of any change in the estimates of useful life/ residual value is accounted on prospective basis. Freehold land and properties under construction are not depreciated. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of property is recognised in the Statement of Profit and Loss in the same period.

1.19 Intangible assets:

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

Intangible assets not ready for the intended use on the date of Balance Sheet are disclosed as Intangible assets under development .

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

1.20 Impairment of tangible and intangible assets other than goodwill:

As at the end of each accounting year, the Group reviews the carrying amounts of its PPE, investment property and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the PPE, investment property and intangible assets are tested for impairment so as to determine the impairment loss, if any. Goodwill and the intangible assets with indefinite life are tested for impairment each year.

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. For this purpose, the impairment loss recognised in respect of a cash generating unit is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to reduce the carrying amount of the other assets of the cash generating unit on a pro-rata basis.

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

1.21 Employee benefits:

(i) Short term employee benefits:

Employee benefits falling due wholly within twelve months of rendering the service are classified as short-term employee benefits and are expensed in the period in which the employee renders the related service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(ii) Post-employment benefits:

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

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

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

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

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

(iii) Long term employee benefits:

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

(iv) Termination benefits:

Termination benefits such as compensation under employee separation schemes are recognised as expense when the Group s offer of the termination benefit is accepted or when the Group recognises the related restructuring costs whichever is earlier

1.22 Leases:

The Group as a lessee, recognises the right-of-use asset and lease liability at the lease commencement date. Initially the right-of-use asset is measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company s incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether it will exercise a purchase, extension or termination option.   hen the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The right-of-use asset is measured by applying cost model i.e. right-of-use asset at cost less accumulated depreciation /impairment losses (Refer note no 34 for impairment).

The right-of-use assets are depreciated from the date of commencement of the lease on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. Carrying amount of lease liability is increased by interest on lease liability and reduced by lease payments made.

Lease payments associated with following leases are recognised as expense on straight-line basis:

Low value leases and

Leases which are short-term.

The Group as a lessor, classifies leases as either operating lease or finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Initially asset held under finance lease is recognised in balance sheet and presented as a receivable at an amount equal to the net investment in the lease. Finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on Group s net investment in the lease. A lease which is not classified as a finance lease is an operating lease. Accordingly, the Group recognises lease payments as income on a straight-line basis in case of assets given on operating leases. The Group presents underlying assets subject to operating lease in its balance sheet under the respective class of asset.

Transition disclosure:
The Group has applied Ind AS 116 Leases (Standard) effective April 1, 2019 (Initial application date). Ind AS 116 supersedes Ind AS 17 Leases . The Standard sets out the principles for recognition, measurement, presentation and disclosure of leases. The Standard has brought major changes with respect to lease accounting for the lessee. It requires a lessee to account for right-of-use asset and lease liability for all the leases without lease classification into operating and finance lease.

 nder modified retrospective method of transition, the Group has applied the Standard retrospectively and recognised the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained earnings at the date of initial application (Refer note no 41). Accordingly, the figures of the previous year have not been restated.

1.23 Cash and bank balances:

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

1.24 Securities premium account:

(i) Securities premium includes:

The difference between the face value of the equity shares and the consideration received in respect of shares issued pursuant to Stock Option Scheme.

The fair value of the stock options which are treated as expense, if any, in respect of shares allotted pursuant to Stock Options Scheme.

(ii) The issue expenses of securities which qualify as equity instruments are written off against securities premium account.

1.25 Share-based payment arrangements:

The stock options granted to employees pursuant to the Company s Stock Options Schemes, are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight-line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

1.26 Accounting and reporting of information for Operating Segments:

Operating segments are those components of the business whose operating results are regularly reviewed by the chief operating decision making body in the Group to make decisions for performance assessment and resource allocation. The reporting of segment information is the same as provided to the management for the purpose of the performance assessment and resource allocation to the segments. Segment accounting policies are in line with the accounting policies of the Group.

1.27 Foreign currencies:

(i) The functional currency and presentation currency of the Group is Indian Rupee. Functional currency of the Group and foreign operations has been determined based on the primary economic environment in which the Group and its foreign operations operate considering the currency in which funds are generated, spent and retained.

(ii) Transactions in currencies other than the Group s functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the prevailing closing spot rate. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise.

(iii) Financial statements of foreign operations whose functional currency is different than Indian Rupees are translated into Indian Rupees as follows:

A. assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet

B. income and expenses for each income statement are translated at average exchange rates and

C. all resulting exchange differences are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve for subsequent reclassification to profit or loss on disposal of such foreign operations.

1.28 Taxation:

Current tax

Tax on income for the current period is determined on the basis of taxable income (or on the basis of book profits wherever minimum alternate tax is applicable) and tax credits computed in accordance with the provisions of the Income Tax Act, 1961 and based on the expected outcome of assessments/appeals.

Deferred Tax

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

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

Deferred tax assets relating to unabsorbed depreciation/business losses/losses under the head capital gains are recognised and carried forward to the extent of available taxable temporary differences or where there is convincing other evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets in respect of unutilised tax credits which mainly relate to minimum alternate tax are recognised to the extent it is probable of such unutilised tax credits will get realised.

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

Transaction or event which is recognised outside profit or loss, either in other comprehensive income or in equity, is recorded along with the tax as applicable.

1.29 Provisions, contingent liabilities and contingent assets:

Provisions are recognised only when:

(i) an Group entity has a present obligation (legal or constructive) as a result of a past event and
(ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and
(iii) a reliable estimate can be made of the amount of the obligation.

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

Contingent liability is disclosed in case of:

(i) a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation and
(ii) a present obligation arising from past events, when no reliable estimate is possible.

Contingent assets are disclosed where an inflow of economic benefits is probable. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date. here the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

1.30 Commitment:

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

a) estimated amounts of contracts remaining to be executed on capital account and not provided for
b) uncalled liability on shares and other investments partly paid
c) funding related commitment to associate companies and
d) other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

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

1.31 Statement of cash flows:

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

(i) changes during the period in operating receivables and payables transactions of a non-cash nature
(ii) non-cash items such as depreciation, provisions, deferred taxes, unrealised gains and losses and
(iii) all other items for which the cash effects are investing or financing cash flows.

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

1.32 Earnings per share:

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

1.33 Key source of estimation:

The preparation of financial statements in conformity with Ind AS requires that the management of the Group makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates include useful lives of property, plant and equipment & intangible assets, expected credit loss on loan books, future obligations in respect of retirement benefit plans, fair value measurement etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

1.34 Operating cycle for current and non-current classification:

Based on the nature of products / activities of the Group entities and the normal time between acquisition of assets and their realisation in cash or cash equivalents, the Group has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Note 2 : Cash and cash equivalents ₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Cash on hand	0.20	29.98
Balances with banks in current accounts	774.87	1,612.48
Cheques, drafts on hand	-	9.40
Balance with banks in fixed deposit with maturity less than 3 months	4,823.62	174.79
Total	**5,598.69**	**1,826.65**

Note 3 : Bank balance other than (Note 2) above ₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Earmarked balances with banks		
nclaimed infrastructure bonds application money	16.60	14.42
nclaimed interest on infrastructure bonds	1.39	0.90
nclaimed dividend on equity shares	2.04	1.27
nclaimed redemption proceeds and dividend on preference shares	0.60	0.60
Balance with banks in fixed deposit with maturity greater than 3 months and less than 12 months	1,501.24	-
Balances with banks held as margin money or security against borrowing, guarantees, other commitments	683.84	30.31
Total	**2,205.71**	**47.50**

Note 4 : Derivative financial instruments ₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Currency derivatives:		
Notional Amounts		
- Currency swaps	3,014.34	100.00
Fair value assets		
- Currency swaps	155.06	7.20
Fair value liabilities		
- Currency swaps	-	-

Note 5 : Receivables ₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Trade receivables		
(a) Receivables considered good - Secured	-	0.30
(b) Receivables considered good - nsecured	58.07	104.00
(c) Receivables - credit impaired	26.06	8.84
(d) Impairment loss allowance	(19.39)	(6.77)
	64.74	**106.37**
Other receivables		
(a) Receivables considered good - nsecured	15.63	6.27
(b) Receivables from related parties (Refer note 40)	3.68	4.36
(c) Receivables - credit impaired	0.49	-
(d) Impairment loss allowance	(0.49)	-
	19.31	**10.63**
Total	**84.05**	**117.00**

L&T Finance Holdings Limited
Notes forming part of consolidated financial statements

Note 6 : Loans **₹ in Crore**

Particulars	As at March 31, 2020	As at March 31, 2019
(A)		
(i) At Amortised Cost		
- Term loans	64,570.70	64,170.87
- Debentures	6,030.13	6,686.70
- Loans repayable on demand	476.29	326.64
- Bills purchased and bills discounted	87.22	295.60
- Leasing	45.48	72.61
Total gross loans at amortised cost	71,209.82	71,552.42
- Less: Impairment loss allowance	(4,624.96)	(4,624.23)
Subtotal (i)	**66,584.86**	**66,928.19**
(ii) At Fair Value Through Profit or Loss:		
- Term loans	24,332.68	23,196.94
- Debentures	662.06	1,216.24
- Loans repayable on demand	103.73	110.78
Total gross loans at fair value through profit or loss	25,098.47	24,523.96
- Less: Impairment loss allowance/Net fair value changes	(220.83)	(127.52)
Subtotal (ii)	**24,877.64**	**24,396.44**
Subtotal (i)+(ii)	**91,462.50**	**91,324.63**
(B)		
(i) At Amortised Cost		
- Secured by tangible assets	48,263.80	56,581.01
- nsecured	22,946.02	14,971.41
Total gross loans at amortised cost	71,209.82	71,552.42
- Less: Impairment loss allowance	(4,624.96)	(4,624.23)
Subtotal (i)	**66,584.86**	**66,928.19**
(ii) At Fair Value Through Profit or Loss:		
- Secured by tangible assets	25,098.47	24,523.96
- Less: Impairment loss allowance	(220.83)	(127.52)
Subtotal (ii)	**24,877.64**	**24,396.44**
Subtotal (i)+(ii)	**91,462.50**	**91,324.63**
(C)		
(I) Loans in India		
(i) At Amortised Cost		
- Public sector	-	-
- Others	71,209.82	71,552.42
- Less: Impairment loss allowance	(4,624.96)	(4,624.23)
Subtotal (i)	**66,584.86**	**66,928.19**
(ii) At Fair Value Through Profit or Loss:		
- Public sector	-	-
- Others	25,098.47	24,523.96
- Less: Impairment loss allowance	(220.83)	(127.52)
Subtotal (ii)	**24,877.64**	**24,396.44**
(II) Loans outside India		
(i) At Amortised Cost	-	-
- Public sector	-	-
- Others	-	-
- Less: Impairment loss allowance	-	-
Subtotal (i)	-	-
(ii) At Fair Value Through Profit or Loss		
- Public Sector	-	-
- Others	-	-
- Less: Impairment loss allowance	-	-
Subtotal (ii)	-	-
Total	**91,462.50**	**91,324.63**

Note 7 : Investments

₹ in crore

Particular	As at March 31, 2020			As at March 31, 2019		
	Face value (₹)	Quantity (Nos)	Net Carrying Value	Face value (₹)	Quantity (Nos)	Net Carrying Value
(A) Investments in fully paid equity shares						
(i) Quoted						
(a) Investments carried at fair value through profit or loss						
Hindusthan National Glass & Industries Ltd	2	4,09,674	1.13	2	4,12,808	3.40
Monnet ispat & energy limited	10	5,93,420	0.55	10	5,94,412	1.66
Bhushan steel limited	2	3,67,119	0.60	2	3,67,119	1.08
S energy ventures limited	10	1,06,88,253	0.37	10	1,06,88,253	0.96
3i infotech limited	10	24,26,383	0.32	10	24,26,383	0.93
Amara raja batteries limited	-	-	-	1	2,728	0.20
nity infra project	2	6,94,370	0.01	2	6,94,370	0.05
Gol offshore limited	10	97,91,408	-	10	1,13,44,315	-
Diamond power infrastructure limited	10	28,89,921	-	10	28,89,921	-
Shiv vani oil gas and energy limited	10	14,96,658	-	10	14,96,658	-
sher agro limited	10	3,35,344	-	10	3,35,344	-
aihind projects limited	10	24,797	-	10	24,797	-
S OGL oil gas and exploration services limited	10	19,40,514	-	10	19,40,514	-
Integrated digital info services limited	10	3,83,334	-	10	3,83,334	-
Elque polyesters limited	10	1,94,300	-	10	1,94,300	-
Monnet industries limited	10	5,640	-	10	5,640	-
Monnet project developers limited	10	11,280	-	10	11,280	-
Glodyne technoserve limited	6	3,19,262	-	6	3,19,262	-
MIC electronics limited	2	53,84,616	-	2	53,84,616	-
			2.98			**8.28**
(b) Investment carried at fair value through other comprehensive income						
CG Power and Industrial Solutions Limited	10	**6,26,00,000**	**31.61**	**-**	**-**	**-**
(iii) Unquoted						
(a) Investments carried at fair value through profit or loss						
Soma tollways private limited	10	1,16,16,491	329.10	10	1,16,16,491	329.10
Bhoruka Power Corporation Limited	10	5,87,750	134.14	10	5,87,850	134.14
Ardom Telecom Private Limited	10	11,35,136	9.50	10	11,35,136	9.49
Grameen capital india private limited	10	38,74,000	-	10	21,26,000	2.13
Indian highways management company limited	10	15,00,000	1.73	10	15,00,000	1.73
Tikona infinet limited	10	4,25,912	0.17	10	4,25,912	0.17
The alyan anatha Sahakari Bank Limited	10	20,000	0.05	10	20,000	0.05
MF utilities india private limited	1	5,00,000	0.05	1	5,00,000	0.05
Bhoruka power india investments private limited	10	10	0.00	10	10	-
The malad sahakari bank limited	10	100	0.00	10	100	-
Athena Chattisgarh Power Limited	10	6,93,00,000	-	10	6,93,00,000	-
Coastal projects limited	10	78,96,884	-	10	78,96,884	-
S Mahanadi Power Co. Ltd.	10	2,63,85,109	-	10	2,63,85,109	-
NSL sugars limited	10	29,25,656	-	10	29,25,656	-
Soma enterprises limited	10	5,00,000	-	10	5,00,000	-
Supreme best value kolhapur(shiroli) sangli tollways Pvt Ltd	10	5,026	-	10	5,026	-
Saumya mining limited	10	10,77,986	-	10	10,77,986	-
Mediciti healthcare services private limited	10	16,35,003	-	10	16,35,003	-
Alpha micro finance consultants private limited	10	2,00,000	-	10	2,00,000	-
Icomm tele limited	10	41,667	-	10	41,667	-
MC systems limited	10	1,73,653	-	10	9,07,264	-
Hanjer biotech energies private limited	10	2,08,716	-	10	2,08,716	-
Metropoli overseas limited	10	99,400	-	10	99,400	-
Anil chemicals and industries limited	10	40,000	-	10	40,000	-
			474.74			**476.86**
(B) Investments in debt securities						
(a) Investments carried at fair value through profit or loss						
Bhoruka power corporation limited	3,00,000	32,500	510.10	1,00,000	32,500	510.10
Tikona infinet limited	2,840	5,79,772	149.58	2,840	5,79,772	149.58
Regen infrastructure and services Pvt Ltd	10,00,000	701	70.20	10,00,000	728.18	72.82
R enterprise private limited	1,00,000	6,000	70.33	1,00,000	6,000.00	71.14
Soma enterprises limited	20	8,07,12,081	38.56	10	8,07,12,081	38.56
NSL sugars limited	100	21,32,310	14.74	100	21,32,310	14.74
NSL renewable power private limited	20,000	4,811	6.67	20,000	4,811.00	9.27
			860.17			**866.21**

Note 7 : Investments

₹ in crore

Particular	As at March 31, 2020			As at March 31, 2019		
	Face value (₹)	Quantity (Nos)	Net Carrying Value	Face value (₹)	Quantity (Nos)	Net Carrying Value
(b) Investment carried at fair value through other comprehensive income						
State bank of india	-	-	-	10,00,000	4,100	418.65
The south indian bank limited	1,00,000	38,759	416.20	1,00,000	38,759	407.19
ECL finance limited	1,000	30,00,000	326.38	1,000	30,00,000	323.47
Dewan housing finance corporation limited	1,000	27,50,000	295.10	1,000	27,50,000	286.62
Dewan housing finance corporation limited	10,00,000	2,496	241.45	10,00,000	2,746	272.26
Power finance corporation limited	-	-	-	10,00,000	1,213	163.19
ECL finance limited	-	-	-	10,00,000	900	96.49
nion bank of india	-	-	-	10,00,000	780	77.92
.P. power corporation limited	20,00,000	522	56.04	10,00,000	522	52.89
Axis bank	-	-	-	10,00,000	500	50.83
Cholamandlam ms general insurance company limited	10,00,000	418	44.84	10,00,000	418	43.91
Tata AIG general insurance company limited	10,00,000	310	32.25	10,00,000	310	31.50
otak mahindra bank limited	-	-	-	5	5,00,00,000	27.59
Power finance corporation limited	-	-	-	1,000	1,00,000	12.89
			1,412.26			**2,265.40**
(C) Investments in mutual funds						
(a) Investments carried at fair value through profit or loss						
L&T liquid fund - Direct plan- Growth	1,000	4,51,215	125.85	1,000	63,69,776	1,632.31
otak Liquid Fund - Direct Plan- Growth	-	-	-	1,000	5,28,933	200.17
L&T banking and psu debt fund- Direct plan- Growth	10	3,87,35,739	71.92	10	5,11,06,432	85.90
SBI premier Liquid Fund -Direct Plan Growth	-	-	-	10	2,28,555	66.93
Canara Robeco Liquid fund - Direct Growth	1,000	21,004	5.02	-	-	-
ICICI Prudential Liquid Fund - DP- Growth	10	70,90,295	208.30	10	18,10,758	50
Aditya Birla Sun Life Liquid Fund - Growth - Direct Plan	100	36,08,641	115.32	-	-	-
Nipoon India Liquid Fund - DP Growth Plan - Growth Option	1,000	3,11,541	151.12	-	-	-
IDFC Cash Fund -DP-Growth	1,000	2,09,158	50.24	-	-	-
L&T Money market Fund - Direct Plan - Growth (old name:L&T Floatin Rate	10	3,65,789	0.75	10	59,16,085	11.19
L&T India alue Fund - DP - G	10	3,83,794	1.01	10	3,83,794	1.46
L&T Infrastructure Fund - DP - G	10	6,94,601	0.77	10	6,94,601	1.17
L&T Emerging Business Fund - DP - G	10	3,32,358	0.53	10	3,32,358	0.86
L&T Midcap Fund - DP - G	10	58,207	0.61	10	58,207	0.83
L&T business cycle fund	10	5,00,000	0.56	10	5,00,000	0.79
L&T Tax Advantage Fund - DP - G	10	1,32,721	0.54	10	1,32,721	0.74
L&T Hybrid Equity Fund - DP - G(Old Name :L&T India Prudence Fund - DP -	10	2,55,493	0.59	10	2,55,493	0.71
L&T resurgent india corporate bond fund	10	5,00,000	0.77	10	5,00,000	0.71
L&T Low Duration Fund - DP - G (old name :L&T Short Term Income Fund - DP - G)	10	3,40,894	0.73	10	3,40,894	0.70
L&T arbitrage opportunity fund	10	5,00,000	0.75	10	5,00,000	0.70
L&T Large and Midcap Fund - DP - G (old Name :L&T India Special Situations	10	1,40,359	0.53	10	3,65,789	0.69
L&T Credit Risk Fund - DP - G (old name:L&T Income Opportunities Fund - D	10	3,17,088	0.71	10	3,17,088	0.69
L&T Flexi Bond Fund - DP - G	10	3,31,794	0.77	10	3,31,794	0.69
L&T India Large Cap Fund - DP - G	10	2,43,072	0.54	10	2,43,072	0.69
L&T Gilt Fund - DP - G	10	1,42,010	0.77	10	1,42,010	0.69
L&T Equity Fund - DP - G	10	79,561	0.50	10	79,561	0.68
L&T ltra Short Term Fund - Direct Plan - Growth	10	2,17,696	0.73	10	2,17,696	0.68
L&T Short Term Bond Fund - Direct Plan - Growth (old name :L&T Short Term Opportunities Fund-Growth-DirectPln)	10	3,67,947	0.74	10	3,67,947	0.68
L&T Triple Ace Bond Fund - DP - G	10	1,35,208	0.75	10	1,35,208	0.65
L&T cash fund direct plan - Growth	1,000	4,375	0.68	1,000	4,375	0.65
L&T Conservative Hybrid Fund - DP - G (old name : L&T Monthly Income Plan - DP - G)	10	1,78,522	0.66	10	1,78,522	0.65
L&T Dynamic Equity Fund - DP - G	10	2,35,213	0.57	10	2,35,213	0.61
L&T Focused Equity Fund Dir. Growth	10	5,00,000	0.45	10	5,00,000	0.54
L&T Equity Savings Fund - DP - G	10	2,76,932	0.45	10	2,76,932	0.52
L&T Nifty50 Index Fund	-	-	0.50	-	-	-
L&T Nifty Next 50 Index Fund	-	-	0.50	-	-	-
			745.22			**2,064.33**
(D) Investments in fully paid preference shares (Unquoted)						
(a) Investment carried at fair value through profit or loss						
Grameen capital india private limited	10	38,74,000	-	10	38,74,000	3.87
Ardom Telecom Private Limited (Face value Rs. 100,000 each)	-	3,150	85.48	1,00,000	3,150	85.48
S S ispat power limited	10	97,73,621	3.05	10	97,73,621	9.77
3i infotech limited	5	38,96,954	0.68	5	38,96,954	0.68
10 SE vizag coal terminal private limited	10	40,91,423	-	10,00,000	40,91,423	-
SE vizag coal terminal private limited	10	7,03,833	-	10	7,03,833	-
			89.21			**99.80**

Note 7 : Investments

₹ in crore

Particular	As at March 31, 2020 Face value (₹)	Quantity (Nos)	Net Carrying Value	As at March 31, 2019 Face value (₹)	Quantity (Nos)	Net Carrying Value
(E) Investments in government securities						
(a) Investments carried at amortised cost						
Government of India securities	-	-	-	100	18,45,00,000	1,832.55
			-			**1,832.55**
(b) Investment carried at fair value through profit or loss						
7.50 government of india stock 2034	100	14,000	0.14	100	14,000	0.14
6.13 government of india stock 2028	100	40,000	0.39	100	40,000	0.37
			0.53			**0.51**
(c) Investment carried at fair value through other comprehensive income						
Rural electrification corporation limited	-	-	-	10,00,000	240	32.29
National highways authority of india	-	-	-	10,00,000	50	5.33
			-			**37.62**
(F) Investments in units of funds						
(a) Investments carried at fair value through profit or loss						
R india debt opportunities fund ii	1,000	13,56,565	101.32	1,000	17,76,074	177.61
R india debt opportunities fund iii	1,000	53,454	0.20	1,000	61,640	6.16
LICHFL rban Development Fund	10,000	10,000	3.76	10,000	10,000	3.86
LICHFL HO SING AND INFRASTR CT RE TR ST	100	1,16,000	1.16	100	1,16,000.00	1.16
			106.44			**188.79**
(b) Investment carried at fair value through other comprehensive income						
Indinfravit Trust	100	1,00,000	0.94	100	1,00,000.00	0.98
(G) Investment in pass through certificates						
(a) Investment carried at fair value through other comprehensive income						
Smith IFMR Capital	4.00	1,20,96,782	3.30	4.00	1,20,96,782	3.85
Goldstein IFMR Capital	43.00	8,57,170	2.45	43.00	8,57,170	2.91
Syme IFMR Capital	1.00	1,42,10,515	1.12	1.00	1,42,10,515	1.42
Moses IFMR Capital	1.00	22,50,000	0.22	1.00	22,50,000	0.23
			7.09			**8.41**
(H) Investment in security receipts						
(a) Investments carried at fair value through profit or loss						
M Financial (MFARC) Trust	1,000.00	26,21,651	93.16	1,000.00	26,21,651	195.70
Phoenix Trust FY19-6	899.00	12,49,500	112.33	903.00	12,49,500.00	112.83
EARC Trust - SC 258 Trust	1,000.00	25,83,490	7.12	1,000.00	25,83,490	108.45
Suraksha ARC - 024 Trust	1,000.00	7,85,400	78.54	1,000.00	7,85,400	78.54
Suraksha ARC - 020 Trust	768.17	8,67,000	66.60	873.26	8,67,000	75.71
EARC Trust - SC 105 Trust	1,000.00	11,90,000	63.90	1,000.00	11,90,000	63.90
MFARC LTF une 2017 Trust	710.67	4,80,849	17.95	748.14	4,80,849	35.89
Suraksha ARC - 024 Trust	1,000.00	3,01,775	30.18	1,000.00	3,01,775	30.18
Phoenix Trust FY 14-9	1,000.00	11,08,935	27.72	1,000.00	11,08,935	27.72
EARC Trust SC - 258 - Series I	551.40	6,46,510	1.78	932.90	6,46,510	27.14
MFARC LTF une 2017 Trust	710.67	2,97,500	9.71	748.14	2,97,500	22.21
Suraksha ARC - 020 Trust (Series - II)	888.89	1,26,310	7.75	999.55	1,26,310	9.15
Phoenix ARF Scheme 14	1,000.00	34,882	2.61	1,000.00	34,882	2.62
EARC Trust - SC 132 Trust	1,000.00	8,500	0.77	1,000.00	8,500	0.77
Phoenix ARF Scheme 6	1,000.00	9,843	-	1,000.00	9,843	0.25
Phoenix ARF Scheme 13	5.00	27,404	0.01	5.00	27,404	0.01
Phoenix ARF Scheme 11	1.00	44,208	-	1.00	44,208	-
Phoenix ARF Scheme 9	1.00	6,612	-	1.00	6,612	-
Arcil-CPS-062-I Trust	3,000.00	51,85,000	518.51	-	-	-
Phoenix trust FY 20-4	1,000.00	22,10,000	115.36	-	-	-
EARC trust - SC 367 trust	1,000.00	15,02,885	147.55	-	-	-
Phoenix Trust FY 20-4	522.00	8,16,000	42.60	-	-	-
Omkara PS10/2019-20 Trust	1,000.00	3,48,500	23.91	-	-	-
EARC TR ST SC 367	999.91	1,02,27,115	1,021.13	-	-	-
Suraksha ARC - 037 Trust	1,000.00	1,10,71,25,000	109.47	-	-	-
M Financial Asset Reconstruction Company Private Limited (Series I - MFARC-IRIS December 2016 - Trust)	1,000.00	6,885	-	1,000.00	6,885	-
			2,498.65			**791.07**
Total investments (A)			**6,229.86**			**8,640.81**
(i) Investments outside India			-			-
(ii) Investments in India			6,229.86			8,640.81
Total Investments (B)			**6,229.86**			**8,640.81**
Less: Allowance for Impairment loss on investment carried at fair value through other comprehensive income(C)			**250.59**			**-**
Net total investment (D) (A)-(C)			**5,979.27**			**8,640.81**

L&T Finance Holdings Limited

Notes forming part of consolidated financial statements

Note 8 : Other financials assets **₹ in Crore**

Particulars	As at March 31, 2020	As at March 31, 2019
Security deposits	56.35	70.78
Receivable on sale of Investment	-	14.93
Accrued interest on fixed deposit	0.15	0.24
Margin money deposits	0.84	12.50
Other receivables	34.63	27.84
Total	**91.97**	**126.29**

Note 9 : Investment Properties **₹ in Crore**

Particulars	As at March 31, 2020	As at March 31, 2019
Gross carrying amount		
Opening gross carrying amount	379.07	403.01
Add: Additions during the year	0.35	0.84
Less: Classified as assets held for sale	(28.50)	-
Less: Impairment during the year	(12.15)	-
Less: Deductions during the year	(18.10)	-
Less: Reclassified from C IP to other Advances	-	(24.78)
Closing gross carrying amount	**320.67**	**379.07**
Accumulated depreciation and impairment		
Opening accumulated depreciation	11.41	7.90
Add: Depreciation and impairment during the year	3.52	3.51
Less: Classified as assets held for sale during the year	(3.37)	-
Less: Deductions during the year	(1.90)	-
Closing accumulated depreciation	**9.66**	**11.41**
Net carrying amount	**311.01**	**367.66**

Amount recognised in profit or loss for investment properties

Particulars	As at March 31, 2020	As at March 31, 2019
Rental income	42.63	42.81
Other charges Recovery	17.33	16.63
Less: Direct operating expenses from property that generated rental income	51.98	41.83
Profit from investment properties before depreciation and impairment	**7.98**	**17.61**
Less: Depreciation and impairment	3.52	3.51
Profit from investment properties	**4.46**	**14.10**

L&T Finance Holdings Limited
Notes forming part of consolidated financial statements

Note 10 : Property, plant and equipment

₹ in crore

Particulars	Gross carrying amount					Accumulated depreciation					Net carrying amount	
	As at April 01, 2019	Additions	Deductions	Reclassified as held for sale	As at March 31, 2020	As at April 01, 2019	For the year	Deductions	Reclassified as held for sale	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Tangible												
Buildings :												
Owned	0.38	-	-	-	0.38	0.02	0.01	-	-	0.03	0.35	0.36
Leasehold Improvements	1.21	0.06	-	(0.36)	0.91	0.60	0.35	-	(0.30)	0.65	0.26	0.61
Leasehold renovation												
Owned	14.17	0.55	3.65	-	11.07	8.53	2.57	3.39	-	7.71	3.36	5.64
Electrical & Installation												
Owned	16.14	0.01	-	-	16.15	7.82	2.41	-	-	10.23	5.91	8.32
Plant and equipments												
Owned	0.44	-	-	-	0.44	0.07	0.03	-	-	0.10	0.34	0.37
Leased out	11.84	-	5.14	-	6.70	4.92	1.58	2.77	-	3.73	2.97	6.92
Computers												
Owned	34.83	6.56	0.19	(0.11)	41.10	13.76	9.75	0.17	(0.09)	23.25	17.84	21.07
Furniture and fixtures												
Owned	14.46	1.78	0.48	(0.24)	15.52	6.43	2.41	0.29	(0.07)	8.47	7.05	8.03
Leased out	4.74	-	-	-	4.74	3.00	0.56	-	-	3.56	1.18	1.74
Office equipments												
Owned	12.26	2.70	2.20	(0.15)	12.61	7.27	2.88	2.03	(0.12)	8.01	4.60	4.99
Leased out	0.01	-	-	-	0.01	-	-	-	-	-	0.01	0.01
ehicles												
Owned	3.70	0.68	0.80	(0.40)	3.18	1.23	0.93	0.43	(0.26)	1.46	1.72	2.47
Leased out	11.06	-	6.69	-	4.37	3.90	1.34	3.18	-	2.06	2.31	7.16
Total Rs.	125.24	12.34	19.15	(1.26)	117.17	57.55	24.82	12.26	(0.85)	69.26	47.91	67.69
Previous year	135.02	20.99	30.77	-	125.24	37.97	30.95	11.37	-	57.55	67.69	97.05

Intangible assets :

₹ in crore

	Gross carrying amount					Accumulated amortisation					Net carrying amount	
	As at April 01, 2019	Additions	Deductions	Reclassified as held for sale	As at March 31, 2020	As at April 01, 2019	For the year	Deductions	Reclassified as held for sale	As at March 31, 2020	As at March 31, 2020	As at March 31, 2019
Specialised softwares	116.29	45.37	(0.01)	(1.19)	160.49	63.25	27.90	-	(1.11)	90.05	70.44	53.04
Total Rs.	116.29	45.37	(0.01)	(1.19)	160.49	63.25	27.90	-	(1.11)	90.05	70.44	53.04
Previous year	67.74	48.60	0.05	-	116.29	48.09	15.16	-	-	63.25	53.04	19.65
Add: Intangible assets under development											62.04	38.65
											132.47	91.69

Note 11 : Right of use asset **₹ in Crore**

Particulars	As at March 31, 2020	As at March 31, 2019
Gross carrying amount		
Opening gross carrying amount	27.50	-
Add: Additions during the year	19.28	-
Less: Deductions during the year	(1.78)	-
Closing gross carrying amount	**45.00**	**-**
Accumulated depreciation and impairment		
Opening accumulated depreciation	-	-
Add: Depreciation and impairment	11.00	-
Less: Deductions during the year	-	-
Closing accumulated depreciation	**11.00**	**-**
Net carrying amount	**34.00**	**-**

Note 12 : Other non-financials assets **₹ in Crore**

Particulars	As at March 31, 2020	As at March 31, 2019
Prepaid expenses	63.28	80.92
Property, plant and equipment held for sale	26.28	1.17
Gratuity asset (Refer note 38)	-	0.51
Capital advances	9.68	11.78
Amount paid under protest	42.78	46.51
Statutory dues recoverable	4.93	16.87
Assets acquired in settlement of claims	183.63	189.22
Others	10.38	31.97
Total	**340.95**	**378.95**

Note 13: Payables **₹ in Crore**

Particulars	As at March 31, 2020	As at March 31, 2019
Trade payables		
Due to others	10.72	35.57
Due to related parties (Refer note 40)	54.12	84.48
Sub total	**64.84**	**120.05**
Other payables		
Due to others	0.80	16.12
Sub total	**0.80**	**16.12**
Total	**65.64**	**136.17**

Note 14: Debt securities **₹ in Crore**

Particulars	As at March 31, 2020	As at March 31, 2019
(A)		
At Amortised Cost		
- Commercial paper (net)	5,250.78	14,358.97
- Non convertible debentures	38,741.53	36,909.34
Total	**43,992.31**	**51,268.31**
(B)		
(a) Debt securities in India		
(i) At Amortised cost	43,992.31	51,268.31
Total	**43,992.31**	**51,268.31**
(b) Debt securities outside India		
(i) At Amortised Cost	-	-
(ii) At Fair alue through Profit or Loss	-	-
Total	-	-
(C)		
At Amortised Cost		
- Secured	38,772.02	43,388.33
- nsecured	5,220.29	7,879.98
Total	**43,992.31**	**51,268.31**

Note 15: Borrowings (other than debt securities) **₹ in Crore**

Particulars	As at March 31, 2020	As at March 31, 2019
(A)		
At Amortised Cost		
(a) Term Loans		
(i) From banks	22,496.35	15,591.29
(ii) From banks- foreing currency nominated rupee loan	-	107.32
(iii) From financial institutions	2,586.06	2,227.13
(b) Loan from a related party (Refer note 40)	-	3.25
(c) Loan repayable on demand		
(i) From banks	12,064.67	15,456.28
(ii) orking capital demand loan	415.00	-
(d) Line of credit from bank	3,620.10	-
(e) External commercial borrowings	3,340.82	-
(f) Corporate bond repo	-	780.18
(g) Collateralized borrowing and lending obligation	-	1,619.70
Total	**44,523.00**	**35,785.15**
(B)		
(a) Borrowings (other than debt securities) in India		
(i) At Amortised Cost	41,182.18	35,785.15
(ii) At Fair alue through Profit or Loss	-	-
Total	**41,182.18**	**35,785.15**
(b) Borrowings (other than debt securities) outside India		
(i) At Amortised Cost	3,340.82	-
(ii) At Fair alue through Profit or Loss	-	-
Total	**3,340.82**	**-**
Total	**44,523.00**	**35,785.15**
(C)		
At Amortised Cost		
- Secured	**39,365.73**	**26,313.92**
- nsecured	**5,157.27**	**9,471.23**
Total	**44,523.00**	**35,785.15**

Note 16: Subordinated liabilities ₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
(A)		
At amortised cost		
Perpetual debt instruments to the extent that do not qualify as equity	609.28	621.48
Preference shares other than those that qualify as equity	2,244.45	1,329.52
Subordinate debt instruments	885.88	863.62
Tier ii debentures	1,639.57	1,638.90
Total	**5,379.18**	**4,453.52**
(B)		
(a) Subordinated liabilities in India		
(i) At amortised cost	5,379.18	4,453.52
(ii) At fair value through profit or loss	-	-
(iii) Designated at fair value through profit or loss	-	-
Subtotal	**5,379.18**	**4,453.52**
(b) Subordinated liabilities outside India		
(i) At amortised cost	-	-
(ii) At fair value through profit or loss	-	-
(iii) Designated at fair value through profit or loss	-	-
Subtotal	-	-
Total	**5,379.18**	**4,453.52**
(C)		
At Amortised Cost		
- Secured	-	-
- nsecured	5,379.18	4,453.52
Total	**5,379.18**	**4,453.52**

Note 17: Other financial liabilities ₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Security deposits	12.07	14.69
Liabilities for expenses	255.68	198.60
Bank book credit balance	6.80	192.07
Short term obligation	9.32	19.58
Employee benefits payable	21.71	26.00
nclaimed infrastructure bonds application money	16.60	14.42
nclaimed interest on infrastructure bonds/debentures	1.39	0.90
nclaimed dividend on equity shares	2.04	1.27
nclaimed redemption proceeds and dividend on preference shares	0.60	0.60
Other payables	117.86	101.09
Total	**444.07**	**569.22**

Note 18 : Provisions ₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
(a) Provision for employee benefits		
Compensated absences	23.44	28.62
Super annuation fund	0.81	0.82
Gratuity (Refer note 38)	17.02	12.34
(b) Others		
Other provisions	-	0.26
Total	**41.27**	**42.04**

Note 19: Other non-financial liabilities ₹ in Crore

Particulars	As at March 31, 2020	As at March 31, 2019
Revenue received in advance	-	1.15
Statutory dues payable	13.03	27.81
Dividend distribution tax payable	-	61.80
Other payables	-	0.37
Total	**13.03**	**91.13**

Note 20: Equity share capital

(I) Share capital authorised, issued, subscribed and paid up

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	(₹ in crore)	No. of Shares	(₹ in crore)
Authorised:				
Equity Shares of ₹ 10 each	**5,00,00,00,000**	**5,000.00**	**5,00,00,00,000**	**5,000.00**
Preference shares of ₹ 100 each	**50,00,00,000**	**5,000.00**	**50,00,00,000**	**5,000.00**
Issued, Subscribed & Paid up:				
Equity shares of ₹ 10 each fully paid	**2,00,48,33,610**	**2,004.83**	**1,99,88,12,360**	**1,998.81**

(II) Terms/rights attached to equity shares

The company has only one class of equity shares having a par value of ₹ 10 per share. Members of the company holding equity shares capital therein have a right to vote, on every resolution placed before the company and right to receive dividend. The voting rights on a poll is in proportion to the share of the paid up equity capital of the company held by the shareholders. The company declares dividends in Indian rupees. the final dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the forthcoming Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(III) Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	(₹ in crore)	No. of Shares	(₹ in crore)
At the beginning of the year	1,99,88,12,360	1,998.81	1,99,56,76,960	1,995.68
Issued during the year				
- Against employee stock option	60,21,250	6.02	31,35,400	3.13
Outstanding at the end of the year	**2,00,48,33,610**	**2,004.83**	**1,99,88,12,360**	**1,998.81**

(IV) Equity shares in the Company held by the holding company

	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	(₹ in crore)	No. of Shares	(₹ in crore)
Larsen & Toubro Limited and it s nominee	1,27,75,20,203	1,277.52	1,27,75,20,203	1,277.52
	1,27,75,20,203	**1,277.52**	**1,27,75,20,203**	**1,277.52**

(V) Details of shareholders holding more than 5 shares in the company

Equity Shares	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	holding	No. of Shares	holding
Larsen & Toubro Limited and it s nominee	1,27,75,20,203	63.72	1,27,75,20,203	63.91

(VI) Details of shares reserved to be issued under ESOP

	As at March 31, 2020		As at March 31, 2019	
	No. of Shares	(₹ in crore)	No. of Shares	(₹ in crore)
Equity Shares of ₹ 10 each	4,81,16,340	48.12	4,65,86,600	46.59
	4,81,16,340	**48.12**	**4,65,86,600**	**46.59**

(VII) Capital Management

1 The objective of the Group s Capital Management is to maximise shareholder value, safeguard business continuity and support the growth of its Group. The Group determines the capital requirement based on annual operating plans and long-term and other strategic investment plans. The funding requirements are met through loans and operating cash flows generated.

2 During the year ended March 31, 2019, the Company paid the final dividend of ₹ 1.00 per equity share for the year ended March 31, 2019 amounting to ₹ 200.05 crore and paid an interim dividend of ₹ 0.90 per equity share for the year ended March 31, 2020 amounting to ₹ 180.44 crore.

(VIII) Employee stock option scheme

1 The Company has formulated Employee Stock Option Schemes 2010 (ESOP Scheme-2010) and 2013 (ESOP Scheme 2013). The grant of options to the employees under the stock option schemes is on the basis of their performance and other eligibility criteria. The options allotted under the scheme 2010 are vested over a period of four years in the ratio of 15 , 20 , 30 and 35 respectively from the end of 12 months from the date of grant, subject to the discretion of the management and fulfillment of certain conditions. The options granted under the scheme 2013 are vested in a graded manner over a period of four years with 0 , 33 , 33 and 34 of grants vesting each year, commencing from the end of 24 months from the date of grant or vested in a graded manner over a period of four years with 25 , 25 , 25 and 25 of grants vesting each year, commencing from the end of 12 months from the date of grant.

2 Options allotted under scheme 2010 can be exercised anytime within a period of 7 years from the date of grant and would be settled by way of equity. The option granted under scheme 2013 can be exercised anytime within a period of 8 years from the date of grant. Management has discretion to modify the exercise period.

3 The option granted under scheme 2010 is at exercise price of ₹ 44.20. The option granted under scheme 2013 can be exercised either at market price which was the last closing price on National stock exchange preceding the date of grant or ₹ 10 respectively.

4 During the year ended March 31, 2020, 1,017,250 and 5,004,000 options were allotted under scheme 2010 and 2013 respectively.

Note 20: Equity share capital

5 The details of the grants are summarised below:

Particulars	Scheme 2010		Scheme 2013	
	2019-20	2018-19	2019-20	2018-19
Options granted and outstanding at the beginning of the year	49,52,000	42,04,925	4,16,34,600	3,00,90,000
Options granted during the year	2,45,000	15,10,000	1,56,63,240	1,64,90,000
Options cancelled/ lapsed during the year	12,59,250	3,77,125	67,64,000	21,95,800
Options exercised during the year	10,17,250	3,85,800	50,04,000	27,49,600
Options granted and outstanding at the end of the year of which:				
- Options vested	6,19,250	5,04,000	89,77,400	44,32,000
- Options yet to vest	23,01,250	44,48,000	3,62,18,440	3,72,02,600
eighted average remaining contractual life of options (in years)	4.78	5.63	5.80	5.92

7 During the year, the Group has debited to the Statement of Profit and Loss ₹ 88.63 crore (Previous year ₹ 68.16 crore) towards the stock options granted to their employees, pursuant to the employee stock option schemes.

8 eighted average fair values of options granted during the year is ₹ 108.82 (Previous year: ₹ 58.54) per options.

9 The Fair value has been calculated using the Black-Scholes Option Pricing Model and the significant assumptions and inputs to estimate the fair value of options granted during the year are as follows:

Particulars	2019-20	2018-19
eighted average risk-free interest rate	6.10	7.42
eighted average expected life of options	2.94 years	3.24 years
eighted average expected volatility	35.28	32.78
eighted average expected dividend over the life of the options	₹ 3.25 per option	₹ 3.65 per option
eighted average share price	₹ 120.25 per option	₹ 168.93 per option
eighted average exercise price	₹ 10.53 per option	₹ 161.05 per option
Method used to determine expected volatility	Expected volatility is based on the historical volatility of the Company shares price applicable to the expected life of each option.	

Note 21: Other Equity

₹ in crore

Particular	As at March 31, 2020	As at March 31, 2019
Securities premium account[1]	5,126.51	5,066.24
General reserve[2]	255.97	117.51
Debenture redemption reserve[3]	319.20	455.59
Capital reserve on consolidation	492.36	492.36
Reserve u/s 36 (1)(viii) of Income tax Act 1961[4]	782.25	701.50
Reserve u/s 45-IC of Reserve Bank of India Act, 1934[5]	1,921.73	1,696.67
Reserve u/s 29C of National Housing Bank Act 1987[6]	27.43	27.43
Employee stock option outstanding account[7]	181.27	121.94
Retained earnings[8]	3,720.68	2,771.41
Impairment reserve[9]	15.82	-
Other comprehensive income		
- Foreign currency translation reserve	0.54	(0.23)
- Change in fair value of equity instruments measured at fair value through OCI	(56.16)	-
- Fair value changes of financial instrument measured at fair value through OCI	(0.47)	(0.63)
- Effective portion of cash flow hedge	(99.54)	-
Total	**12,687.59**	**11,449.79**

1. Securities premium account: The amount received in excess of face value of the equity shares is recognised in Securities Premium Account. In case of equity-settled share based payment transactions, the difference between fair value on grant date and nominal value of share is accounted as securities premium account. The account is utilised in accordance with the provisions of the Companies Act 2013.

2. General reserve: The Company created a General reserve in earlier years pursuant to the provisions of the Companies Act,1956 where in certain percentage of profits was required to be transferred to General reserve before declaring dividends. As per Companies Act 2013, the requirements to transfer profits to General reserve is not mandatory. General reserve is a free reserve available to the Company .

3. Debenture redemption reserve: As the Subsidiaries has issued redeemable non-convertible debentures, it has created Debenture Redemption Reserve out of its profits available for payment of dividend in accordance with the provisions of section 71(4) of the Companies Act, 2013 to be utilised for the redemption of debentures. The Ministry of Corporate Affairs, vide notification dated 19-August-2019 has amended the Companies (Share Capital & Debentures) Rules and accordingly the Company is no longer required to create Debenture Redemption Reserve on issuance of redeemable non-covertible debentures.

4. Reserve u/s 36(1)(viii) of Income tax Act 1961: In respect of any special reserve created and maintained by a specified entity, an amount not exceeding twenty percent of the profits derived from eligible business computed under the head "Profits and gains of business or profession" (before making any deduction under this clause) carried to such reserve account.

5. Reserve u/s 45 IC of Reserve Bank of India Act, 1934: The Parent and Subsidiaries created a reserve pursuant to section 45 IC the Reserve Bank of India Act, 1934 by transferring amount not less than twenty per cent of its net profit every year as disclosed in the Statement of Profit and Loss and before any dividend is declared.

6. Reserve u/s 29C of National Housing Bank act 1987: The Subsidiary created a reserve pursuant to the National Housing Bank, 1987 wherein a sum not less than twenty per cent of its net profit every year as disclosed in the profit and loss account and before any dividend is declared.

7. Employee stock option outstanding account: The reserve is used to recognise the fair value of the options issued to employees of the Company and subsidiary companies under Company s employee stock option scheme.

8. Retained earnings: Retained earnings represent the amount of accumulated earnings of the Company.

9. Impairment reserve: As per the RBI circular RBI/2019-20/170 dated March 13, 2020, where the guidelines require NBFCs to hold impairment allowances as required by Ind AS. In parallel NBFCs are required to compute provisions as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP). A comparison, as prescribed, between provisions required under IRACP and impairment allowances made under Ind AS 109 is required to be disclosed by NBFCs in the notes to their financial statements to provide a benchmark to their Boards, RBI supervisors and other stakeholders, on the adequacy of provisioning for credit losses. here impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), NBFCs are required to appropriate the difference from their net profit or loss after tax to a separate Impairment Reserve . The balance in the Impairment Reserve shall not be reckoned for regulatory capital. Further, no withdrawals shall be permitted from this reserve without prior permission from the Department of Supervision, RBI.

Note 22: Interest income ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
On financial assets measured at:		
(i) Amortised cost		
Interest on loans	9,666.69	8,891.89
Interest on deposits with bank	68.30	40.23
Interest income from investments	50.23	101.96
Other interest income	1.90	7.64
(ii) Fair value through profit or loss		
Interest on loans	3,325.53	2,389.39
Interest income from investments	19.99	16.61
(iii) Fair value through other comprehensive income		
Income from other investments	112.10	192.56
Total	**13,244.74**	**11,640.28**

Note 23: Dividend income ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Dividend income on investments	0.12	0.21
Total	**0.12**	**0.21**

Note 24: Rental income ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Lease rental income	9.03	16.15
Other rental income	-	2.69
Total	**9.03**	**18.84**

Note 25: Fees and commission Income ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Management fee	353.20	618.59
Consultancy and financial advisory fee	249.53	457.58
Other financial activities	209.66	198.56
Total	**812.39**	**1,274.73**

Note 26: Net gain/(loss) on fair value changes ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
(A) Net gain/(loss) on financial instruments classified at fair value through profit or loss		
(i) On trading portfolio		
-Investments	139.95	69.32
-Loans	(63.21)	(14.30)
Less: Provision held reversed on derecognition of financial instruments	(87.09)	-
(ii) On non-trading portfolio		
-Investments	119.57	0.64
Total	**109.22**	**55.66**
(B) Fair value changes:		
-Realised	253.39	71.48
- nrealised	(144.16)	(15.82)
Total	**109.22**	**55.66**

Note 27: Other income ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Income from cross sell	349.13	307.91
Net gain on derecognition of property, plant and equipment	2.35	0.16
Other income	21.15	3.73
Total	**372.63**	**311.80**

Note 28: Finance costs ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
On financial liabilities measured at Amortised Cost		
Interest on borrowings	3,268.02	2,342.35
Interest on debt securities	3,768.45	4,074.14
Interest on subordinated liabilities	434.60	398.05
Other interest expenses	42.53	45.49
Total	**7,513.60**	**6,860.03**

Note 29: Fees and commission expense ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Mutual fund scheme and distribution expenses	17.51	325.71
Total	**17.51**	**325.71**

Note 30: Net loss/(gain) on fair value changes ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
(A) Net loss on financial instruments classified at fair value through profit or loss		
(i) On trading portfolio		
Fair value changes on investments	100.94	387.14
Fair value changes on loans	30.10	63.32
Gain on sale of investment	(13.16)	(46.17)
Gain on sale of loan assets	(1.35)	(7.39)
(B) Net gain on disposal of financial instruments classified at fair value through other comprehensive income		
Gain on sale of investment	(9.00)	(13.74)
Total	**107.53**	**383.16**
Fair value changes:		
-Realised	(23.51)	(67.30)
- nrealised	131.04	450.46
Total	**107.53**	**383.16**

Note 31: Net loss/(gain) on derecognition of financial instruments under amortised cost category ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Loss on foreclosure and writeoff of loan (net off of recoveries for write off of previous years)	2,003.98	1,845.46
Less: Provision held reversed on derecognition of financial instruments	(1,729.76)	(1,461.08)
Subtotal	274.22	384.38
Gain on sell down of loan assets	-	(0.07)
Gain on sale of investment	-	(0.30)
Total	**274.22**	**384.01**

Note 32: Impairment on financial instruments ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
On financial instruments measured at fair value through other comprehnsive income:		
Investments	250.59	-
On financial instruments measured at Amortised cost:		
Loans	1,730.50	700.88
Trade Receivables	13.10	-
Total	**1,994.19**	**700.88**

Note 33: Employee benefits expenses ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Salaries	887.85	679.77
Contribution provident, ESIC and superannuation fund (Refer note 38)	37.88	26.95
Contribution to gratuity fund (Refer note 38)	7.76	6.52
Share based payments to employees (Refer note 20)	88.63	68.16
Staff welfare expenses	40.20	43.33
Total	**1,062.32**	**824.73**

Note 34: Depreciation, amortisation and impairment ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Depreciation (Refer note 10)	24.82	30.95
Depreciation and impairment of investment property (Refer note 9)	15.67	3.51
Amortisation on right of use asset (Refer note 11)	11.00	-
Amortisation on goodwill	2.20	-
Amortisation on other intangible assets (Refer note 10)	27.90	15.16
Total	**81.59**	**49.62**

Note 35: Other expenses ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Rent	31.01	45.61
Rates and taxes	3.84	6.48
Repairs and maintenance	80.57	66.88
Communication expenses	11.38	12.90
Director s sitting fees	1.24	1.39
Non executive directors remuneration	2.88	2.98
Auditor s fees and expenses		
Statutory audit fees	1.38	1.23
Limited review fees	0.92	0.66
Tax audit fees	0.19	0.17
Certification fees	0.66	0.56
Others	0.34	0.26
Legal and professional charges	181.12	149.53
Insurance	8.04	5.37
Travelling and conveyance	36.90	36.31
Advertisement and publicity	27.56	42.42
Printing and stationery	17.15	13.05
Stamping charges	1.38	2.57
Electricity charges	8.08	8.61
Bank charges	38.64	22.25
Filling fees	1.50	1.01
Brand license fee	53.96	82.55
Membership and subscription fees	3.92	3.16
Collection charges	216.76	156.98
Loan processing charges	21.13	16.10
Listing and custodian charges	1.16	0.95
Training and recruitment expenses	6.84	8.26
Loss on sale of property, plant and equipment	2.67	7.62
Donations	21.54	0.93
Corporate social responsibility expenses	24.81	13.38
Miscellaneous expenses	9.53	11.23
Total	**817.09**	**721.40**

Note 36: Tax expense ₹ in Crore

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Current tax (Refer note 44)	632.50	749.49
Deferred tax charge/(reversal) (Refer note 44)	(126.06)	70.46
Reversal of deferred tax assets on account of change in tax rate	473.38	-
Total	**979.82**	**819.95**

Note 37 : The list of subsidiaries included in the consolidated financial statement are as under:

S No.	Name of subsidiaries/associates	Country of Incorporation	As at March 31, 2020		As at March 31, 2019	
			Proportion of ownership interest ( )	Proportion of voting power held ( )	Proportion of ownership interest ( )	Proportion of voting power held ( )
	Subsidiaries					
1	L&T Finance Limited	India	100	100	100	100
2	L&T Infrastructure Finance Company Limited	India	100	100	100	100
3	L&T Housing Finance Limited	India	100	100	100	100
4	L&T Infra Debt Fund Limited	India	100	100	100	100
5	L&T Investment Management Limited	India	100	100	100	100
6	L&T Capital Markets Limited	India	100	100	100	100
7	L&T Financial Consultants Limited	India	100	100	100	100
8	L&T Infra Investment Partners Advisory Private Limited	India	100	100	100	100
9	L&T Infra Investment Partners Trustee Private Limited	India	100	100	100	100
10	L&T Mutual Fund Trustee Limited	India	100	100	100	100
11	Mudit Cements Private Limited	India	100	100	100	100
12	L&T Infra Investment Partners	India	54.93	54.93	54.93	54.93
13	L&T Capital Markets (Middle East) Limited	AE	100	100	100	100

Note 38 : Disclosure pursuant to Ind AS 19 Employee benefits

(i) Defined Contribution plans

The Group recognised charges of ₹ 37.88 Crores (previous year ₹ 26.95 Crores) for provident fund contribution, Employee State Insurance Scheme and Superannuation fund in the Consolidated Statement of Profit and Loss.

(ii) Defined benefits gratuity Plan

(a) The amounts recognised in Balance Sheet:

in crore

	Particulars	Gratuity Plan	
		As at March 31, 2020	**As at March 31, 2019**
A)	Present value of defined benefit obligation		
	- holly funded	32.89	22.07
	- holly unfunded	5.19	4.60
		38.08	26.67
	Less : Fair value of plan assets	(17.41)	(14.85)
	Add : Amount not recognised as an asset (limit in para 64(b) of IndAS 19)		0.01
	Amount to be recognised as liability or (asset)	20.67	11.83
B)	Amounts reflected in Balance Sheet		
	Liabilities	20.67	12.34
	Assets	-	(0.51)
	Net liability/(asset)	20.67	11.83

includes Rs. 3.65 crore liabilities associated with group classified as held for sale

(b) The amounts recognised in the Statement of Profit and Loss:

in crore

	Particulars	Gratuity Plan	
		As at March 31, 2020	**As at March 31, 2019**
1	Current service cost	7.76	6.52
2	Interest cost (Net of interest income on plan asset)	0.65	0.26
3	Actuarial losses/(gains) - others	5.08	2.09
4	Actuarial losses/(gains) - difference between actuarial return on plan assets and interest income	0.72	(0.03)
Total		14.21	8.84
i	Amount included in "employee benefits expenses"	7.76	6.52
ii	Amount included in as part of "finance cost	0.65	0.26
iii	Amount included as part of "other comprehensive income"	5.80	2.06
Total		14.21	8.84

(c) The changes in the present value of defined benefit obligaiton representing reconciliation of opening and closing balance:

in crore

Particulars	Gratuity Plan	
	As at March 31, 2020	**As at March 31, 2019**
Opening balance of the present value of defined benefit obligation	26.67	19.57
Add : Current service cost	7.76	6.52
Add : Interest cost	1.73	1.37
Add : Acturial losses/(gains)		
i) Acturial (gains)/losses arising from changes in financial assumptions	2.62	0.58
ii) Acturial (gains)/losses arising from changes in demographic assumptions	0.66	-
ii) Acturial (gains)/losses arising from changes in experience adjustments	1.80	1.82
Less : Benefits paid	(3.18)	(3.18)
Add : Liability assumed/(settled)	0.02	(0.01)
Closing balance of the present value of defined benefit obligation	38.08	26.67

On account of business combination or intra group transfer

(d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances:

in crore

Particulars	Gratuity Plan	
	As at March 31, 2020	**As at March 31, 2019**
Opening balance of the fair value of the plan assets	14.85	14.35
Add : interest income of plan assets	1.09	1.13
Add/(less) : Acturial gains/(losses)	(0.72)	0.03
Add : Contribution by the employer	5.26	2.52
Less : Benefits paid	(3.07)	(3.18)
Closing balance of plan assets	17.41	14.85

Note 38 : Disclosure pursuant to Ind AS 19 Employee benefits

(e) Movement in asset ceiling:

in crore

Particulars	**Gratuity Plan**	
	As at March 31, 2020	**As at March 31, 2019**
Opening value of asset ceiling	0.01	0.30
Interest on opening balance of asset ceiling	-	0.02
Remeasurement due to changes in surplus/deficit	(0.01)	(0.31)
Closing value of asset ceiling	-	0.01

(f) The fair value of major categories of plan assets:

in crore

	Particulars	**Gratuity Plan**	
		As at March 31, 2020	**As at March 31, 2019**
1	Government of India Securities	1.99	1.84
2	Insurer Managed Funds (nquoted)	9.92	9.76
3	Others (quoted)	2.55	2.55
4	Others (unquoted)	2.96	0.70
		17.41	**14.85**

(g) Principal acturial assumptions at the valuation date:

	Particulars	**Gratuity Plan**	
		As at March 31, 2020	**As at March 31, 2019**
(i)	Discount rate (per annum)	5.6 to 6.85	6.80 - 7.80
(ii)	Salary escalation rate (per annum)	9.00	9

(iii) Discount rate:
Discount rate based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

(iv) Salary escalation rate:
The estimates of future salary increase considered takes into account the inflation, seniority, promotion and other relevant factors.

(v) Attrition Rate:
The attrition rate varies from 0 to 25 (previous year: 0 to 25) for various age groups.

(vi) Mortality:
Published rates under the Indian Assured Lives Mortality (2012-14) lt table.

(h) Sensitivity Analysis
One percentage point change in actuarial assumption would have the following effects on the defined benefit obligation:

in crore

	Particulars	Gratuity Plan			
		Effect of 1 increase		Effect of 1 decrease	
		2019-20	2018-19	2019-20	2018-19
1	Impact of change in discount rate	(2.44)	(1.62)	2.76	1.80
2	Impact of change in salary escalation rate	2.66	1.75	(2.39)	(1.61)

(iii) Defined benefits provident fund plan:
In respect of the contribution by the employer and employee to the provident fund trust constituted by the ultimate parent company, in terms of the guidance note issued by the Institution of Acturial of India for the measurement of provident fund liabilities, the actuary engaged by the Group has provided the following information in this regards

(a) The amounts recognised in Balance Sheet:

in crore

Particulars	**Provident Fund Plan**	
	As at March 31, 2020	**As at March 31, 2019**
A) Present value of defined benefit obligations		
- holly funded	14.32	15.72
- holly unfunded	-	-
	14.32	15.72
Assets accquired on acquistion	-	
Less: Fair value of plan assets	-15.18	-15.82
Amount to be recognised as liability or (assets)	(0.86)	(0.10)
B) Amount reflected in Balance sheet		
Liabilities	(0.86)	(0.10)
Assets	-	-
Net liability/(assets)	(0.86)	(0.10)

Note 38 : Disclosure pursuant to Ind AS 19 Employee benefits

(b) The amounts recognised in the Statement of Profit and Loss:

in crore

Particulars	Provident Fund Plan	
	As at March 31, 2020	**As at March 31, 2019**
Current service cost	-	-
Interest cost	1.25	1.67
Expected return on plan assets	(1.25)	(1.67)
Acturial losses/(gain)	0.76	(0.10)
Acturial losses/(gain) not recognised in books (limit in para 64(b) of IndAS 19)	(0.76)	0.10
Total	**-**	**-**
Amount included in "Employee benefits expenses"	-	-
Amount included in as part of "Finance cost	-	-
Amount included as part of "Other comprehensive income"	-	-
Total	-	-

(c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balances:

in crore

Particulars	Provident Fund Plan	
	As at March 31, 2020	**As at March 31, 2019**
Opening balance of the present value of defined benefit obligation	15.72	24.07
Add: Assets accquired on acquistion	-	-
Add: Current service cost	-	-
Add: Interest cost	1.25	1.67
Less: Benefits paid	(2.65)	(10.53)
Add: Contribution by the employer	-	-
Add: Liability assumed/(settled)	-	0.51
Closing balance of the present value of defined benefit obligation	**14.32**	**15.72**

Amount less than ₹ 1 lakh

(d) Changes in the fair value of plan assets representing reconciliation of the opening and closing balances:

in crore

Particulars	Provident Fund Plan	
	As at March 31, 2020	**As at March 31, 2019**
Opening fair value of the plan assets	15.82	24.27
Add: Assets accquired on acquistion	-	-
Add: interest income of plan assets	1.25	1.67
Add/(less): Acturial gains/(losses)	0.76	(0.10)
Add: Contribution by the employer	-	-
Add/(less): Contribtuion by plan participants	-	-
Less: Benefits paid	(2.65)	(10.53)
Add: Assets acquired/(settled)	-	0.51
Closing fair value of the plan assets	**15.18**	**15.82**

(e) The fair value of major categories of plan assets:

in crore

Particulars	Provident Fund Plan	
	As at March 31, 2020	**As at March 31, 2019**
Government of india securities	7.12	7.53
Corporate bonds	4.38	3.51
Special deposit scheme	0.65	0.82
Public sector unit bond	2.44	3.48
Others (unquoted)	0.59	0.48
Total	**15.18**	**15.82**

(f) Principal actuarial assumptions at the valuation date:

Particulars	Provident Fund Plan	
	As at March 31, 2020	**As at March 31, 2019**
Discount rate for the term of the obligation	5.60	6.90
Average historic yield on the investment portfolio	8.81	8.78
Discount Rate for the remaining term to maturity of the investment portfolio	6.60	7.65
Future derived return on assets	7.81	8.03
Guaranteed rate of return	8.25	8.65

Note 38 : Disclosure pursuant to Ind AS 19 Employee benefits

(i) **Discount rate:**
The discount rate is based on the prevailing market yields of Indian government securities as at the valuation date for the estimated term of the obligations.

(ii) **Average Historic Yield on the Investment Portfolio:**
The average rate of return earned on the investment portfolio of provident fund in the previous three years.

(iii) **Expected Investment Return:**
Expected investment return is determined by adding the yield spread to the discount rate for a term of the obligation, where yield spread is the difference between the average historic yield on the investment portfolio & discount rate for the remaining term to maturity of the investment portfolio

(iv) **Guaranteed Rate of Return:**
The latest interest rate declared by the Regional Provident Fund Commissioner to its own subscribers.

(f) **Characteristics of defined benefit plans**

(a) **Gratuity Plan**
The Group operates gratuity plan through a trust wherein every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service. The same is payable on termination of service, or retirement, whichever is earlier. The benefit vests after five years of continuous service. The Company s scheme is more favorable compared to the obligation under the Payment of Gratuity Act, 1972.

(b) **Provident Fund Plan**
One of the subsidiary s provident fund scheme are defined contribution plan for its employees and for a certain categories of employees made to a trust viz. The Larsen & Toubro Officers & Supervisory Staff Provident Fund constituted by the ultimate parent company, which is permitted under The employee s Provident Funds and Miscellaneous Provisions Act, 1952. The Contribution by the employer and employee together with interest accumulated there on are payable to the employee at the time of separation from company or retirement whichever is earlier. The benefit vets immediately on rendering of services by the employee.

Note 39 : Disclosure pursuant to Ind AS 108 Operating Segment

The Board of Directors and the Managing Director of the Company together constitute the Chief Operating Decision Makers (CODM) which allocate resources to and assess the performance of the segments of the Company.

The Group has identified business segments as its primary segment and geographic segments as its secondary segment. Business segments are primarily Rural, Housing, Infrastructure, Defocused and Other businesses. Revenue and expenses directly attributable to segments are reported under each reportable segment. Expenses which are not directly attributable to each reportable segment have been allocated on the basis of associated revenue of the segment and manpower efforts. All other expenses which are not attributable or allocable to segments have been disclosed as others. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment, Tax assets and liabilites are disclosed as nallocated and all other assets and liabilities are disclosed as others. The composition of the reportable segments is as follows:

(i) Rural finance comprises of Farm Equipment Finance, Two heeler Finance, Micro Loans and Consumer Finance.
(ii) Housing finance comprises of Home Loans, Loan against Property and Real Estate Finance.
(iii) Infrastructure finance comprises of Infrastructure business.
(iv) Defocused Business comprises of Structured Corporate Loans, Debt Capital Market, Commercial ehicle Finance, Construction Equipment Finance, SME term loans and Leases.
(v) Others comprises of Asset Management, ealth Management etc.
(vi) nallocated represents tax assets and tax liabilities.

(a) Information about reportable segment **in crore**

S. No	Particulars	Year ended	
		As at March 31, 2020	As at March 31, 2019
I	**Gross segment revenue from continuing operations**		
(a)	Rural finance	5,308.80	4,064.18
(b)	Housing finance	3,366.42	3,018.71
(c)	Infrastructure finnce	4,385.01	3,784.24
(d)	Defocused business	665.70	1,395.72
(e)	Others	1,027.24	1,303.00
	Segment revenue from continuing operations	**14,753.17**	**13,565.85**
(f)	Less: Inter segment revenue	(577.67)	(576.13)
	Revenue as per the Statement of Profit & Loss	**14,175.50**	**12,989.72**
II	**Segment results**		
(a)	Rural finance	1,225.87	1,151.50
(b)	Housing finance	871.13	1,084.10
(c)	Infrastructure finnce	919.45	466.30
(d)	Defocused business	(554.87)	202.45
(e)	Others	218.50	147.63
	Profit before tax	**2,680.08**	**3,051.98**

in crore

S. No	Particulars	Year ended	
		As at March 31, 2020	As at April 1, 2019
III	**Segment assets**		
(a)	Rural finance	28,491.28	25,517.39
(b)	Housing finance	30,410.87	27,575.72
(c)	Infrastructure finnce	41,705.39	38,232.98
(d)	Defocused business	5,230.76	10,568.47
(e)	Others	12,878.62	11,650.33
	Sub Total	**1,18,716.92**	**1,13,544.89**
(f)	Less: Inter segment assets	(11,548.39)	(9,909.91)
	Segment assets	**1,07,168.53**	**1,03,634.98**
(g)	nallocated	2,360.49	2,420.12
	Total assets	**1,09,529.02**	**1,06,055.10**
I	**Segment liabilities**		
(a)	Rural finance	24,613.00	22,181.29
(b)	Housing finance	26,631.96	24,321.31
(c)	Infrastructure finnce	36,435.59	34,757.97
(d)	Defocused business	4,489.67	9,238.06
(e)	Others	3,987.22	2,800.57
	Sub Total	**96,157.44**	**93,299.20**
(f)	Less: Inter segment liabilities	(1,429.19)	(731.40)
	Segment liabilities	**94,728.25**	**92,567.80**
(g)	nallocated	108.35	38.70
	Total liabilities	**94,836.60**	**92,606.50**

Includes group of assets and liabilities classfied as held for sale
Including non controlling interest

(b) Geographical Information
Revenues from external customers attributed to an individual foreign country are immaterial.

(c) Revenue contributed by any single customer in any of the operating segments, whether reportable or otherwise, does not exceed ten percent of the group s total revenue.

L&T Finance Holdings Limited
Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2020

Note 40 : Disclosure pursuant to Ind AS 24 Related Party Disclosures

(a) List of Related Parties (with whom transactions were carried out during current or previous year)

S. No	Particulars	Relationship
1	Larsen & Toubro Limited	Holding Company
2	Larsen & Toubro Infotech Limited	Fellow Subsidiary Company
3	L&T Capital Company Limited	Fellow Subsidiary Company
4	Larsen & Toubro Electromech LLC	Fellow Subsidiary Company
5	L&T-MHPS Boilers Private Limited	Fellow Subsidiary Company
6	L&T Hydrocarbon Engineering Limited	Fellow Subsidiary Company

S. No	Key Management Personnel	
1	Mr Dinanath Dubhashi	Managing Director and Chief Executive Officer
2	Mr. S. . Haribhakti (re-appointed as an Independent Director w.e.f April 1, 2019)	Non-executive chairman (Independent director)
3	Mr. Prabhakar B. (appointed as a non executive director w.e.f. une 28, 2018)	Non-executive director
4	Mr. R. Shankar Raman	Non-executive director
5	Dr. Rajani R Gupte (appointed as an independent director w.e.f. une 28, 2018)	Independent director
6	Mr. Harsh Mariwala (ceased to be director w.e.f. April 1, 2019)	Independent director
7	Mr. P. . Bhide (re-appointed as an Independent Director w.e.f April 1, 2019)	Independent director
8	Mr. Thomas Mathew T.	Independent director
9	Ms. Nishi asudeva	Independent director
10	Ms. aishali asture (ceased to be director w.e.f. May 29, 2018)	Independent director
11	Mr. Pavninder Singh	Nominee director

(b) Disclosure of related party transactions : **in crore**

S. No	Nature of Transaction	2019-20	2018-19
1	**Branch sharing cost recovered from**		
	Larsen & Toubro Limited	-	0.05
2	**Brand license fees to**		
	Larsen & Toubro Limited	51.00	79.44
3	**Repair and maintenance to**		
	Larsen & Toubro Limited	0.09	0.02
4	**Reimbursement of expenses to**		
	Larsen & Toubro Limited	0.05	0.11
5	**Interest expense on interest corporate borrowing / NCD**		
	L&T Capital Company Limited	0.13	0.36
	Larsen & Toubro Limited	22.96	34.52
6	**Professional fees to**		
	Larsen & Toubro Limited	6.15	9.22
	Larsen & Toubro Infotech Limited	4.27	1.62
7	**Branch sharing cost to**		
	Larsen & Toubro Limited	-	
8	**Advisory fees to**		
	L&T-MHPS Boilers Private Limited	0.05	0.05
9	**Inter corporate deposits borrowed from**		
	L&T Capital Company Limited	1.20	5.97
	Larsen & Toubro Limited	1,000.00	3,000.00
10	**Inter corporate deposits repaid to**		
	L&T Capital Company Limited	4.45	9.19
	Larsen & Toubro Limited	1,000.00	3,000.00

Transactions shown above are excluding of GST, if any.
Amount less than Rs. 1 lakh

Note 40 : Disclosure pursuant to Ind AS 24 Related Party Disclosures

(c) Remuneration to Key Management Personnel

S. No.	Name of Key Management Personnel	FY 2019-20		FY 2018-19	
		Short-Term employee benefits	Other Long Term Benefits	Short-Term employee benefits	Other Long Term Benefits
1	Mr. Dinanath Dubhashi	10.53	0.77	5.63	-
2	Mr. S. . Haribhakti	0.51	-	0.61	-
3	Mr. Prabhakar B.	0.08	-	0.13	-
4	Dr. Rajani R. Gupte	0.39	-	0.47	-
5	Mr. Harsh Mariwala	-	-	0.17	-
6	Mr. P. . Bhide	0.48	-	0.48	-
7	Mr. Thomas Mathew T.	0.49	-	0.51	-
8	Ms. Nishi asudeva	0.48	-	0.47	-
9	Ms. aishali asture	-	-	0.03	-
10	Mr. Pavninder Singh	0.10	-	0.08	-

ey Management Remuneration excludes provision for gratuity, pension and compensated absences, since it is provided on actuarial basis for the Company as a whole.

(d) Amount due to/from related parties: **in crore**

S. No.	Nature of transactions	As at March 31, 2020	As at March 31, 2019
1	**Borrowings**		
	L&T Capital Company Limited	-	3.25
2	**Non convertible debenture (Borrowings)**		
	Larsen & Toubro Limited	40.45	-
3	**Interest accrued on non convertible debenture (Borrowings)**		
	Larsen & Toubro Limited	0.81	-
4	**Trade and other payable**		
	Larsen & Toubro Electromech LLC	0.01	0.01
	Larsen & Toubro Limited	54.10	84.32
	L&T Hydrocarbon Engineering Limited	0.02	0.02
	Larsen & Toubro Infotech Limited	0.01	0.13
5	**Trade and other receivable**		
	Larsen & Toubro Limited	4.09	4.30
	L&T-MHPS Boilers Private Limited	-	0.06

includes Rs. 0.02 crore payable disclosed in group of liabilities classified as held for sale
includes Rs. 0.41 crore receivable disclosed in group of assets classified as held for sale

Note 41 : Disclosures pursuant to Indian Accounting Standards (Ind AS) 116 -Leases

(I) Transition disclosure

Reconcilation of operating lease commitments as at March 31, 2019 (under Ind AS 17) to the opening lease liability as at April 1, 2019 (under Ind AS 116)

A Opening impact of Ind AS 116: **in crore**

RO as on the transition date i.e. April 01, 2019	27.50
Lease liability as on the transition date i.e. April 01, 2019	30.60
Tax effect	0.75
Opening impact in retained earnings	**(2.35)**

B Reconciliation of lease commitments for lessees: **in crore**

Total operating lease commitments disclosed as at March 31, 2019	7.06
Less: Recognition exemptions -	
Low value leases	(2.67)
Short term leases	(1.17)
Less: Impact of discounting under Ind AS 116	(5.14)
Add: Extension and termination options reasonably certain to be exercised	32.52
Add: Commitments relating to leases previously classified as finance leases	-
Total lease liability recogni ed as at April 01, 2019	**30.60**

C Discount rate at which the lease liability is recognised as on the initial application **6.95 - 8.33**

II) Group as Lesseee

a) Operating Lease

1 Rights to use assets: **in crore**

Opening RO recognised as on April 01, 2019 (net)	27.50
Add: Additions during the year	19.28
Less: Depreciation during the year	(11.00)
Less: RO derecognised	(1.78)
Closing ROU recognised as on March 31, 2020 (net)	**34.00**

2 Lease liability: **in crore**

Opening lease liability as on April 01, 2019	30.60
Add: Additions during the year	19.28
Add: Interest accrued during the year	3.44
Less: Interest paid during the year	(3.44)
Less: Principal repayment during the year	(10.02)
Less : Lease liability derecognised	(0.28)
Closing lease liability as on March 31, 2020	**39.58**

3 Low value leases/short term leases **in crore**

Expenses recogonised during the year for

- Low value assets	17.95
- Short term leases	13.06

Actual Cashflow during the year for

- Low value assets	17.95
- Short term leases	13.06

b) Finance Lease : Not Applicable

Note 41 : Disclosures pursuant to Indian Accounting Standards (Ind AS) 116 -Leases

III) Group as Lessor

a) Finance Lease

i) The Group has given on finance leases certain items of plant and equipment. The leases have a primary period that is fixed and noncancellable and a secondary period. There are no exceptional/restrictive covenants in the lease agreement. There are no significant risks associated with rights that the Group retains in underlying assets.

ii) Maturity analysis of minimum undiscounted lease receivables and the present value of minimum lease payments receivable is as under:

₹ in crore

Particulars	As at March 31, 2020
Receivable not later than 1 year	25.42
Receivable later than 1 year but not later than 2 year	20.70
Receivable later than 2 year but not later than 3 year	4.85
Receivable later than 3 year but not later than 4 year	0.01
Receivable later than 4 year but not later than 5 year	-
Receivable later than 5 years	-
Gross investment in lease	50.98
Less: nearned finance income	6.26
Present value of minimum lease payment receivable	44.72

iii) Finance lease income on net investment in lease recognised in statement of Profit & loss during the financial year 2019-20 : ₹6.47 crore

iv) Finance lease income relating to variable lease payments not depending on index/rate - NIL

v) Changes in carrying amount of net investment in finance lease

₹ in crore

Particulars	Current	Non Current	Total
Opening value of Lease Receivables as on April 1, 2019	29.20	50.98	80.18
Add: Finance lease income recognised in P&L	6.47	-	6.47
Less: Lease rental received (cash payment)	(35.67)	-	(35.67)
Add/Less: Change on account of any other factors	25.42	(25.42)	-
Closing value of Lease Receivables as on March 31, 2020	**25.42**	**25.56**	**50.98**

b) Operating Lease :

i) The Group has given certain assets under operating lease. There are no significant risks associated with rights that the Group retains in underlying assets. Leases are renewed only on mutual consent and at a prevalent market price.

ii) Maturity analysis of undiscontinued lease receivables:

₹ in crore

Particulars	As at March 31, 2020
Receivable not later than 1 year	1.42
Receivable later than 1 year but not later than 2 year	0.46
Receivable later than 2 year but not later than 3 year	0.23
Receivable later than 3 year but not later than 4 year	-
Receivable later than 4 year but not later than 5 year	-
Receivable later than 5 years	-
Total	**2.11**

iii) Lease income recognised in Profit & Loss account (Other than variable lease payment) : ₹2.57 crore

iv) Lease income relating to variable lease payments not depending on index/rate : Nil

L&T Finance Holdings Limited
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Note 42 : Basic and Diluted Earnings per share EPS computed in accordance with Indian Accounting Standard (Ind AS) 33 Earnings per Share :

Particulars		For the year ended March 31, 2020	For the year ended March 31, 2019
Basic			
Profit after tax (₹ in crore)	A	1,700.17	2,226.30
eighted average number of equity shares outstanding	B	2,00,10,48,372	1,99,71,65,629
Basic earning per share	A/B	8.50	11.15
Diluted			
Profit after tax (₹ in crore)	A	1,700.17	2,226.30
eighted average number of equity shares outstanding	B	2,00,10,48,372	1,99,71,65,629
Add: eighted average number of potential equity shares on account of employee stock options	C	95,30,828	77,03,279
eighted average number of shares outstanding for diluted EPS	D=B+C	2,01,05,79,200	2,00,48,68,908
Diluted earning per share (before and after extraordinary items) (₹)	A/D	8.46	11.10
Face value of shares (₹)		10.00	10.00

Note 43 : Disclosure pursuant to Ind AS 105 Non-current Assets Held for Sale and Discontinued Operations:

(a) The Group has following non-current assets/disposal group recognised as held for sale as on March 31, 2020:

Assets/Disposal Group	Reportable Segment	
	As at March 31, 2020	As at March 31, 2019
Non-current Assets (L&T Capital Markets Limited)	Others	Not applicable
Non-current Assets (L&T Capital Markets (Middle East) Limited)	Others	Not applicable

denotes the sale of disposal group concluded on April 23, 2020

(b) The proposed sale are expected to be completed within 1 year from the respective reporting dates.

(c) The details of assets/ disposal group classified as held for sale and liabilities associated thereto are as under:

in crore

Particulars	As at March 31, 2020	As at March 31, 2019
Group(s) of assets classified as held for sale:		
Cash and cash equivalents	14.34	-
Trade receivables	10.58	-
Investments	60.82	-
Other financial assets	1.04	-
Current tax assets (net)	1.26	-
Deferred tax assets (net)	5.02	-
Property, plant and equipment	0.44	-
Other intangible assets	0.08	-
Other non-financial assets	0.92	-
Total Rs.	**94.50**	**-**
Liabilities associated with group(s) classified as held for sale:		
Other financial liabilities	4.27	-
Provisions	4.95	-
Other non-financial liabilities	0.74	-
Total Rs.	**9.96**	-

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Note 44 : Disclosure pursuant to Ind AS 12 Income Taxes

(a) Major components of tax expense/(income):

in crore

S. No	Particulars	2019-20	2018-19
	Consolidated statement of Profit and Loss:		
(a)	Profit and Loss section:		
	(i) Current income tax :		
	(A) Current income tax expense	632.50	749.49
		632.50	749.49
	(ii) Deferred Tax:		
	(A) Tax expense on origination and reversal of temporary differences	(126.06)	70.46
	(B) Effect on deferred tax balances due to the change in income tax rate (refer footnote)	473.38	-
		347.32	70.46
	Income tax expense reported in the consolidated statement of profit or loss (i)+(ii)	979.82	819.95
(b)	**Other Comprehensive Income (OCI) Section:**		
	(i) Items not to be reclassified to profit or loss in subsequent periods:		
	(A) Current tax expense/(income):	-	-
	(B) Deferred tax expense/(income):		
	(a) On re-measurement of defined benefit plans	(1.21)	(0.55)
		(1.21)	(0.55)
	(ii) Items to be reclassified to profit or loss in subsequent periods:		
	(A) Current tax expense/(income):	-	-
	(B) Deferred tax expense/(income):		
	(a) On Mark-to-Market (MTM) of cash flow hedges	(33.48)	-
	(b) On gain/(loss) on fair value of debt securities	-	(0.03)
		(33.48)	(0.03)
	Income tax expense reported in the other comprehensive income (i)+(ii)	(34.69)	(0.58)
(c)	**Balance sheet:**		
	Current income tax	-	-
	Deferred tax	(0.75)	-
	Income tax expense reported in balance sheet	(0.75)	-

(b) Reconciliation of Income tax expense and accounting profit multiplied by domestic tax rate applicable in India:

in crore

S. No	Particulars	2019-20	2018-19
(a)	**Profit before tax**	2,680.08	3,051.98
(b)	Corporate tax rate as per Income tax Act, 1961	25.17	34.94
(c)	Tax on accounting profit (c)=(a) (b)	674.52	1,066.49
(d)	(i) Tax on Income exempt from tax :		
	(A) Deduction of special reserve u/s 36(1)(viii) of the Income Tax Act, 1961	(19.64)	(39.96)
	(B) Exempt income	(53.60)	(46.01)
	(C) Deduction under Section 80 AA	(10.24)	-
	(ii) Tax on Income which are taxed at different rates	(9.16)	(4.44)
	(iii) Tax on expense not tax deductible :		
	(A) Corporate social responsibility (CSR) expenses	3.02	2.04
	(B) Provision for dimunition of investments	70.79	54.38
	(C) Other disallowances	42.77	51.00
	(iv) Impact of consolidation adjustments	(139.25)	(247.83)
	(v) Set off Brought forward losses (no DTA recognised) used against current year income	(55.98)	(44.37)
	(vi) Tax effect of losses/timing differences of current year on which no deferred tax benefit is recognised	-	15.65
	(vii) Tax effect on various other Items	3.21	13.00
	(viii) Total effect of tax adjustments (i) to (viii)	(168.08)	(246.54)
(e)	Tax expense (before one-time deferred tax impact) (e)=(c)-(d)	506.44	819.95
(f)	Effective tax Rate (before one-time deferred tax impact) (f)=(e)/(a)	18.90	26.87
(g)	(ix) Effect on deferred tax due to change in Income tax rate (Refer note below)	473.38	-
(h)	**Tax expense recognised during the year (h) (e)+(g)**	**979.82**	**819.95**
(i)	**Effective tax Rate (i) (h)/(a)**	**36.56**	**26.87**

The section 115BAA in the Income Tax Act, 1961, provides existing domestic companies with an option to pay tax at a concessional rate of 22 plus applicable surcharge and cess. The reduced tax rates come with the consequential surrender of specified deductions/ incentives. The option needs to be exercised within the prescribed time for filing the return of income under section 139(1) of the Income Tax Act, 1961, for assessment year (AY) 2020-21 or subsequent AYs. Once exercised, such an option cannot be withdrawn for the same or subsequent AYs. These financial results are prepared on the basis that the parent company and some of its Subsidiaries would avail the option to pay income tax at the lower rate. Consequently, wherever applicable, the opening deferred tax asset (net) has been measured at the lower rate, with a one-time corresponding charge of 473.38 crore to the Statement of Profit and Loss.

(c) (i) Unused tax losses and unused tax credits for which no deferred tax asset is recognised in Balance sheet:

Particulars	As at March 31, 2020		As at March 31, 2019	
	in crore	Expiry year	in crore	Expiry year
Tax losses (Business loss and unabsorbed depreciation)				
- Amount of losses having expiry	44.91	pto AY2028-29	34.67	pto AY2027-28
- Amount of losses having no expiry	105.94		293.26	
Tax losses (Capital loss)	16.42	pto AY2027-28	38.58	pto AY2027-28
nused tax credits Minimum Alternate Tax (MAT) credit not recognised	0.08		0.49	
Total	**167.35**		**367.00**	

(ii) Unrecognised deductible temporary differences for which no deferred tax asset is recognised in Balance Sheet: in crore

Particulars	As at March 31, 2020	As at March 31, 2019
Towards provision for diminution in value of investments	544.33	206.16
Other items	0.45	0.46
Total	544.78	206.62

L&T Finance Holdings Limited
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Note 44 : Disclosure pursuant to Ind AS 12 Income Taxes

(d) Major components of deferred tax assets and deferred tax liabilities:

in crore

Particulars	Deferred tax assets / (liabilities) as at April 1, 2019	Charge/(credit) to Statement of Profit and Loss	Recognised through Balance Sheet	Charge/(credit) to Other comprehensive income	Deferred tax assets / (liabilities) as at March 31, 2020
Deferred tax assets:					
Expected credit loss provision on Loans	1,646.06	(429.18)	-	-	1,216.88
Amortisation of fee income	19.22	(10.31)	-	-	8.91
nabsorbed depreciation	12.02	(12.02)	-	-	-
Carried forward tax losses	32.07	(21.93)	-	-	10.14
nutilised MAT credit	77.01	(19.89)	(6.55)	-	50.57
Other items giving rise to temporary differences	109.50	3.84	(0.27)	34.69	147.76
Deferred tax assets	1,895.88	(489.49)	(6.82)	34.69	1,434.27

includes Rs. 5.02 crores disclosed in group of assets classified as held for sale

Particulars	Deferred tax assets / (liabilities) as at April 1, 2019	Charge/(credit) to Statement of Profit and Loss	Recognised through Balance Sheet	Charge/(credit) to Other comprehensive income	Deferred tax assets / (liabilities) as at March 31, 2020
Deferred tax liabilities:					
Difference between book base and tax base of property, plant & equipement, investment property and intangible assets	37.49	64.15	-	-	101.64
Interest income recognised on Stage 3 Loans	(120.10)	68.28	-	-	(51.82)
namortised borrowing cost	(6.16)	2.96	-	-	(3.20)
Other items giving rise to temporary differences	(35.15)	6.78	-	-	(28.37)
Deferred tax liabilities	**(123.92)**	**142.17**	**-**	**-**	**18.25**
Net deferred tax assets/(liabilities)	**1,771.96**	**(347.32)**	**(6.82)**	**34.69**	**1,452.51**

in crore

Particulars	Deferred tax assets / (liabilities) as at April 1, 2018	Charge/(credit) to Statement of Profit and Loss	Recognised through Balance Sheet	Charge/(credit) to Other comprehensive income	Deferred tax assets / (liabilities) as at March 31, 2019
Deferred tax assets:					
Expected credit loss provision on Loans	1,877.81	(231.75)	-	-	1,646.06
Amortisation of fee income	34.79	(15.57)	-	-	19.22
nabsorbed depreciation	12.02	-			12.02
Carried forward tax losses	40.31	(8.24)	-	-	32.07
nutilised MAT credit	70.70	6.31	-	-	77.01
Other items giving rise to temporary differences	36.01	72.91	-	0.58	109.50
Deferred tax assets:	**2,071.64**	**(176.34)**	**-**	**0.58**	**1,895.88**

Particulars	Deferred tax assets / (liabilities) as at April 1, 2018	Charge/(credit) to Statement of Profit and Loss	Recognised through Balance Sheet	Charge/(credit) to Other comprehensive income	Deferred tax assets / (liabilities) as at March 31, 2019
Deferred tax liabilities:					
Difference between book base and tax base of property, plant & equipement, investment property and intangible assets	(30.52)	68.01	-	-	37.49
Interest income recognised on stage 3 loans	(156.03)	35.93	-	-	(120.10)
namortised borrowing cost	(8.71)	2.55	-	-	(6.16)
Other items giving rise to temporary differences	(34.54)	(0.61)	-	-	(35.15)
Deferred tax liabilities	**(229.80)**	**105.88**	**-**	**-**	**(123.92)**
Net deferred tax assets/(liabilities)	**1,841.84**	**(70.46)**	**-**	**0.58**	**1,771.96**

L&T Finance Holdings Limited

Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2020

Note 45 : Contingent liabilities and commitments

in crore

S. No	Particulars	As at March 31, 2020	As at March 31, 2019
	Contingent liabilities		
1	Claims against the Group not acknowledged as debt		
	(i) Income tax matter in dispute	8.66	8.66
	(ii) Service tax/Sales tax/ AT matters in dispute	504.88	60.94
	(iii) Legal matters in dispute	2.28	7.55
2	Bank guarantees	254.63	483.93
3	Other money for which the Group is contingently liable Letter of Credit/Letter of Comfort	2,004.22	2,006.34
	Total (a)	**2,774.67**	**2,567.42**
	Commitments		
1	Estimated amount of contracts remaining to be executed on capital account and not provided for	95.46	90.37
2	Other ndrawn/ ndisbursed commitments (standby facilities)	1,364.53	486.31
	Total (b)	**1,459.99**	**576.68**
	Total (c) (a)+(b)	**4,234.66**	**3,144.10**

In respect of disputes, the Group is hopeful of succeeding in appeals and does not expect any significant liabilities to materialise.

This disclosure is given pursuant to the notification no. DNBS.CC.PD.No. 252/03.10.01/2011-12 dated December 26, 2011 issued by Reserve Bank of India.

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Note 46 : Disclosure pursuant to Ind AS 107 Financial Instruments: Disclosures

(a) Foreign currency risk :

Particulars	As at March 31, 2020	As at March 31, 2019
Liability External commercial borrowings	SD 37,50,00,000.00	SD 1,55,06,280.04
Assets Currency swap contracts	SD 37,50,00,000.00	SD 1,55,06,280.04

(b) Interest rate risk :

The exposure of the Group s borrowing to interest rate changes at the end of the reporting period are as follows:

in crore

Particulars	As at March 31, 2020	As at March 31, 2019
ariable rate borrowings	37,704.90	30,363.70
Fixed rate borrowings	54,623.43	58,985.47
Total borrowings	**92,328.32**	**89,349.17**

Excluding interest accrued and amortisation

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

in crore

Particulars	As at March 31, 2020			As at March 31, 2019		
	eighted average interest rate	Balance	of total borrowing	eighted average interest rate	Balance	of total borrowing
ariable rate borrowings	8.54	37,704.90	40.84	8.42	30,363.70	33.98
Net exposure to cash flow interest rate risk	**8.54**	**37,704.90**	**40.84**	**8.42**	**30,363.70**	**33.98**

(c) Sensitivity :

Profit or loss is sensitive to higher/lower interest expense from borrowings as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges related to borrowings.

in crore

Particulars	Impact on profit after tax		Impact on other components of	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Interest rates increase by 25 basis points	(41.93)	(37.43)	(41.93)	(37.43)
Interest rates decrease by 25 basis points	41.93	37.43	41.93	37.43

** Impact on P/L upto 1 year, holding all other variables constant*

L&T Finance Holdings Limited
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Note 47 : Disclosure pursuant to Ind AS 1 and Ind AS 107 "Maturity analysis of assets and liabilities"

in crore

S. No	Particulars	As at March 31, 2020			As at March 31, 2019		
		ithin 12 months	After 12 months	Total	ithin 12 months	After 12 months	Total
	ASSETS:						
(1)	**Financial assets**						
(a)	Cash and cash equivalents	5,598.69	-	5,598.69	1,826.65	-	1,826.65
(b)	Bank balance other than (a) above	2,197.76	7.95	2,205.71	17.82	29.68	47.50
(c)	Derivative financial instruments	-	155.06	155.06	7.20	-	7.20
(d)	Receivables						
	(I) Trade receivables	64.74	-	64.74	106.37	-	106.37
	(II) Other receivables	19.31	-	19.31	10.63	-	10.63
(e)	Loans	41,256.68	50,205.82	91,462.50	42,371.37	48,953.26	91,324.63
(f)	Investments	1,781.11	4,198.16	5,979.27	4,944.84	3,695.97	8,640.81
(g)	Other financial assets	43.52	48.45	91.97	106.83	19.46	126.29
	Group of liabilities classified as held for sale	94.50	-	94.50	-	-	-
(2)	**Non-financial assets**						
(a)	Current tax asset (net)	-	901.24	901.24	-	642.97	642.97
(b)	Deferred tax assets (net)	-	1,452.97	1,452.97	-	1,777.15	1,777.15
(c)	Investment property	-	311.01	311.01	-	367.66	367.66
(d)	Property, plant and equipment	-	47.91	47.91	-	67.69	67.69
(e)	Capital work-in-progress	-	-	-	-	-	-
(f)	Intangible assets under development	-	62.04	62.04	-	38.65	38.65
(g)	Goodwill on consolidation	-	636.71	636.71	-	638.91	638.91
(h)	Other intangible assets	-	70.44	70.44	-	53.04	53.04
(i)	Right of use asset	-	34.00	34.00	-	-	-
(j)	Other non-financial assets	96.23	244.72	340.95	300.29	78.66	378.95
	Total Assets	**51,152.54**	**58,376.48**	**1,09,529.02**	**49,692.00**	**56,363.10**	**1,06,055.10**
	LIABILITIES						
(1)	**Financial Liabilities**						
(a)	Derivative financial instruments	-	-	-	-	-	-
(b)	Trade payables						
	(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	64.84	-	64.84	119.69	0.36	120.05
(c)	Other payables						
	(i) Total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-	-
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	0.80	-	0.80	16.12	-	16.12
(d)	Debt securities	15,995.76	27,996.55	43,992.31	23,465.84	27,802.47	51,268.31
(e)	Borrowings (Other than debt securities)	18,487.43	26,035.57	44,523.00	12,235.44	23,549.71	35,785.15
(f)	Subordinated liabilities	790.26	4,588.92	5,379.18	343.31	4,110.21	4,453.52
(g)	Lease liability	11.10	28.48	39.58	-	-	-
(h)	Other financial liabilities	354.80	89.27	444.07	569.22	-	569.22
	Group of liabilities classified as held for sale	9.96	-	9.96	-	-	-
(2)	**Non-Financial Liabilities**						
(a)	Current tax liability (net)	107.89	-	107.89	33.51	-	33.51
(b)	Provisions	33.77	7.50	41.27	35.22	6.82	42.04
(c)	Deferred tax liabilities (net)	-	0.46	0.46	-	5.19	5.19
(d)	Other non-financial liabilities	13.03	-	13.03	91.13	-	91.13
	Total liabilities	**35,869.64**	**58,746.75**	**94,616.39**	**36,909.48**	**55,474.76**	**92,384.24**

Note 48: Risk Management:

Basis

Great importance is attached to the identification, measurement and control of risks. All employees of the group are responsible for the management of risk, with the ultimate accountability residing with the Board of Directors. The Board of Directors and its Risk Management Committee ensure that Management takes into consideration all the relevant risk factors which could lead to unexpected fluctuations in results or to a loss of capital employed. Recommendations for risk control measures are derived from the evaluation of the risk factors. Certain risks are also recognised as opportunities. The aim in such cases is to achieve an appropriate balance between the possible losses which might result and the potential gains. Risks which primarily represent loss potential are minimised. This helps in aligning the risk appetite to the Group s strategy to deliver sustainable, long term returns to its investors.

The risks are reviewed periodically every quarter.

Types of risk

As a lending non-banking financial Group, the most important risks it is faced with are the following:

Credit risk
Market risk
Capital risk

Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group s customers or counterparties fail to fulfil their contractual obligations to the Group.

Credit risk arises mainly from wholesale and retail loans and advances and loan commitments arising from such lending activities but could also arise from credit enhancement provided, such as financial guarantees and letters of credit. The Group is also exposed to other credit risks arising from investments in debt securities and exposures arising from its trading activities (Trading Exposures) as well as settlement balances with market counterparties.

Credit risk is the single largest risk for the Group s business. Management therefore carefully manages its exposure to credit risk. A centralised risk management function oversees the risk management framework, which periodically presents an overview of credit risk of portfolio to the Risk Management Committee.

Credit worthiness is checked and documented prior to signing any contracts, based on market information. Management endeavours to improve its underwriting standards to reduce the credit risk the Group is exposed to from time to time. Internal credit rating is used as an important tool to manage exposures of the holesale segment. Ratings provides a consistent and common scale for measurement of components of credit risk of a loan asset including the Probability of Default (PD) across products and sectors. Credit rating model takes into account critical success parameters relevant for each industry, competitive forces within the industry as well as regulatory issues while capturing financial parameters, management strengths, project parameters etc. of the borrower. These ratings are reviewed at least once annually.

Loans and advances (including loan commitments and guarantees)

The estimation of risk of credit exposures is complex, as the same varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring and of the associated loss ratios. The Group measures credit risk for each class of loan assets using inputs such as Probability of Default (PD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under Ind AS 109.

holesale and retail portfolios are managed separately to reflect the differing nature of the assets wholesale balances tend to be larger and are managed on an individual basis, while retail balances are greater in number but lesser in value and are, therefore, managed in aggregated segments.

Infrastructure Finance and Housing, Real Estate

The Group uses internal credit risk grading (17 levels for loans which are not credit impaired and 1 level for loans considered to be credit impaired) that reflect its assessment of the PD of individual counterparties in respect of its holesale segment. The Group use internal rating models tailored to the various categories of counterparties. Borrower and loan specific information collected at the time of application (such as turnover and industry type for wholesale exposures) and judgement based on market intelligence on the sector or the specific borrower is used in assigning the rating. The Group s own internal ratings were benchmarked against the last published cumulative default rates for 1 year and 3-year periods as published annually by CRISIL for Stage 1 and Stage 2 loan assets.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between a AAA and A- rating grade is lower than the difference in the PD between a BBB and B- rating grade.

Management also assesses the impact of economic developments in key markets on specific customers, customer segments or portfolios. If changes in credit conditions are foreseen, mitigation action, including the revision of risk appetites or limits and tenors, as appropriate are taken.

Retail (Farm Equipment Finance, Two- heeler Loans, Micro Loans and Others) and Housing (Home Loans and Loans Against Property)

The Group has deployed standardised credit decision rules, as approved by the designated officials for the specific product. The rules are regularly monitored to ensure that the changes in the economic environment have been factored into the credit decision rules.

Trading Exposures

For debt securities in the trading portfolio, external rating agency credit grades are used for evaluating the credit risk.

Expected Credit Loss (ECL)

The Group prepares its financial statements in accordance with the IND AS framework.

As per the recent RBI notification, on acceptance of IND AS for regulatory reporting, the Group computes provision as per IND AS 109 as well as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP). here impairment allowance in aggregate for the Company under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning) for the Company, the difference is appropriated from net profit or loss after tax, to a separate Impairment Reserve . Any withdrawals from this reserve shall be done only with prior permission from the RBI.

ECL allowances recognised in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability weighted basis, based on certain economic scenarios. The recognition and measurement of ECL involves use of significant judgement and estimation. Forward looking economic forecasts are used in developing the ECL estimates. Three scenarios sufficient to calculate unbiased ECL were used - representing the most likely outcome (the Base case scenario) and two less likely outcome scenarios (the pside and Downside scenarios). Probability weights are assigned to each scenario. The Base case scenario is based on the Company outlook of GDP growth, inflation, unemployment and interest rates for India and most relevant for the Group s loan portfolio. The pside and Downside scenarios generated at the reporting dates are designed to cover cyclical changes and are updated during the year only if the economic conditions change significantly. The pside scenario reflects improvement in rural disposable income on account of good monsoons. Given the uncertainties arising from the CO ID 19 pandemic, the ECL allowance as of March 31, 2020, is measured based on the Downside scenario.

Management oversees the estimation of ECL including:
(i) setting requirements in policy, including key assumptions and the application of key judgements
(ii) the design and execution of models and
(iii) review of ECL results.

As required by Ind AS 109, a three-stage model for impairment based on changes in credit quality since initial recognition was built as summarised below:

A loan asset that is not credit-impaired, on initial recognition, is classified in Stage 1 and has its credit risk continuously monitored by Management.

If a significant increase in credit risk (SICR) since initial recognition is identified, the loan asset is moved to Stage 2 but is not yet deemed to be credit impaired. (See note 1.17 for a description of how the Group determines when a significant increase in credit risk has occurred).

If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3 . (See note 1.10 for a description of how the Group defines credit-impaired and default).

The following are additional considerations for each type of portfolio held by the Group:

holesale (Infrastructure Finance) and Housing (Real Estate)

For wholesale business, the PD is estimated based on the internal credit rating assigned to the borrower as explained above. pdated or new information/credit assessments for credit risk evaluation are incorporated on an ongoing basis. In addition, information about the creditworthiness of the borrower is updated every year from sources such as financial statements. This will determine the updated internal credit rating and PD. The internal ratings-based PD has been benchmarked to the Cumulative Default Rates for 1 year and 3-year periods as published annually by CRISIL.

The Exposure at Default (EAD) is measured at the amortised cost as at the reporting date.

The Group, in determining its LGD estimates, for Stage 3 loan assets as of the reporting date, has used cash flow estimates based on inputs provided by assigned business managers and external corroborating information including amounts realised on resolution of cases referred to the National Company Law Tribunal (NCLT) under the Insolvency and Bankruptcy Code, 2016.

The Group has carried out a historical analysis of loss experience for all closed and live defaulted (Stage 3) borrowers over the previous 5 years.

Retail (Farm Equipment Finance, Two- heeler Loans, Micro Loans and Others) and Housing (Home Loans and Loans Against Property)

Retail lending credit quality is determined on a collective basis based on a 12-month point in time (PIT) probability weighted PD.

A centralised impairment model summarises the historical payment behaviour of the borrowers within a retail portfolio which data is used to build the PD estimates. For estimating PD, information on days-past-due and month-on-book (vintage) (for certain products) form key differentiating characteristics. The weighted average is determined (using count of customers as the weight) from quarterly snapshots.

For credit impaired loan assets LGD is computed based on actual history of loss (on settlement/repossession and disposal of security/ enforcement action) from the same historical quarterly snapshots. The loss divided by the principal outstanding at the time of default is the loss ratio for a credit impaired loan asset in a specific snapshot. The weighted average of loss ratios (using the principal outstanding in respect of such credit impaired loan assets in the corresponding snapshot as the weight) was used to determine the LGD ratio for credit impaired loan assets.

The PD and LGD ratio were used along with respective EAD adjustment factor to arrive at the ECL for all stages of loan assets.

Exposure at Default (EAD)

EAD is the amortised cost as at the period end, after considering repayments of principal and interest received in advance.

Purchased or originated credit-impaired financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The Group s net exposure to credit risk, after taking into account credit risk mitigation, have been tabulated below:

(in crore)

Particulars	As at March 31, 2020			As at March 31, 2019		
	Outstanding	**Cash collateral**	**Nature of Non-cash collateral**	**Outstanding**	**Cash collateral**	**Nature of Non-cash collateral**
Financial assets						
Cash and cash equivalent and other bank balances	7,804.40	-		1,874.15	-	
Loans and advances at amortised cost	66,584.86	-	Refer foot note below	66,928.19	-	Refer foot note below
Equity instruments (Associate)	-	-		-	-	
Debt instruments	-	-		1,832.55	-	
Trade receivables	64.74	-		106.37	-	
Other receivables	19.31	-		10.63	-	
Other financial assets	91.97	-		126.29	-	
Total financial assets at amortised cost	**74,565.28**	**-**		**70,878.18**	**-**	
Derivative financial instruments	155.06	-		7.20	-	
Financial assets at fair value through profit or loss	29,655.59	-		28,892.30	-	
Total financial instruments at fair value through profit or loss	**29,810.65**	-		**28,899.49**	-	
Financial instruments at fair value through Other Comprehensive Income	1,201.31	-		2,312.41	-	
Total Financial instruments at fair value through Other Comprehensive Income	**1,201.31**	**-**		**2,312.41**	-	
Total on-balance sheet	**105,577.25**	-		**102,090.08**	-	
Off balance sheet						
Contingent liabilities	2,774.70	-		2,567.42	-	
Other commitments	1,459.99	-		576.68	-	
Total off-balance sheet	**4,234.69**	-		**3,144.10**	-	
Total	**109,811.94**	**-**		**105,234.18**	-	

Footnote

a) Retail loans, other than unsecured loans aggregating ₹ 14,828.70 crore as of March 31, 2020, are generally secured by a charge on the asset financed (farm equipment loans, and two-wheeler loans and loans against property) (as of March 31, 2019: ₹ 12,911.95 crore). holesale loans are secured with current assets as well as immovable property and property, plant and equipment in some cases. However, collateral securing each individual loan may not be adequate in relation to the value of the loan. If the customer fails to pay, the Group would, as applicable, liquidate collateral and/or set off accounts. For most products, the Group obtains direct debit instructions or post-dated cheques from the customer. It is a criminal offence in India to issue a bad cheque.

b) Housing loans, other than unsecured insurance loans aggregating 11,518.10 crore as of March 31, 2020 (as of March 31, 2019: 10,267.12 crore) are generally secured by a charge on the asset financed (loans against property and home loans). If the customer fails to pay, the Group would, as applicable, liquidate collateral and/or set off accounts. For most products, the Group obtains direct debit instructions or post-dated cheques from the customer. It is a criminal offence in India to issue a bad cheque.

c) holesale loans are secured with current assets as well as immovable property and property, plant and equipment in some cases. However, collateral securing each individual loan may not be adequate in relation to the value of the loan. If the customer fails to pay, the Group would, as applicable, liquidate collateral and/or set off accounts. For most products, the Group obtains direct debit instructions or post-dated cheques from the customer. It is a criminal offence in India to issue a bad cheque.

Of the unmitigated on balance sheet exposure, a significant portion relates to cash held with banks, settlement balances, and debt securities issued by governments all of which are considered to be lower risk.

Besides growth in the loan assets portfolio, increases in trading portfolio assets and financial assets at fair value through the Statement of Profit and Loss have also contributed to the increase in the Group s net exposure to credit risk. Investments in debt instruments are predominantly investment grade.

here collateral has been obtained in the event of default, the Group does not, ordinarily, use such assets for its own operations and they are usually sold and off set against the outstanding loan assets.

The Group has invoked pledge of equity shares in the following companies, pledged with the Group as collateral by the borrowers and these shares are being held by the Group as bailee. As and when the shares are sold, the proceeds would be adjusted against the overdue portion of the loan then remaining outstanding.

S. No.	Name of Company	No. of shares held as bailee	
		As at March 31, 2020	As at March 31, 2019
1	Saumya mining limited	5,13,012	5,13,012
2	SE vizag coal terminal private limited	7,03,833	7,03,833
3	Bhushan steel limited	71,89,089	71,89,089
4	Sterling international enterprises limited	2,17,309	2,17,309
5	Tulip telecom limited	14,01,762	14,01,762
6	Punj Lloyd limited	5	5
7	Golden tobacco limited	10,000	10,000
8	Gujarat highway corporation limited	70,000	70,000
9	Hindusthan national glass & industries limited	34,04,499	34,04,499
10	Hanjer biotech energies private limited	3,25,096	3,25,096
11	MC systems limited	7,17,736	7,17,736
12	S energy ventures limited	3,08,446	3,08,446
13	S mahanadi power company limited	5,96,052	5,96,052
14	Automobile Corporation of Goa	8,784	-
15	Bajaj Holdings and Investment Ltd	20,220	-
16	inetic Engineering Limited	17,556	-
17	Motherson Sumi Systems Limited	91,125	-
18	Munjal Showa Limited	25,000	-
19	NTPC Limited	19,000	-
20	Reliance Capital Limited	4,500	-
21	State Bank of India	10,000	-
22	Tata Consultancy Services Limited	220	-
23	Tata Motors Limited D R	31,814	-
24	NTPC Limited (NCD)	16,300	-

As per recent RBI notification on acceptance of IND AS for regulatory reporting, the Group computes Allowance for ECL as per IND AS 109 as well as Provision on loan assets per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) for each of its Component. here allowance for ECL under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning) of the Component, the difference is appropriated from net profit or loss after tax of the Component to a separate reserve viz. Impairment Reserve . Any withdrawals from this reserve shall be done only with prior permission from the RBI.

Concentration of exposure:
Concentrations of credit risk arise when a number of counterparties or exposures have comparable economic characteristics, or such counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors so that their collective ability to meet contractual obligations is uniformly affected by changes in economic, political or other conditions. The Group has established a diversified borrower base and as at March 31, 2020. The Group has put in place a framework of Risk Limits, which are monitored on a quarterly basis to ensure that the overall portfolio is steered within the approved limits to minimize concentration risk. The Risk Limits cover risk of concentration to a particular geography, industry, Company/borrower or revenue counterparty of the borrowers etc. as are relevant to the respective product.

Market Risk Management:

Liquidity Risk:
The risk that the Group is unable to service its contractual or contingent liabilities or that it does not have the adequate amount of funding and liquidity to support its committed disbursements.

Liquidity risk management in the Company is managed as per the guidelines of Board-approved Asset-Liability Management (ALM) Policy. The ALM Policy provides the governance framework for the identification, measurement, monitoring and reporting of liquidity risk arising out of Group s lending and borrowing activities. The liquidity risk is measured in terms of structural liquidity gaps across various time-buckets and also by setting up limits on relevant liquidity stock ratios. Actual liquidity gaps against the Gap Limits are reported every month to the Asset Liability Management Committee (ALCO). Given the current market scenario, the Group has been maintaining positive cumulative liquidity gaps for all the time-buckets upto 1 year as a prudent risk management practice.

The Group also periodically undertakes liquidity stress testing under various liquidity stress scenarios. It maintains liquidity buffer for period of 30 days in the forms of High uality Liquid Assets under 1-in-10 liquidity stress scenario arrived by applying hair cut of 40 on undrawn bank lines and collection shortfall of 15 is assumed. To effectively manage the fallout of the CO ID-19 pandemic related RBI measures on its funding and liquidity, the Company has been continuously maintaining higher level of liquidity buffer as a safeguard against any likely disruption in the funding and market liquidity.

Additionally, the Group has line of credit from the ultimate parent, Larsen & Toubro Limited.

Institutional set-up for Liquidity Risk Management:

The Board of Directors of the Group has an overall responsibility and oversight for the management of all the risks, including liquidity risk, to which the Group is exposed to in the course of conducting its business. The Board approves the governance structure, policies, strategy and the risk limits for the management of liquidity risk. The Board of Directors approves the constitution of the Risk Management Committee (RMC) for the effective supervision, evaluation, monitoring and review of various aspects and types of risks, including liquidity risk, faced by the Group. The meetings of RMC are held at quarterly interval. Further, the Board of Directors also approves constitution of Asset Liability Committee (ALCO), which functions as the strategic decision-making body for the asset-liability management of the Component from risk-return perspective and within the risk appetite and guard-rails approved by the Board. The main objective of ALCO is to assist the Board and RMC in effective discharge of the responsibilities of asset-liability management, market risk management, liquidity and interest rate risk management and also to ensure adherence to risk tolerance/limits set up by the Board. ALCO provides guidance and directions in terms of interest rate, liquidity, funding sources, and investment of surplus funds. ALCO meetings are held once in a month or more frequently as warranted from time to time. The minutes of ALCO meetings are placed before the RMC and the Board of Directors in its next meeting for its perusal/approval/ratification.

Foreign Exchange Rate Risk:
In the normal course of its business, the Group does not deal in foreign exchange in a significant way. Any significant foreign exchange exposure on account of foreign exchange borrowings is fully hedged to safeguard against exchange rate risk.

Interest Rate Risk:
Interest rate risk is the risk where changes in market interest rates affect the Group s financial position due to change in its Net Interest Income (NII). To mitigate interest rate risk, ALM Policy of the Group stipulates Interest Rate Sensitive Gaps for all the time-buckets. Interest Rate Sensitivity Statement is prepared every month and placed before ALCO. The Statement captures the Rate Sensitive Gaps i.e. the mismatch between the Rate Sensitive Assets and Liabilities, in various time buckets. The impact of different types of changes in the yield curve on the earnings for the entire Group of which the Group is a component are also measured every month and captured in the Risk Dashboard.

Security Prices:
The Group manages investment portfolios comprising of government securities, corporate bonds and debentures. To safeguard against the credit risk and interest rate risk in the investment portfolios, risk limits in the form of portfolio size limits, concentration limits and stop loss limit are stipulated. To provide early warning indicators, alarm limits have also been put in place. reporting periodicity and escalation matrix upon the breach of alarm limits as well as risk limits have been clearly defined. The Group does not invest in Equity stocks and therefore is not exposure to equity price risk on this account.

L&T Finance Holdings Limited
Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2020

Note 49 : Other disclosure pursuant to Ind AS 107 Financial Instruments: Disclosures :

(a) Category-wise classification for applicable financial assets and financial liabilities:

in crore

	Particulars	As at March 31, 2020				As at March 31, 2019			
		FVTPL	FVTOCI	Amortised cost	Total	FVTPL	FVTOCI	Amortised cost	Total
	Financial assets								
1	Cash and cash equivalents	-	-	7,774.58	7,774.58	-	-	1,826.65	1,826.65
2	Bank balance other than (1) above	-	-	29.82	29.82	-	-	47.50	47.50
3	Derivative financial instruments	-	155.06	-	155.06	7.20	-	-	7.20
4	Receivables	-	-	-	-	-	-	-	-
	Trade receivables	-	-	64.74	64.74	-	-	106.37	106.37
	Other receivable	-	-	19.31	19.31	-	-	10.63	10.63
5	Loans	24,877.64	-	66,584.86	91,462.50	24,396.44	-	66,928.19	91,324.63
6	Investments								
	Equity instruments (including investment in share application money)	477.72	31.61	-	509.33	485.14	-	-	485.14
	Preference share	89.21	-	-	89.21	99.80	-	-	99.80
	Mutual funds	745.22	-	-	745.22	2,064.33	-	-	2,064.33
	Debentures	860.17	1,161.67	-	2,021.84	866.21	2,265.40	-	3,131.61
	Security receipt	2,498.65	-	-	2,498.65	791.07	-	-	791.07
	nits of fund	106.44	0.94	-	107.38	188.79	0.98	-	189.77
	Government securities	0.53	-	-	0.53	0.51	37.62	1,832.55	1,870.68
	Pass through certificates	-	7.09	-	7.09	-	8.41	-	8.41
7	Other financial assets	-	-	91.97	91.97	-	-	126.29	126.29
	Total financial assets	**29,655.59**	**1,356.38**	**74,565.28**	**1,05,577.25**	**28,899.49**	**2,312.41**	**70,878.18**	**1,02,090.08**
	Financial liabilities				-				-
1	Derivative financial instruments	-	-	-	-	-	-	-	-
2	Trade payables	-	-	64.84	64.84	-	-	120.05	120.05
3	Other payables	-	-	0.80	0.80	-	-	16.12	16.12
4	Lease Liabilities	-	-	39.58	39.58				
5	Debt securities	-	-	43,992.31	43,992.31	-	-	51,268.31	51,268.31
6	Borrowings (Other than debt securities)	-	-	44,523.00	44,523.00	-	-	35,785.15	35,785.15
7	Subordinated liabilities	-	-	5,379.18	5,379.18	-	-	4,453.52	4,453.52
8	Other financial liabilities	-	-	444.07	444.07	-	-	569.22	569.22
	Total financial liabilities	**-**	**-**	**94,443.78**	**94,443.78**	**-**	**-**	**92,212.37**	**92,212.37**

Note 49 : Other disclosure pursuant to Ind AS 107 Financial Instruments: Disclosures :

(b) Fair value hierarchy of financial assets and financial liabilities at fair value: **in crore**

	Particulars	As at March 31, 2020				As at March 31, 2019			
		Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Financial assets:								
1	Investments at F TPL:								
	Equity shares (Including share application money)	2.98	-	474.74	477.72	8.28	-	476.86	485.14
	Preference shares	-	-	89.21	89.21	-	-	99.80	99.80
	Mutual fund	745.22	-	-	745.22	2,064.33	-	-	2,064.33
	Government securities	-	0.53	-	0.53	-	0.51	-	0.51
	Debentures	-	-	860.17	860.17	-	-	866.21	866.21
	Security receipt	-	-	2,498.65	2,498.65	-	-	791.07	791.07
	nits of fund	-	-	106.44	106.44	-	-	188.79	188.79
2	Derivative financial instruments	-	155.06	-	155.06	-	7.20	-	7.20
3	Loans	-	-	24,877.64	24,877.64	-	-	24,396.44	24,396.44
4	Investments at F TOCI:	-	-	-		-	-	-	
	Debentures	-	1,161.67	-	1,161.67	-	2,265.40	-	2,265.40
	Government securities	-	-	-	-	-	37.62	-	37.62
	Pass through certificates	-	-	7.09	7.09	-	-	8.41	8.41
	Equity Shares	31.61	-	-	31.61	-	-	-	-
	nits of fund	-	0.94	-	0.94	-	0.98	-	0.98
	Total financial assets	**779.81**	**1,318.21**	**28,913.95**	**31,011.97**	**2,072.61**	**2,311.71**	**26,827.58**	**31,211.90**
	Financial liabilities:								
1	Derivative financial instruments	-	-	-	-	-	-	-	-
	Total financial liabilities	-	-	-	-	-	-	-	-

(C) Movement of items measured using unobservable inputs (Level 3):

in crore

Particular	Equity share	Preference share	Debentures	Pass through certificates	Security receipts	Units of fund	Loans	Total
Balance as at April 1, 2019	**476.86**	**99.80**	**866.21**	**8.41**	**791.07**	**188.79**	**24,396.44**	**26,827.58**
Addition during the year	-	-	-	-	2,099.74	8.36	6,926.65	9,034.75
Disposal during the year	-	(6.17)	(2.60)	(1.32)	(252.06)	(48.58)	(6,415.31)	(6,726.04)
Gain/(Loss) recognised in Profit or Loss	(2.12)	(4.42)	(3.44)	-	(140.10)	(42.13)	(30.14)	(222.34)
Balance as at March 31, 2020	**474.74**	**89.21**	**860.17**	**7.09**	**2,498.65**	**106.44**	**24,877.64**	**28,913.95**
Unrealised gains/(losses) recognised in profit and loss related to assets and liabilities held at the end of the reporting period								
As at March 31, 2019	(132.48)	(2.13)	68.95	-	(300.66)	-	-	(366.31)
As at March 31, 2020	**(2.13)**	**(4.42)**	**(3.49)**	**-**	**(140.08)**	**(42.12)**	**(31.49)**	**(223.73)**

Note 49 : Other disclosure pursuant to Ind AS 107 Financial Instruments: Disclosures :

(d) Sensitivity disclosure for level 3 fair value measurements: **in crore**

Particular	Fair value as at		Sensitivity	Impact of change in rates on total comprehensive income statement			
	As at March 31, 2020	As at March 31, 2019		31 March 2020 Favourable	31 March 2020 Unfavourable	31 March 2019 Favourable	31 March 2019 Unfavourable
Equity share	474.74	476.86	5.00	23.74	(23.74)	23.84	(23.84)
Preference share	89.21	99.80	5.00	4.46	(4.46)	4.99	(4.99)
Debt instruments	860.17	866.21	0.25	2.15	(2.15)	2.17	(2.17)
Pass through certificates	7.09	8.41	0.25	0.02	(0.02)	0.02	(0.02)
Security receipts	2,498.65	791.07	5.00	123.29	(123.29)	37.54	(37.54)
nits of fund	106.44	188.79	5.00	5.33	(5.33)	9.44	(9.44)
Loans	24,877.64	24,396.44	0.25	61.12	(61.12)	60.18	(60.18)
Total	28,913.95	26,827.58		220.11	(220.11)	138.18	(138.18)

(e) Maturity profile of financial liabilities based on undiscounted cash flows: **in crore**

Particulars	As at March 31, 2020			As at March 31, 2019		
	ithin 12 months	After 12 months	Total	ithin 12 months	After 12 months	Total
Non-derivative liabilities						
Borrowings	39,842.87	70,345.77	1,10,188.64	37,992.03	64,545.75	1,02,537.78
Trade and other payables	65.64	-	65.64	136.17	-	136.17
Lease Liabilities	13.04	26.54	39.58	-	-	-
Other financial liabilities	354.76	89.31	444.07	569.22	-	569.22
Total	**40,276.31**	**70,461.62**	**1,10,737.93**	**38,697.42**	**64,545.75**	**1,03,243.17**
Derivative liabilities						
Forward contracts	-	-	-	-	-	-
Total	-	-	-	-	-	-

Borrowings include debt securities,borrowings (other than debt securities)and subordinated liabilities and are net off offsetting respective derivative gain/loss.

(f) Fair value of financial assets and financial liabilities measured at amortised cost: **in crore**

Particulars	As at March 31, 2020		As at March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Loans	66,584.86	66,584.86	66,928.19	66,928.19
Investment in government securities	-	-	1,832.55	1,899.07
Total	**66,584.86**	**66,584.86**	**68,760.74**	**68,827.26**
Financial liabilities:				
Debt securities	43,992.31	44,723.95	51,268.31	51,538.43
Borrowings	44,523.00	44,592.75	35,785.15	35,785.52
Subordinated Liabilities	5,379.18	5,391.07	4,453.52	4,444.28
Lease Liabilities	39.58	39.58	-	-
Total	**93,934.07**	**94,747.35**	**91,506.98**	**91,768.23**

In the absence of an observable market for these loan assets, the fair values have been determined from the perspective of the group after considering changes in performance and risk indicators (including delinquencies and interest rates)

The carrying amounts of cash & cash equivalents, bank balance, trade receivables,other receivables,other financial assets,trade payables,other payables and other financial liabilities are considered to be the same as their fair values, due to their short-term nature.

Note 49 : Other disclosure pursuant to Ind AS 107 Financial Instruments: Disclosures :

(g) Disclosure pursuant to Ind AS 113 Fair Value Measurement - Fair value hierarchy of financial assets and financial liabilities measured at amortised cost:

in crore

As at March 31, 2020	Level 1	Level 2	Level 3	Total	Valuation technique for level 3 items
Financial assets:					
Loans	-	-	66,584.86	66,584.86	Discounted cash flow approach
Government securities	-	-	-	-	Discounted cash flow approach
Total	-	-	66,584.86	66,584.86	
Financial liabilities:					
Debt securities	-	-	44,723.95	44,723.95	Discounted cash flow approach
Borrowings (other than government securities)	-	-	44,592.75	44,592.75	Discounted cash flow approach
Subordinated Liabilities	-	-	5,391.07	5,391.07	Discounted cash flow approach
Lease Liabilities			39.58	39.58	Discounted cash flow approach
Total	-	-	94,747.35	94,747.35	

in crore

As at March 31, 2019	Level 1	Level 2	Level 3	Total	Valuation technique for level 3 items
Financial assets:					
Loans	-	-	66,928.19	66,928.19	Discounted cash flow approach
Government securities	-	1,899.07	-	1,899.07	Discounted cash flow approach
Total	-	1,899.07	66,928.19	68,827.26	
Financial liabilities:					
Debt securities	-	-	51,538.43	51,538.43	Discounted cash flow approach
Borrowings (other than government securities)	-	-	35,785.52	35,785.52	Discounted cash flow approach
Subordinated Liabilities	-	-	4,444.28	4,444.28	Discounted cash flow approach
Total	-	-	91,768.23	91,768.23	

Note 50 : Disclosure pursuant to Ind AS 107 Financial Instruments: Disclosures:

(a) Expected credit loss - Loans:

in Crore

Particulars		As at March 31, 2020			As at March 31, 2019		
		Gross carrying amount	Expected Credit Loss	Carrying amount net of impairment provision	Gross carrying amount	Expected Credit Loss	Carrying amount net of impairment provision
Loss allowance measured at 12 month expected credit losses	Financial assets for which credit risk has not increased significantly since initial recognition (Stage 1)	61,601.66	571.74	61,029.92	62,452.33	481.37	61,970.96
Loss allowance measured at life-time expected credit losses	Financial assets for which credit risk has increased significantly and not credit-impaired (Stage 2)	3,546.07	268.44	3,277.63	2,828.11	227.90	2,600.21
	Financial assets for which credit risk has increased significantly and credit-impaired (Stage 3)	6,062.11	3,784.80	2,277.31	6,271.98	3,914.96	2,357.02
Total		**71,209.84**	**4,624.98**	**66,584.86**	**71,552.42**	**4,624.23**	**66,928.19**

(b) Reconciliation of loss allowance provision - Loans:

in Crore

Particulars	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as on April 1, 2018	**281.16**	**192.40**	**4,919.39**	**5,392.95**
New assets originated or purchased	313.71	33.50	123.00	470.21
Amount written off	-	(1.56)	(1,459.52)	(1,461.08)
Transfers to Stage 1	37.36	(24.62)	(12.74)	-
Transfers to Stage 2	(3.02)	8.92	(5.90)	-
Transfers to Stage 3	(5.98)	(10.07)	16.05	-
Impact on year end ECL of exposure transferred between stages during the year	(29.12)	58.92	391.78	421.58
Increase / (decrease) in provision on existing financial assets (net of recovery)	(112.74)	(29.59)	(57.10)	(199.43)
Loss allowance as on March 31, 2019	**481.37**	**227.90**	**3,914.96**	**4,624.23**
New assets originated or purchased	339.90	34.94	77.00	451.84
Amount written off	(1.59)	-	(815.56)	(817.15)
Transfers to Stage 1	81.11	(73.77)	(7.34)	-
Transfers to Stage 2	(12.70)	15.34	(2.64)	-
Transfers to Stage 3	(39.36)	(118.59)	157.95	-
Impact on year end ECL of exposure transferred between stages during the year	(68.33)	121.33	1,115.94	1,168.94
Increase / (decrease) in provision on existing financial assets (Net of recovery)	(208.66)	61.29	(655.51)	(802.88)
Loss allowance as on March 31, 2020	**571.74**	**268.44**	**3,784.80**	**4,624.98**

(c) Reconciliation of Gross carrying amount - Loans:

in Crore

Particulars	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at April 1, 2018	**54,946.76**	**3,093.75**	**7,609.46**	**65,649.97**
New assets originated or purchased	30,473.09	378.00	182.98	31,034.07
Amount written off	-	(26.97)	(1,507.52)	(1,534.49)
Transfers to Stage 1	443.55	(407.49)	(36.06)	-
Transfers to Stage 2	(770.52)	788.55	(18.03)	-
Transfers to Stage 3	(600.78)	(243.62)	844.40	-
Net recovery	(22,039.77)	(754.10)	(803.26)	(23,597.13)
Gross carrying amount as at March 31, 2019	**62,452.33**	**2,828.12**	**6,271.97**	**71,552.42**
New assets originated or purchased	27,014.55	513.09	124.21	27,651.85
Amount written off	(22.96)	-	(1,705.16)	(1,728.12)
Transfers to Stage 1	734.85	(714.32)	(20.53)	-
Transfers to Stage 2	(2,124.65)	2,131.78	(7.13)	-
Transfers to Stage 3	(1,914.61)	(654.62)	2,569.23	-
Net recovery	(24,537.85)	(557.98)	(1,170.48)	(26,266.31)
Gross carrying amount as at March 31, 2020	**61,601.66**	**3,546.07**	**6,062.11**	**71,209.84**

L&T Finance Holdings Limited
Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2020

Note 51 : Additional information pursuant to Schedule III to the Companies Act, 2013 for the year ended March 31, 2020

in crore

Name of the entity		Net Assets, i.e., total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income (OCI)		Share in total comprehensive income	
		As of consolidated net assets	Amount	As of consolidated profit or loss	Amount	As of consolidated OCI	Amount	As of consolidated total comprehensive income	Amount
Parent									
L&T Finance Holdings Limited	**(A)**	53.39	7,844.85	15.69	266.81	0.07	-0.11	17.31	266.70
Subsidiaries									
Indian									
L&T Finance Limited (Refer note 55)		60.53	8,893.59	21.54	366.29	93.73	-149.37	14.08	216.92
5L&T Infrastructure Finance Company Limited (Refer note 55)		35.46	5,210.39	16.42	279.25	-1.12	1.78	18.24	281.03
L&T Housing Finance Limited (Refer note 55)		10.36	1,521.71	2.72	46.31	7.22	-11.50	2.26	34.81
L&T Infra Debt Fund Limited		8.67	1,274.05	12.53	212.98	0.10	-0.16	13.81	212.82
L&T Investment Management Limited		3.93	577.35	11.77	200.06	0.67	-1.07	12.91	198.99
L&T Infra Investment Partners		3.33	489.24	0.01	0.20	0.00	-	0.01	0.20
L&T Capital Markets Limited		0.45	66.44	-0.22	-3.73	-0.21	0.33	-0.22	-3.40
L&T Financial Consultants Limited		0.56	82.16	3.10	52.75	0.02	-0.03	3.42	52.72
L&T Infra Investment Partners Advisory Private Limited		0.10	14.63	0.20	3.42	0.00	-	0.22	3.42
L&T infra Investment Partners Trustee Private Limited		0.00	0.06	0.00	0.01	0.00	-	0.00	0.01
L&T Mutual Fund Trustee Limited		0.01	1.31	-0.01	-0.12	0.00	-	-0.01	-0.12
Mudit Cement Private Limited		-0.00	-42.16	-0.94	-15.96	0.00	-	-1.04	-15.96
Foreign									
L&T Capital Markets (Middle East) Limited		0.07	10.46	-0.02	-0.33	-0.48	0.77	0.03	0.44
Total Subsidiaries	**(B)**		**18,099.23**		**1,141.13**		**-159.25**		**981.88**
Non-controlling interests in subsidiaries	**(C)**	-1.50	-220.21	-0.01	(0.09)	0.00	-	-0.01	(0.09)
CFS adjustment and elimination	**(D)**	-75.08	-11,031.45	17.20	292.42	0.00	-	18.98	292.42
Total	**(A+B+C+D)**	**100.00**	**14,692.42**	**100.00**	**1,700.26**	**100.00**	**-159.36**	**100.00**	**1,540.90**

Note 52: Disclosure pursuant to Ind AS 7 Statement of Cash Flows - Changes in liabilities arising from financing activities:

₹ in crore

Particulars	April 1, 2019	Cash flows	Others	March 31, 2020
Debt securities	51,268.31	(7,487.18)	(211.18)	43,992.31
Borrowings (other than debt securities)	35,785.15	8,453.19	(284.66)	44,523.00
Subordinated liabilities	4,453.52	931.75	6.09	5,379.18
Total	**91,506.98**	**1,897.76**	**(489.75)**	**93,894.49**

₹ in crore

Particulars	April 1, 2018	Cash flows	Others	March 31, 2019
Debt securities	40,996.13	10,228.02	(44.16)	51,268.31
Borrowings (other than debt securities)	29,853.50	5,992.28	60.63	35,785.15
Subordinated liabilities	4,398.65	45.00	(9.87)	4,453.52
Total	**75,248.28**	**16,265.30**	**6.60**	**91,506.98**

L&T Finance Holdings Limited

Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2020

Note 53 : Moratorium in accordance with the Reserve Bank of India (RBI) guidelines:

The outbreak of Covid-19 pandemic across the globe & India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. The RBI has issued guidelines relating to CO ID-19 Regulatory Package dated March 27, 2020 and April 17, 2020 and in accordance therewith, the Group has proposed to offer a moratorium of three months on the payment of instalments falling due between March 1, 2020 and May 31, 2020 to eligible borrowers. For all such accounts classified as standard and overdue as on February 29, 2020, where the moratorium is granted, the asset classification will remain standstill during the moratorium period (i.e. the number of days past due shall exclude the moratorium period for the purposes of asset classification as per the policy).

Note 54 : Estimation uncertainty relating to CO ID-19 global health pandemic:

In assessing the recoverability of loans, receivables, intangible assets (including goodwill) and investments, the Group has considered internal and external sources of information, including credit reports, economic forecasts and industry reports upto the date of approval of these consolidated financial statements. The Group has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the Group expects to recover the carrying amount of these assets. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements and the Group will continue to monitor any material changes to the future economic conditions. The Group has developed estimates and applied management overlays for the purpose of determination of the provision for impairment of financial assets.

Note 55 : **Proposed Amalgamation of L&T Infrastructure Finance Company Ltd (LTIFC), L&T Housing Finance Ltd (LTHFC) and L&T Finance Ltd (LTFL)**

The Board of Directors of LTIFC, LTHFC and LTFL, the wholly owned subsidiaries of the Company have approved the scheme of amalgamation by way of merger by absorption (Scheme or Scheme of Amalgamation), involving amalgamation of LTIFC and LTHFC with LTFL, at their respective Board Meetings held on March 20, 2020 leading to creation of a single unified lending entity with appointed date of April 1, 2020 subject to requisite regulatory approvals.

Note 56 : There are no amounts due and outstanding to be credited to Investor Education & Protection Fund as at March 31, 2020.

Note 57 : Figures for the previous year have been regrouped/re-classified to conform to the figures of the current year.

Note 58 : The above financial statements have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at its meeting held on May 15, 2020.

For and on behalf of the Board of Directors of
L&T Finance Holdings Limited

S. V. Haribhakti
Non-Executive Chairman
(DIN: 00007347)

Dinanath Dubhashi
Managing Director & Chief Executive Officer
(DIN: 03545900)

Apurva Rathod
Company Secretary

Sachinn Joshi
Chief Financial Officer

Place: Mumbai
Date: May 15, 2020

ACCOUNTING RATIOS

Accounting Ratios

The following tables present certain accounting and other ratios computed on the basis of amounts derived from the Audited Consolidated Financial Statements, the Unaudited Consolidated September Financial Results and the Unaudited Consolidated December Financial Results included in "*Financial Statements*" beginning on page 170:

Particulars	**Consolidated**		
	As at and for the nine months period ended December 31, 2020	**As at and for the six months period ended September 30, 2020**	**As at and for the year ended March 31, 2020**
Basic EPS (₹)	[●]	2.06*	8.50
Diluted EPS (₹)	[●]	2.06*	8.46
Return on Net Worth (%)	[●]	2.61*	11.57
Net Asset Value per Equity Share (₹)	[●]	75.53	73.28
EBITDA (₹ in crore)	[●]	4,339.02	10,275.27

* *Not annualized*

The formulae used in the computation of the above ratios are as follows:

Basic EPS	Profit/(loss) after tax as per consolidated statement of profit and loss attributable to owners of Company / Weighted average number of Equity shares outstanding at the end of the period as adjusted for treasury shares
Diluted EPS	Profit/(loss) after tax as per consolidated statement of profit and loss attributable to owners of Company / Weighted average number of Equity shares outstanding at the end of the period as adjusted for treasury shares and for the effects of all dilutive potential equity shares
Return on Net Worth	Profit/(loss) after tax for the period as presented in the consolidated statement of profit and loss in the Financial Statements / Net Worth
Net Asset Value per Equity Share	Net Worth / Number of Equity Shares subscribed and fully paid outstanding as at the end of the period
EBITDA	Profit/(loss) after tax for the period adjusted for income tax expense, finance costs, depreciation and amortisation expense, as presented in the consolidated statement of profit and loss in the Audited Consolidated Financial Statements, Unaudited Consolidated September Financial Results and Unaudited Consolidated December Financial Results, respectively.

(a) Calculation of Return on Net Worth (on a consolidated basis)

(in ₹ crore)

Particulars	**Consolidated**		
	As at and for the nine months period ended December 31, 2020	**As at and for the six months period ended September 30, 2020**	**As at and for the year ended March 31, 2020**
Profit/ (loss) after tax (A)	[●]	395.16	1,700.26
Equity Share capital (B)	[●]	2,006.53	2,004.83
Other equity (C)	[●]	13,148.44	12,687.59
Net Worth (D) [B + C]	[●]	15,154.97	14,692.42
Return on Net Worth [A / D] * 100 (%)	[●]	2.61*	11.57

* *Not annualized*

(b) Calculation of Net Worth and Net asset value per Equity Share (on a consolidated basis)

(in ₹ crore, except per share data)

Particulars	Consolidated		
	As at and for the nine months period ended December 31, 2020	**As at and for the six months period ended September 30, 2020**	**As at and for the year ended March 31, 2020**
Equity Share capital (A)	[●]	2,006.53	2,004.83
Other equity (B)	[●]	13,148.44	12,687.59
Net Worth (C) [A + B]	[●]	15,154.97	14,692.42
No. of Equity shares subscribed and fully paid outstanding	[●]	2,00,65,32,602	2,00,48,33,610
Net Asset Value per Equity Share [C / D *10^7] (₹)	[●]	75.53	73.28

(c) Details of EBITDA (on a consolidated basis)

(in ₹ crore)

Particulars	Consolidated		
	As at and for the nine months period ended December 31, 2020	**As at and for the six months period ended September 30, 2020**	**As at and for the year ended March 31, 2020**
Profit/ (loss) after tax (A)	[●]	395.16	1,700.26
Income tax expense (B)	[●]	33.13	979.82
Finance costs (C)	[●]	3,866.98	7,513.60
Depreciation and amortisation expense (D)	[●]	43.75	81.59
EBITDA [A + B + C + D]	[●]	4,339.02	10,275.27

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the "Financial Statements" beginning on page 170.

Some of the information contained in the following discussion, including information with respect to our plans and strategies, contain forward-looking statements that involve risks and uncertainties. You should also read "Risk Factors" and "Forward Looking Statements" beginning on page 17 and 14, respectively, which discuss a number of factors and contingencies that could affect our financial condition and results of operations.

Our financial statements included in this Letter of Offer are prepared in accordance with Ind AS, which differs in certain material respects from other accounting standards such as IFRS. Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are for the 12 months ended March 31 of that year. Unless otherwise indicated or the context requires, the financial information for Fiscal 2020 included herein is based on the Audited Consolidated Financial Statements and the financial information included herein for the six months ended September 30, 2020 is based on the Unaudited Consolidated September Financial Results, included in this Letter of Offer. For further information, see "Financial Statements" beginning on page 170.

Unless otherwise indicated, industry and market data used in this section has been derived from the report "Industry Report on various asset classes" dated January, 2021 prepared and released by CRISIL and commissioned by us in connection with the Issue. Neither we, nor the BRLMs, any of their affiliates or advisors, nor any other person connected with the Issue has independently verified such information. For further information, see "Presentation of Financial and other Information – Market and Industry Data" beginning on page 12.

For updates in relation to financial and operational performance as of an for the period ended December 31, 2020, see "Recent Developments" beginning on page 54.

Overview

Our Company is registered with the RBI as a non-banking financial company – core investment company ("**NBFC-CIC**") conducting business through our wholly-owned Subsidiaries. We are one of the leading private sector non-banking financial services companies in India in terms of our total Adjusted loans and advances outstanding *(source: CRISIL Report)*, with ₹ 98,822.84 crore of total loans outstanding as at September 30, 2020. We had quarterly average assets under management in our Investment Management (mutual funds) business amounting to ₹ 63,057.20 crore as on September 30, 2020.

Our Promoter, Larsen & Toubro Limited ("**L&T**") is one of the leading business conglomerates in India, with presence across infrastructure, power, heavy engineering, electrical and automation, hydrocarbons engineering, IT and technology services, financial services, power development, metallurgical and material handling, realty, shipbuilding, construction, mining and industrial machinery. L&T entered the financial services business in 1994. In 2008, our Company was incorporated as a holding company for L&T's financial services businesses and in 2011, our Company was listed on the stock exchanges. We classify our businesses into the following: Rural Finance, Housing Finance, Infrastructure Finance and Investment Management.

Our Rural Finance business comprises farm equipment finance, two-wheeler finance, micro loans and consumer loans. As at September 30, 2020 our total loans and advances under our Rural Finance business were ₹ 28,370.83 crore, with ₹ 9,190.93 crore ₹6,708.48 crore, ₹ 12,261.79 crore and ₹ 209.64 crore of loans and advances under our farm equipment finance, two wheeler finance, micro loans and consumer loans businesses, respectively. Further, as at September 30, 2020, total loans and advances under Rural Finance business was 29% of our total Adjusted loans and advances.

Our Housing Finance business comprises home loans, loans against property and real estate finance. As at September 30, 2020, our total loans and advances under our Housing Finance business were ₹ 27,241.28 crore; with ₹ 11,735.07 crore and ₹ 15,506.21 crore of loans and advances under our home loans and loans against property and real estate finance businesses, respectively. Further, as at September 30, 2020, total loans and advances under Housing Finance business was 28% of our total Adjusted loans and advances.

Our Infrastructure Finance business comprises infrastructure finance and infra debt fund. As at September 30, 2020, our Adjusted total loans and advances under our infrastructure finance business were ₹ 38,560.13 crore with ₹ 29,714.62 crore and ₹ 8,845.51 crore of Adjusted total loans and advances under our infrastructure finance and infra debt fund businesses, respectively. Further, as at September 30, 2020, Adjusted total loans and advances under Infrastructure Finance business was 39% of our total Adjusted loans and advances.

Our Investment Management business had average assets under management of ₹ 63,057.20 crore for the six months ended September 30, 2020, out of which the contribution of average equity assets under management was ₹ 35,123.00 crore for the six months ended September 30, 2020.

We operate in majority of states in India and we have 206 branches in 199 cities across 21 states and one union territory, as of September 30, 2020. In addition, for our micro loans business, we have 1,446 meeting centres covering 294 districts across 16 states in India, as of September 30, 2020.

Principles of Right Business, Right Structure and Right People

At the beginning of the Financial Year 2017, we launched a transformation strategy that targeted on identifying the 'Right Businesses', 'Right Structure', and 'Right People' to focus on growth, improved asset quality and profitability by leveraging on enhanced digital and analytics in future.

Right Business

As part of the transformation, we focused at developing and designing a sustainable business model which would allow us to have a 'Right to Win' in the market and achieve long-term, sustainable return on equity for our shareholders. As part of this model, we defocused from a multitude of products, rationalised business structure, identified focussed businesses (based on industry attractiveness, industry size, their potential to provide profitability across economic cycles) and exited non-core businesses, such as commercial vehicle finance, construction equipment finance, car loans, three wheeler loans amongst others. We also identified debt capital markets and structured finance portfolio as defocused business and exited the supply chain and wealth management business in the financial year 2019 and 2020.

Right Structure

We focused on restructuring and integrating the overall group structure to achieve one consolidated lending entity, which would allow us to increase our exposure limits, reduce additional liquidity requirements and achieve cost efficiency, which will potentially create value for all the shareholders. As part of this model, our Company merged four of our Subsidiaries, with a view to achieve optimal utilization of capital and management bandwidth as well as to achieve operational efficiencies. In the Financial Year 2021, we filed for the merger of three of our lending Subsidiaries, L&T Finance Limited, L&T Infrastructure Finance Limited and L&T Housing Finance Limited, which would be implemented upon receipt of applicable approvals.

Right People

We focussed on building a strong and sustainable institution by developing an engaged, skilled, and productive workforce to deliver higher productivity and efficiency. As part of this model, we defined clear roles and responsibilities and monitor these periodically. We have built a strong execution system and under the leadership of select middle management executives, we launched specific "Centres of Excellence" ("**CoEs**") to deliver certain key objectives through specific projects. We have defined targeted key performance indicators for all its employees and they are being monitored and awarded on the basis of such key performance indicators which has led to the CoEs delivering the objectives.

Some of our key financial information is set out below:

	As of / for the period ended	
	Six months September 20, 2020	**Financial Year March 31, 2020**
Adjusted loans and advances[1] (₹ crore)	98,822.84	98,384.00
Total disbursements (₹ crore)	9,447.48	37,160.46
Average assets under management[2] (₹ crore)	63,057.20	71,055.79
Adjusted total income (₹ crore)	3045.46	7143.48
Net interest income and fee income as a percentage of total assets (%)	5.13	5.57
Profit for the year (₹ crore)	413.43	1,700.17
Return on Assets (%)	0.79	2.05
Return on Equity (%)	5.77	14.96
Cost/income ratio (C/I Ratio) (%)	28.62	26.47
Gross NPA (gross stage 3 assets) to principal exposure (%)[3]	5.19	5.36
Provision coverage ratio (PCR %)	68.90	58.74

1. *Certain loans are treated as investments under Ind AS, however, as they are considered as loans by us, they are added to the loans and advances.*
2. *Assets under management are averaged over the last three months of the relevant period, in our Investment Management business.*
3. *Classification of Gross NPA (gross stage 3 assets) is determined based on ECL methodology as per Ind AS. This represents only the principal outstanding exposure. Principal exposure relates to the outstanding loan disbursed to the customers.*

As of and for the year ended March 31, 2016, our Adjusted loans and advances was ₹ 58,255.68 crore, our total disbursements was ₹ 41,764.54 crore, average assets under management was ₹ 25,944.80 crore, Adjusted total income was ₹ 3,437.33 crore and our profit for the year is ₹ 655.56 crore. Further, the net interest income and fee income as a percentage of total assets as of March 31, 2016 was 5.60%. Our percentage for return on assets, return on equity, cost/ income ratio, Gross NPA(gross stage 3 assets) to principal exposure and provision coverage ratio were 1.48%, 9.78%, 30.94%, 4.85% and 22.19%, respectively, as of and for the year ended March 31, 2016.

Significant factors affecting our results of operations

The impact of COVID-19 on our results of operations and financial condition

The World Health Organization declared the 2019 novel coronavirus ("**COVID-19**") outbreak a public health emergency of international concern on January 30, 2020, and a pandemic on March 11, 2020. Governments around the world instituted measures to control the spread of COVID-19, including quarantines, travel restrictions, and closure of non-essential businesses. The pandemic outbreak has caused an economic downturn on a global scale, including closure of many businesses and reduced consumer spending, as well as significant market disruption and volatility.

The Government of India initially announced a 21-day country-wide lockdown starting on March 25, 2020 in an effort to contain the spread of COVID-19. This was further extended in several phases with certain modifications and relaxations, till date, and there can be no assurance that this lockdown will not be extended further or re-intensified on one or more occasions. While various parts of the world, including India, have commenced calibrated easing of lockdown measures, the effects of the eventual outcome remain uncertain and contingent on the future path of the pandemic and the effectiveness of the measures to counter it.

In the Financial Year 2020, in addition to the impact of COVID-19, the Indian financial markets remained apprehensive due to domestic economic slowdown, concerns on fiscal slippage and geopolitical tensions. The slowdown in overall economic activity also put pressure on business growth of lenders including NBFCs. The spread of COVID-19 in March 2020, further increased the uncertainties for the financial services sector. However large-sized NBFCs with a high credit rating are relatively better placed with liquidity, comprising liquid assets, undrawn lines from banks, and in some cases funding lines from parent/group companies. (*Source:* CRISIL report)

In an effort to contain the effect of COVID-19, the RBI issued guidelines on March 27, 2020 and April 17, 2020, which had a higher impact on the financial services sector. Under these guidelines, all standard loans, whose instalments were due during a period of three months, i.e. from March 1, 2020 to May 31, 2020, were eligible for moratorium. This was subsequently extended by another period of three months, i.e. until August 31, 2020.

Accordingly, banks and other financial institutions were permitted to provide a moratorium of three months to be extended for another three months for all term loan instalments which were due for payment. In line with these guidelines, we provided an option of moratorium to eligible borrowers, even if overdue, as on February 29, 2020, on the payment of all principal amounts and/ or interest, as applicable, falling due between March 1, 2020 to August 31, 2020. This resulted in a decline in our collections during such period.

Additionally, the matter of declaring accounts which defaulted in repayment, as NPAs if such accounts were not declared as NPAs till August 31, 2020, has been kept on hold by the Supreme Court of India vide orders dated September 3, 2020. However, our Company has made provisions for such borrowers by considering them as gross NPA (gross stage 3 assets) in accordance with our Company's expected credit loss policy under standstill provisions.

Further, the impact of the pandemic on our business, operations and future financial performance include, but are not limited to:

Operations and business continuity*:* With announcement of the lockdown, our Company decided to temporarily close all our branches. Subsequently, with easing of the lockdown, we have gradually resumed branch level business operations with all our branches currently operational, following hygiene checks and sanitization. Further, our Company has redefined our standard operating procedures for key processes and identification of employees into work from home, partial work from home and work from office categories to improve productivity and ensuring our operations and business continuity. Our Company also undertook certain initiatives for benefit of our employees such as providing additional insurance policies specifically in relation to COVID-19 for them and their dependents, encouraging usage of face masks and sanitisers by issuing these to our employees at various branches of our Company, amongst others.

Further, we continue to enhance our digital capabilities and use of technology to improve our operational efficiencies.

Collections*:* During the lockdown, we strengthened our collections infrastructure by re-skilling certain members of our workforce, increasing our workforce dedicated to concentrated collection efforts, increased enhanced use of digital and analytics, including payment wallets, to strengthen our collection strategy. We further initiated digital collections for our micro loans portfolio. Upon the gradual relaxations in the lockdown, we recommenced our physical collection efforts. To increase the efficiency, we allocated the collection buckets to call centres, in house collection teams and collection agencies based on, among others, behavioural payment pattern, demographic analysis and contactable customers. Further, we increased the use of call centre services and passed on the information to our customers in relation to the different digital modes for payments to be used, by phone calls and text message intimations.

Our Company implemented some measures such as monitoring of portfolios, tightening of LTV grid, increasing customer engagement, re-purposing of sales team to focus across various stages of debtors, aggressive tracking of infrastructure / real estate project performances and receivables in an effort to improve our collection efficiencies post relaxations in the lockdown. Our collection efficiency is gradually returning to normalcy in all our products portfolios and by September 30, 2020, there was a significant increase in collection volume across businesses, primarily in rural business and infrastructure business.

Liquidity and capital adequacy: Owing to our strong parentage and credit rating of 'AAA / A1+' by CRISIL, ICRA, CARE and India Ratings, we raised long term funds amounting to ₹ 4,660.00 crore in the quarter ended September 30, 2020, despite the moratorium related guidelines, the shortage of liquidity and economic slowdown. Such long term funds comprised issuances of bonds, bank loans and priority sector loans amongst others. In continuation of its assignment, syndication and sell down strategy to other financiers, our Company has raised ₹ 4,072.58 crore under the Infrastructure Finance business. In addition, we also raised funds under the various schemes announced by the Government of India and the RBI. Our treasury strategy, recommended by our Asset Liability Management Committee, involved maintaining surplus liquidity for meeting debt maturities under stress scenarios. As of September 30, 2020, we maintained overall liquidity of ₹ 17,449.00 crore, which was higher than liquidity as of March 31, 2020, being ₹ 15,485.00 crore and we believe that such liquidity was sufficient to meet our future liabilities for the following three months.

Net interest income and Fee Income: With the slowdown in disbursement resulting in additional liquidity, there was substantial drop in fee income and net interest income in the first quarter of Financial Year 2021. The fees earned by way of processing fees could be further impacted in Financial Year 2021 due to slower economic activity in certain of our retail portfolio like micro loans on account of the pandemic. Our Company has worked on improving the ability to maintain net interest margins and fees, capability to raise funds from diverse sources at competitive costs and enhancing execution abilities. With normalcy returning, net interest income and fee income have reached 6.49% which is within the desired range of 6.5%-7% despite having an impact of ₹ 64 crore due to borrowing at a higher cost of funds and investing in liquid assets at a lower yield (as compared to ₹ 84 crore in three months ended June 30, 2020).

Cost reduction measures: Whilst our Company has an existing on-going program to assess and monitor expenses on a regular basis, our Company implemented a further structured and strategic reflection on cost models to sustain during the impacted period of COVID-19. Our Company identified expenses into various categories and implemented systemic measures for cost control by setting revised cost limits in place, eliminating the redundant processes and systems and carrying out negotiation with the third party vendors. We have rationalised operating expenses such as rent, advertisement, travelling, legal expenditure, among others, through rationalization of the branches, locations, and renegotiating the terms with vendors to reduce the overall expenses and maintain an overall control on cost.

Stress testing: We have conducted specific stress tests to gauge the impact of COVID-19 in different scenarios and we actively monitor economic developments by performing sensitivity analysis on our loan portfolio to prepare for dealing with various eventualities. Accordingly, we increased our provision coverage ratio on the Gross NPA (gross stage 3 assets) from 59% as on March 31, 2020 to 69% as on September 30, 2020. In addition, we have also created macroeconomic provision of ₹ 1,100.00 crore for safeguarding the balance sheet from any uncertainty arising from external economic environment. In addition to that we have created ₹ 482.67 crore of COVID-19 provision in line with the RBI guidelines and additional provision of ₹ 174.56 crore on our stage 1 and stage 2 portfolio. Accordingly, we are carrying total additional provisions (over and above the provision coverage ratio and standard asset provisioning) of ₹ 1,757.23 crore.

We believe the Financial Year 2021 will experience the impact of COVID-19 in the areas of demand pickup, credit culture, repayment capacity and willingness to pay. While we anticipate strong recoveries in rural business followed by infrastructure financing business, there may be a slow pick-up in the real estate and housing business.

For further details in relation to the impact of COVID 19, see "*Risk Factors*" beginning on page 17.

Ability to maintain net interest margins and fees

Our results of operations depend substantially on our net interest spread, which is the difference between the interest rates on our interest-earning assets and interest-bearing liabilities. Any change in interest rates would affect the interest rates we pay on our floating interest-bearing liabilities as well as the net interest margins over our fixed rate interest-earning assets. For the six months ended September 30, 2020 and the Financial Year 2020, our revenue from operations, which consists primarily of interest income, represented 96.79% and 93.43%, respectively, of our total income. The finance costs, which include interest on term loans from banks and others, non-convertible debentures, commercial paper, foreign currency loans, cash credit, short-term loans from banks and inter-corporate borrowings, as well as other borrowing costs such as stamping expenses, processing fees and listing fees, represented 57.68% and 63.31%, respectively, of our total expenses. We attempt to balance our interest-bearing liabilities with our interest-earning assets as also on the mix of fixed and floating interest-earning assets and liabilities. Regulatory changes, including the recent changes in relation to priority sector loans extended by commercial banks, affect our borrowing costs. See *"Risk Factors – Internal Risks – Any disruption in our sources of funding or increase in costs of funding* *could adversely affect our liquidity and financial conditions"* on page 19. Changes in RBI repo rates can also affect the interest we charge on our interest-earning assets and the interest paid on our interest-bearing liabilities.

Interest rates are sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions. For example, the RBI requires scheduled banks to meet certain benchmarks in extending loans to priority sectors, including agriculture, small-scale industries, micro credit, and export credit sectors. We rely on scheduled banks for loans which provide a portion of our available resources that we subsequently extend as loans to our customers. Any change in these benchmarks would affect the availability and cost of credit from scheduled banks. Moreover, interest rates in India are typically correlated with the inflation rate, as the inflation rate increases, the RBI has historically sought to raise interest rates. Our results of operations are thus affected by changes in interest rates and our limited ability to re-price our interest-earning fixed rated assets accordingly.

Our Company continues to maintain a positive interest rate sensitivity gap, retaining higher re-priceable assets than liabilities, over a one-year horizon, as a mitigant against interest rate risk. Regular liquidity and interest rate stress testing, which considers various stress scenarios, has helped our Company's management to calibrate its response to the evolving market conditions related to liquidity and interest rate changes.

Our Company believes that cycles form an inevitable part of any business. Whether these cycles are related to interest rates, business, environment, or credit, it is imperative for a company to be prepared for all eventualities. Our Company has established 'fees' as a second line of income as a hedge against interest rate cycles. The fee income generation happens through various modes such as processing fees, subvention income, cross selling income, advisory fees and underwriting fees among others. Our Company believes that this alternate source of income will offset unforeseen adverse cycles in fee income.

Availability of cost-effective sources of capital

The availability of cost-effective sources of capital affects our results of operations. We have raised long-term funding among others, from NCD issuances (private and public issues), external commercial borrowings, priority sector loans and term loans aggregating to over ₹ 28,000 crore in Financial Year 2020. Our ability to continue to meet customer demand for new loans will depend primarily on our ability to borrow from various external sources on suitable terms and in a timely manner. Given that certain banks and financial institutions have reached their lending limits for our Company, as an NBFC or as being a part of the L&T group, we believe that it is necessary to diversify and identify new sources of funding to protect our Company from any future uncertainty. Our funding sources are varied, as we believe that a diversified debt profile ensures that we are not overly dependent on any one type or source for funding and enables our Company to have continued sources of funding. Our debt service costs and overall cost of funds depend on many factors, including developments in the Indian credit markets, interest rate movements, existence of adequate liquidity in the debt markets, our credit ratings, global and local macroeconomic conditions, amongst others. As of September 30, 2020, and March 31, 2020, our Total Borrowings were ₹ 92,925.91 crore and ₹ 93,894.49 crore, respectively and our average cost of debt for the foregoing periods were 8.32% and 8.43%, respectively. Any increase in our cost of funds may require us to increase interest rates on new loans originated to customers in the future to maintain our net interest margin.

Ability to manage operating expenses

Our results of operations are affected by our ability to manage operating expenses, including those relating to office space, headcount, and collections related expenses. Our overall expenses are divided into two categories, being, direct costs and indirect cost. Our direct cost which is associated with our business operations, increases in proportion to the increase in business volumes and collection volumes across each portfolio and primarily in the retail business since its volume is higher in retail business. As we expand our business and product and service offerings, we may need to increase headcount and hence, office space and accordingly, our operating expenses may increase. For the six months ended September 30, 2020 and the Financial Year 2020, our employee benefits expense were ₹ 477.79 crore and ₹ 1,062.32 crore, respectively, and our other operating expenses were ₹ 397.99 crore and ₹ 898.68 crore, respectively. During the six months ended September 30, 2020, our operating expenses and employee benefits expense reduced as compared to six months ended September 30, 2019 on account of several cost-rationalisation measures for the overall enhancement of our business efficiencies and due to slowdown in the economic activity.

Our operational costs are expected to increase with the revival in economic activities as our Company continues to focus on strengthening our collection infrastructure and improving the overall collections efficiency.

Growth in our total loans outstanding and our assets under management

Our results of operations depend substantially on our ability to grow our total loans outstanding and our assets under management ("**AUM**").

Growth in our total loans outstanding is dependent on various factors including our geographic reach and branch network, competition, our ability to maintain our minimum capital adequacy ratios while extending more loans, as well as the general macro-economic conditions in India. As at September 30, 2020, and March 31, 2020, our Adjusted loans and advances outstanding were ₹ 98,822.84 and ₹98,384.00, respectively. The management fees charged by us in connection with our asset management segment are dependent on our AUM and typically vary with our total AUM, regulatory limits and the composition of AUM. Our total AUM, including launch of new schemes and the performance of our existing schemes, vary predominantly as a result of net inflows (or outflows) of investment into the schemes that we manage, and the value of securities or other assets in these schemes or portfolios, with such value being primarily driven by the condition and performance of the Indian economy and securities market. As at September 30, 2020, and March 31, 2020, our AUM is ₹ 63,847.63 crore and ₹ 54,936.63 crore, respectively.

Credit quality and provisioning

Our ability to manage the credit quality of our loans, which we measure in part through gross NPA (gross stage 3 assets), is a key driver of our results of operations. Our gross NPA (gross stage 3) levels are a function of our credit quality, which is further dependent upon factors such as our credit appraisal processes, our internal evaluation procedures of the income levels of our customers and our recovery mechanism. Quality loans help to reduce the risk of losses from loan impairment and write-offs. In addition to the provisions as per the expected loss framework provided under Ind AS 109, the RBI requires us to in parallel, compute provisions as per extant prudential norms on income recognition, asset classification and provisioning and appropriate from net profit or loss after tax the difference between the aggregate provisioning at the individual company level using the two approaches to a separate impairment reserve. Any withdrawals from this reserve can be done only with prior permission from the RBI.

Our Company's gross NPA (gross stage 3 assets) and net NPA (net stage 3 assets) were 5.19%, 1.67%, and 5.36%, 2.28% respectively, of our Company's total assets as at September 30, 2020 and March 31, 2020. If our Company is unable to effectively manage our level of stage 3 assets or the regulations governing provisions change further, our results of operations could be affected. See *"Risk Factors – Internal Risks – If our provisioning requirements are insufficient to cover our existing or future levels of non-performing loans or if future regulation requires us to increase our provisions, our ability to raise additional capital and debt funds as well as our results of operations and financial condition could be adversely affected"* on page 27.

For a comparison of the provisioning norms set forth by the RBI and NHB and our Company's provisioning approach under the expected loss framework provided under Ind AS 109 norms, please see "*Our Business – Asset Quality*" on page 159.

The following table sets forth details of accelerated provisions made by our Subsidiaries for the periods indicated:

(in ₹ crore)

Particulars	As at September 30, 2020	As at March 31, 2020
Gross NPA (stage 3 assets) (₹ in crore)	4,920.73	5,037.16
Net NPA (stage 3 assets) (₹ in crore)	1,530.41	2,078.15
Gross NPA (stage 3 assets) to gross loan (%)	5.19%	5.36%
Net NPA (stage 3 assets) to net loan book (%)	1.67%	2.28%
Provision coverage ratio (%)	68.90%	58.74%

In addition, some of the loans provided by us are unsecured loans and we may not be able to recover these loans through our legal proceedings. For details of unsecured loans provided by us, please see "*Risk Factors - Certain of the loans provided by us are unsecured and are susceptible to certain operational and credit risks which may result in increased levels of NPAs and may adversely affect our business, prospects, results of operations and financial condition.*" on page 24.

Our Company has a total additional non-gross stage 3 provision of ₹ 1,757.23 crore. Our Company has created an aggregate of ₹ 2,162.31 crore of non-gross stage 3 provisions (including standard asset provision) to deal with circumstances arising out of possible challenges.

Government policy and regulations

Our results of operations and continued growth depend on stable government policies and regulations. We are affected by several regulations promulgated by the RBI that regulates, among other things, capital adequacy requirement, NPA provisioning norms, maintenance of minimum net-owned funds and other lending stipulations and other operational restrictions. Any change in the regulatory framework affecting NBFCs and HFCs, and in particular those requiring to maintain provisioning norms, capital adequacy requirements or sector lending restrictions, among others, would adversely affect our results of operations and growth. For further details on government regulations affecting NBFCs and HFCs, please refer to "*Risk Factors - Internal Risks – We are subject to laws and regulations governing the banking and financial services industry in India and changes in laws and regulations governing us could adversely affect our business, results of operations and prospects.*" on pages 23-24, respectively. Any changes in these, or the imposition of any additional, financial requirements applicable to us could adversely affect our profitability and results of operations.

In addition, any change in government and regulatory policies affecting our borrowers may affect demand for our loans, thereby adversely affecting our results of operations.

General economic conditions in India

Our financial condition and results of operation are influenced by the general economic conditions prevailing in India. A slowdown in the Indian economy could adversely affect our business and our borrowers, especially if such a slowdown were to be continued and prolonged. Various factors beyond our control, such as a rise in unemployment, prolonged recessionary conditions in the world economy, a sharp and sustained rise in the interest rates, adverse developments in the Indian economy, movements in global commodity markets and exchange rates, increased global competition and changes in Indian laws, regulations and policies could have an adverse impact on the quality of our loan assets. Any trends or events which have a significant impact on the economic situation in India, including a rise in interest rates, could have an adverse impact on our business. See "*Risk Factors—Internal Risks - Our business is affected by prevailing economic, political and other prevailing conditions in India and the markets we currently service*" on page 42.

Economic developments in relevant sectors of the Indian economy

Our results of operations are affected by developments in certain sectors of the Indian economy for which we provide financing. In our Rural Finance business, we provide loans for the purchase of farm equipment and two-wheelers, micro loans as well as consumer loans. In our Housing Finance business, we provide housing loans, loans against property and real estate finance. Our Infrastructure Finance business, consisting of infrastructure finance and infra debt fund, provides customized debt financing products to infrastructure projects and their sponsor companies, with a focus on construction and development of renewable power generation projects, power transmission and operational road projects. These sectors are susceptible to sector-specific influences and developments, such as the adoption of Government policies and incentives and the actions of regulatory authorities, which in turn affect the demand for income-generating assets in these sectors. As the demand for these assets increases or decreases, we expect demand for our loans to increase or decrease accordingly. See "*Risk Factors—Internal Risks—Any adverse developments in the industries in which we operate, may adversely affect our business and results of operations*" on pages 21-22.

Competition in our industry

The NBFC industry in India is characterized by high levels of competition and key competitive factors include product range, interest rates, turnaround time for loan approvals, brand and customer relationships. We face our most significant organized competition from other NBFCs, banks, HFCs and microfinance institutions in India, some of which may have larger asset base and better access to, and lower costs of funding than we do. In certain areas, they may also have better brand recognition and larger customer bases than us. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors or expand our reach and build our brand among our target customer segments, we may lose existing as well as potential customers to our competitors, resulting in a decline in our market share, which may in turn impact our revenues and profitability.

Further, in relation to our Rural Finance business, many of our potential customers do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially moneylenders, landlords, local shopkeepers and traders, at much higher rates.

The financial services industry is rapidly evolving, and it is also intensely competitive. In relation to our Investment Management business we compete with several investment and asset management firms. We expect competition to continue and intensify in the future, primarily from other large asset management companies. It is also possible that there may be consolidation in the market, between smaller or the larger participants which may increase competition in the market overall or leave us at a competitive disadvantage.

We face significant competition from companies seeking to attract clients' financial assets, including traditional and online brokerage firms, other mutual fund companies and larger financial institutions. Increased competition may result either in a decrease in AUM market share or force us to reduce our management fees so as to preserve such market share, either of which would decrease our total revenue and, to the extent our expenses remained stable, our net revenue.

Significant Accounting Policies

The key accounting policies that are relevant and specific to our business and operations are described below:

Basis for preparation of financial statements

Our Unaudited Consolidated September Financial Results have been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting", prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India and reviewed in accordance with the Standard on Review Engagements ("SRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India.

Our Unaudited Consolidated September Financial Results should be read in conjunction with our Audited Consolidated Financial Statements. In our opinion, all adjustments which are necessary for a fair presentation have been included. The accounting policies followed in the presentation of our Unaudited Consolidated September Financial Results are consistent with those followed in the preparation of our Audited Consolidated Financial Statements. The results of our interim period are not necessarily an indication of the result that may be expected for any interim period or full year.

Our Audited Consolidated Financial Statements have been prepared in accordance with the Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other accounting principles generally accepted in India. In addition, the applicable regulations of RBI, NHB and the guidance notes/announcements issued by the Institute of Chartered Accountants of India are also applied. Our financial statements have been prepared on the accrual basis and under the historical cost convention except for certain financial instruments that are measured at fair value at the end of each reporting period. Our accounting policies used in the preparation of our financial statements presented in this Letter of Offer are consistent.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of our Company and its Subsidiaries. For this purpose, an entity which is, directly or indirectly, controlled by our Company is treated as subsidiary. Our Company together with its subsidiaries constitute the group. Control is achieved when we, directly or indirectly: (a) has power over the investee; (b) is exposed, or has rights, to variable returns from its involvement with the investee; and (c) has the ability to use its power to affect its returns.

We reassess whether or not we control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Profit or loss and each component of other comprehensive income are attributed to the owners of our Company and to the non-controlling interests (NCI) and have been shown separately in the financial statements. Total comprehensive income of the subsidiaries is attributed to the owners of our Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line our accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of our Company.

All intragroup assets and liabilities, equity, income, expenses, unrealised profits/losses and cash flows relating to transactions between our members are eliminated on consolidation. The consolidated financial statements of our Group combine financial statements of our Company and its subsidiaries line-by-line by adding together the like items of assets, liabilities, income and expenses.

Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by our Company.

Investments in associates

An associate is an entity over which we have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using equity method of accounting. Under the equity method, an investment in associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise our share of profit or loss and other comprehensive income of the associate. Distributions received from an associate reduce the carrying amount of the investment. When our share of losses of an associate exceeds our interest in that associate, we discontinue recognising its share of further losses. Additional losses are recognised only to the extent that we have incurred legal or constructive obligations or made payments on behalf of the associate.

The carrying amount of investment in associates is reduced to recognize impairment, if any, when there is objective evidence of impairment.

Business combinations

We account for our business combinations under acquisition method of accounting. Acquisition related costs are recognised in profit or loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the condition for recognition are recognised at their fair values at the acquisition date except deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, which are recognised and measured in accordance with Ind AS 12- Income taxes and Ind AS 19- Employee benefits, respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of non-controlling interest in the acquiree, and the fair value of acquirer's previously held equity instrument in the acquiree (if any) over the net of acquisition date fair value of identifiable assets acquired and liabilities assumed. Where the fair value of identifiable assets and liabilities exceed the cost of acquisition, after reassessing the fair values of the net assets and contingent liabilities, the excess is recognised as capital reserve.

The interest of non-controlling shareholders is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition- by-acquisition basis.

Goodwill

Goodwill on consolidation as on the date of transition represents the excess of cost of acquisition at each point of time of making the investment in the subsidiary over our share in the net worth of a subsidiary. For this purpose, our share of net worth is determined on the basis of the latest financial statements, prior to the acquisition, after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition. Capital reserve on consolidation represents excess of our share in the net worth of a subsidiary over the cost of acquisition at each point of time of making the investment in the subsidiary. Goodwill arising on consolidation is not amortised, however, it is tested for impairment annually. In the event of cessation of operations of a subsidiary, the unimpaired goodwill is written off fully. For the purposes of impairment testing, goodwill is allocated to each of our cash generating units (or groups of cash generating units) that is expected to benefit from the synergies of the combination.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount is intended to be recovered principally through a sale (rather than through continuing use) when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group) and the sale is highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at lower of their carrying amount and fair value less costs to sell.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated balance sheet when we become a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

A financial asset and a financial liability is offset and presented on net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously:

(i) Financial assets:

We assess the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and our business model for managing the asset.

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

We have more than one business model for managing its financial instruments which reflect how we manage our financial assets in order to generate cash flows. Our business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

We consider all relevant information available when making the business model assessment. However, this assessment is performed on the basis of scenarios that we reasonably expect to occur and not so-called 'worst case' or 'stress case' scenarios. we take into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

We reassess our business models each reporting period to determine whether the business models have changed since the preceding period. If the business model under which we hold financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying our financial assets.

We consider sale of financial assets measured at amortised cost portfolio as consistent with a business model whose objective is to hold financial assets in order to collect contractual cash flows if these sales are

- due to an increase in the assets' credit risk or
- due to other reasons such as sales made to manage credit concentration risk (without an increase in the assets' credit risk) and are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent).

In addition, we also consider sale of such financial assets as consistent with the objective of holding financial assets in order to collect contractual cash flows if the sale is made close to the maturity of the financial assets and the proceeds from sale approximate the collection of the remaining contractual cash flows.

(a) Financial assets at amortised cost:

Financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at fair value through other comprehensive income ("FVTOCI"):

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to sole payments of principal and interest on the principal amount outstanding and by selling financial assets.

(c) Financial assets at fair value through profit or loss ("FVTPL"):

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income on initial recognition. The transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are immediately recognised in profit or loss.

Investments in equity instruments are classified as FVTPL, unless the related instruments are not held for trading and we irrevocably elect on initial recognition of financial asset on an asset-by-asset basis to present subsequent changes in fair value in other comprehensive income.

(d) Debt instruments at amortised cost or at FVTOCI:

For an asset to be classified and measured at FVTOCI, the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and the contractual terms of instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

(e) De-recognition:

A financial asset (or, where applicable, a part of a financial asset or part of us of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or

- We have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we have retained.

(ii) Financial liabilities:

a) Financial liabilities, including derivatives, which are designated for measurement at FVTPL are subsequently measured at fair value. Financial guarantee contracts are subsequently measured at the amount of impairment loss allowance or the amount recognised at inception net of cumulative amortisation, whichever is higher.

All other financial liabilities including loans and borrowings are measured at amortised cost using Effective Interest Rate (EIR) method.

b) A financial liability is derecognised when the related obligation expires or is discharged or cancelled.

Impairment

We recognise loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers
- Debt investment securities
- Trade and other receivable
- Lease receivables
- Irrevocable loan commitments issued and
- Financial guarantee contracts issued

Credit impaired financial assets:

A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer
- a breach of contract such as a default or past due event
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired. We assess whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if corporate debt instruments are credit impaired, we consider factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a back-stop if amounts are overdue for more than 90 days. The 90-

day criterion is applicable unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

We consider the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to us; or

- the borrower is unlikely to pay its credit obligations to us in full.

The forbearance granted to borrowers in accordance with COVID 19 regulatory package notified by the RBI is excluded in determining the period of default (days past due) in the assessment of default.

When assessing if the borrower is unlikely to pay its credit obligation, our Company takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

We use a variety of sources of information to assess default which are either developed internally or obtained from external sources. The definition of default is applied consistently to all financial assets unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial asset.

With the exception of POCI financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or

- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition (and consequently to credit impaired financial assets). For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to us under the contract and the cash flows that we expect to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that we expect to receive from the holder, the debtor or any other party.

We measure ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics.

Significant increase in credit risk

We monitor all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk we will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, we consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on our historical experience and expert credit assessment.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when loan asset not being a corporate loans becomes 30 days past due, we consider that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL in respect of all retail assets. In respect of the corporate loan assets, shifting to Stage 2 has been rebutted using historical evidence from own portfolio to a threshold of 60 days past due, which is reviewed annually.

Purchased or originated credit impaired (POCI) financial assets:

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, we recognise all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

Write-off

Loans and debt securities are written off when we have no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when we determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. We may apply enforcement activities to financial assets written off. Recoveries resulting from our enforcement activities will result in impairment gains.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan may constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

We renegotiate loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified we assess whether this modification results in derecognition. In accordance with our policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms we consider the following:

a) Qualitative factors, such as contractual cash flows after modification are no longer SPPI;

b) Change in currency or change of counterparty; and

c) The extent of change in interest rates, maturity, covenants.

If these do not clearly indicate a substantial modification, then;

a) In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. We monitor credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

b) When the contractual terms of a financial asset are modified and the modification does not result in derecognition, we determine if the financial asset's credit risk has increased significantly since initial recognition by comparing:

the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified, where modification did not result in derecognition, the estimate of PD reflects our ability to collect the modified cash flows taking into account our previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviours following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition we calculate the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then we measure ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

We derecognise a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If we neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, we reorganize our retained interest in the asset and an associated liability for amounts it may have to pay. If we retain substantially all the risks and rewards of ownership of a transferred financial asset, we continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when we retain an option to repurchase part of a transferred asset), we allocate the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Presentation of allowance for ECL in the Balance Sheet:

Loss allowances for ECL are presented in the Balance sheet as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the Balance Sheet as the carrying amount is at fair value.

Derivative financial instruments

We enter into swap contracts and other derivative financial instruments to hedge its exposure to foreign exchange and interest rates. We do not hold derivative financial instruments for speculative purpose. Hedges of foreign exchange risk on firm commitments are accounted as cash flow hedges.

Cash flow hedges: In case of transaction related hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity as 'hedging reserve'. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity relating to the effective portion are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same head as the hedged item. The effective portion of the hedge is determined at the lower of the cumulative gain or loss on the hedging instrument from inception of the hedge and the cumulative change in the fair value of the hedged item from the inception of the hedge and the remaining gain or loss on the hedging instrument is treated as ineffective portion.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised in profit or loss when the forecast transaction is ultimately recognised in profit or loss.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured and there exists reasonable certainty of its recovery. Revenue is measured at the fair value of the consideration received or receivable as reduced for estimated customer credits and other similar allowances.

(i) Interest and dividend income:

Interest income is recognised in the consolidated statement of profit and loss and for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (FVTPL) is measured using the effective interest method (EIR).

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Dividend income is recognised when our right to receive dividend is established by the reporting date and no significant uncertainty as to collectability exists.

(ii) Fee and commission income:

Fee and commission income and expense include fees other than those that are an integral part of EIR. The fees included in the Consolidated statement of profit and loss include among other things fees charged for servicing a loan, non-utilisation fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan advisory fees.

Fee and commission expenses with regards to services are accounted for as the services are received.

(iii) Net gain or fair value change:

Any differences between the fair values of the financial assets classified as fair value through the profit or loss, held by us on the balance sheet date is recognised as an unrealised gain/loss in the statement of profit and loss. In cases there is a net gain in aggregate, the same is recognised in "Net gains or fair value changes" under revenue from operations and if there is a net loss the same is disclosed "Expenses", in the statement of profit and loss.

(iv) Investment management fees, guarantee fees and portfolio management fees:

Income from investment management fees is recognised in accordance with the Investment Management agreement and the SEBI regulations based on average Assets Under Management (AUM) of mutual fund schemes over the period of the agreement in terms of which services are performed.

Guarantee fees is recognised on pro rata basis over the period of the guarantee.

Portfolio management fees are recognised on accrual basis in accordance with Portfolio Management Agreement entered into with respective clients over the period of the agreement in terms of which the services are rendered.

(v) Income from financial instruments at FVTPL:

Income from financial instruments at FVTPL includes all gains and losses from changes in the fair value of financial assets and financial liabilities at FVTPL except those that are held for trading.

(vi) Other operational revenue:

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

Borrowing costs

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

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

Property, plant and equipment (PPE)

PPE is recognised when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment, if any. Cost includes all direct cost related to the acquisition of PPE and, for qualifying assets, borrowing costs capitalised in accordance with our accounting policy.

Land and buildings held for use are stated in the consolidated balance sheet at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

PPE not ready for the intended use on the date of the Balance Sheet are disclosed as "capital work- in-progress". Depreciation is recognised using straight line method so as to write off the cost of the assets (other than freehold land) less their residual values over their useful lives specified in Schedule II to the Companies Act, 2013, or in case of assets where the useful life was determined by technical evaluation, over the useful life so determined.

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

Depreciation for additions to/deductions from, owned assets is calculated pro rata to the period of use. Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

Assets held under finance leases are depreciated over the shorter of lease term and their useful life on the same basis as owned assets. However, when there is no reasonable certainty that we shall obtain ownership of the assets at the end of the lease term, such assets are depreciated based on the useful life prescribed under Schedule II to the Companies Act, 2013 or based on the useful life adopted by us for similar assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is recognised in profit or loss.

Investment property

Investment properties are properties (including those under construction) held to earn rentals and/ or capital appreciation are classified as investment property and are measured and reported at cost, including transaction costs.

Depreciation is recognised using straight line method so as to write off the cost of the investment property less their residual values over their useful lives specified in Schedule II to the Companies Act, 2013, or in the case of assets where the useful life was determined by technical evaluation, over the useful life so determined.

Depreciation method is reviewed at each financial year end to reflect the expected pattern of consumption of the future benefits embodied in the investment property. The estimated useful life and residual values are also reviewed at each financial year end and the effect of any change in the estimates of useful life/ residual value is accounted on prospective basis. Freehold land and properties under construction are not depreciated. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of property is recognised in the statement of profit and loss in the same period.

Intangible assets

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

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

As at the end of each accounting year, we review the carrying amounts of its PPE, investment property and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the PPE, investment property and intangible assets are tested for impairment so as to determine the impairment loss, if any. Goodwill and the intangible assets with indefinite life are tested for impairment each year.

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

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. For this purpose, the impairment loss recognised in respect of a cash generating unit is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to reduce the carrying amount of the other assets of the cash generating unit on a pro-rata basis.

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

Employee benefits

Short term employee benefits:

Employee benefits falling due wholly within twelve months of rendering the service are classified as short-term employee benefits and are expensed in the period in which the employee renders the related service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Post-employment benefits:

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

b) Defined benefit plans: The employees' gratuity fund schemes and employee provident fund schemes managed by board of trustees established by us, the post-retirement medical care plan and the Parent Company pension plan represent defined benefit plans. The present value of the obligation under defined benefit plans is determined based on actuarial valuation using the projected unit credit method.

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

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

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

(iii) Long term employee benefits:

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

(iv) Termination benefits:

Termination benefits such as compensation under employee separation schemes are recognised as expense when our offer of the termination benefit is accepted or when we recognise the related restructuring costs whichever is earlier

Leases

We as a lessee, recognises the right-of-use asset and lease liability at the lease commencement date. Initially the right-of-use asset is measured at cost which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using our Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The right-of- use asset is measured by applying cost model i.e. right-of-use asset at cost less accumulated depreciation /impairment losses.

The right-of-use assets are depreciated from the date of commencement of the lease on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. Carrying amount of lease liability is increased by interest on lease liability and reduced by lease payments made.

Lease payments associated with following leases are recognised as expense on straight-line basis:

- Low value leases; and
- Leases which are short-term.

We as a lessor, classifies leases as either operating lease or finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Initially asset held under finance lease is recognised in balance sheet and presented as a receivable at an amount equal to the net investment in the lease. Finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on our net investment in the lease. A lease which is not classified as a finance lease is an operating lease. Accordingly, we recognise lease payments as income on a straight-line basis in case of assets given on operating leases. We present underlying assets subject to operating lease in its balance sheet under the respective class of asset.

Transition disclosure

We have applied Ind AS 116 "Leases" ("Standard") effective April 1, 2019 (initial application date). Ind AS 116 supersedes Ind AS 17 "Leases". The Standard sets out the principles for recognition, measurement, presentation and disclosure of leases. The Standard has brought major changes with respect to lease accounting for the lessee. It requires a lessee to account for right-of-use asset and lease liability for all the leases without lease classification into operating and finance lease.

Under modified retrospective method of transition, we have applied the Standard retrospectively and recognised the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained earnings at the date of initial application (refer note no 41 of the audit report). Accordingly, the figures of the previous year have not been restated.

Cash and bank balances

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

Securities premium account

(i) Securities premium includes:

- The difference between the face value of the equity shares and the consideration received in respect of shares issued pursuant to stock option scheme.
- The fair value of the stock options which are treated as expense, if any, in respect of shares allotted pursuant to Stock Options Scheme.

(ii) The issue expenses of securities which qualify as equity instruments are written off against securities premium account.

Share-based payment arrangements

The stock options granted to employees pursuant to our Company's Stock Options Schemes, are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight-line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

Accounting and reporting of information for Operating Segments

Operating segments are those components of the business whose operating results are regularly reviewed by the chief operating decision making body in us to make decisions for performance assessment and resource allocation. The reporting of segment information is the same as provided to the management for the purpose of the performance assessment and resource allocation to the segments. Segment accounting policies are in line with our accounting policies.

Foreign currencies

Our functional currency and presentation currency of is Indian Rupee. Our functional currency and foreign operations has been determined based on the primary economic environment in which we and our foreign operations operate considering the currency in which funds are generated, spent and retained.

Transactions in currencies other than our functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the prevailing closing spot rate. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise.

Financial statements of foreign operations whose functional currency is different than Indian Rupees are translated into Indian Rupees as follows:

A. assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet

B. income and expenses for each income statement are translated at average exchange rates; and

C. all resulting exchange differences are recognised in other comprehensive income and accumulated in equity as foreign currency translation reserve for subsequent reclassification to profit or loss on disposal of such foreign operations.

Taxation

Current tax

Tax on income for the current period is determined on the basis of taxable income (or on the basis of book profits wherever minimum alternate tax is applicable) and tax credits computed in accordance with the provisions of the Income Tax Act and based on the expected outcome of assessments/appeals.

Deferred Tax

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

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

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

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

Transaction or event which is recognised outside profit or loss, either in other comprehensive income or in equity, is recorded along with the tax as applicable.

Provisions, contingent liabilities, and contingent assets

Provisions are recognised only when:

(i) our entities has a present obligation (legal or constructive) as a result of a past event; and

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

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

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

Contingent liability is disclosed in case of:

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

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

Contingent assets are disclosed where an inflow of economic benefits is probable. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date. Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

Commitment

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

a) estimated amounts of contracts remaining to be executed on capital account and not provided for;

b) uncalled liability on shares and other investments partly paid;

c) funding related commitment to associate companies; and

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

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

Statement of cash flows

Statement of cash flows is prepared segregating the cash flows into operating, investing and financing activities, cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

(i) changes during the period in operating receivables and payables transactions of a non-cash nature;

(ii) non-cash items such as depreciation, provisions, deferred taxes, unrealised gains and losses; and

(iii) all other items for which the cash effects are investing or financing cash flows.

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

Earnings per share

We present basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to our ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

Operating cycle for current and non-current classification

Based on the nature of products / activities of our entities and the normal time between acquisition of assets and their realisation in cash or cash equivalents, we have determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

Income and Expenses

Income

Our income consists of revenue from operations and other income.

Revenue from operations comprises interest income, dividend income, rental income, fees and commission income and net gain on fair value changes.

Other income primarily comprises income from cross selling, net gain on derecognition of property, plant, and equipment.

Expenses

Our expenses comprises of finance costs, fee and commission expense, net loss on fair value changes, net loss on derecognition of financial instruments under amortised cost category, impairment on financial instruments, employee benefits expenses, depreciation, amortization and impairment and other expenses.

Segment information

Revenue and expenses directly attributable to the business are reported under each business. Expenses which are not directly attributable to any business have been allocated based on associated revenue of the segment and manpower efforts. All other expenses which are not attributable or allocable to business have been disclosed as unallocated expenses. Assets and liabilities that are directly attributable or allocable to business are disclosed under each business. All other assets and liabilities are disclosed as unallocable.

Revenue from operations

Our breakdown of revenue from operations for the six months ended September 30, 2020 and 2019 and the Financial Years ended March 31, 2020 and 2019, by our business is as follows:

(₹ in crore)

Particulars	Six months ended September 30,		Year ended March 31,	
	2020	2019	2020	2019
Rural Finance business	2,658.36	2,512.10	5,308.80	4,064.18
Housing Finance business	1,724.73	1,728.42	3,366.42	3,018.71
Infrastructure Finance business	2,007.02	2,288.34	4,385.01	3,784.24

Particulars	Six months ended September 30,		Year ended March 31,	
	2020	2019	2020	2019
Defocused Business	228.25	436.28	665.70	1,395.72
Others*	263.12	326.73	1,027.24	1,303.00
Total	6,881.48	7,291.87	14,753.17	13,565.85
Less: Inter-segment revenue	(86.32)	(86.02)	(577.67)	(576.13)
Net segment revenue from continuing operations	6,795.16	7,205.85	14,175.50	12,989.72

* *Primarily comprises of the asset management and wealth management business*

Segment results (Profit or loss before tax)

Our segment results for the six months ended September 30, 2020 and 2019 and the financial years ended March 31, 2020 and 2019, are as follows:

(₹ in crore)

Particulars	Six months ended September 30,		Year ended March 31,	
	2020	2019	2020	2019
Rural Finance business	174.52	689.00	1,225.87	1,151.50
Housing Finance business	145.65	537.45	871.13	1,084.10
Infrastructure Finance business	116.63	533.06	919.45	466.30
Defocused Business	(284.56)	(354.18)	(554.87)	202.45
Others	276.05	93.59	218.50	147.63
Profit before tax	428.29	1,498.92	2,680.08	3,051.98

Segment assets

Our breakdown of our assets as of September 30, 2020 and 2019 and the financial years ended March 31, 2020 and 2019, follows:

(₹ in crore)

Particulars	As of September 30,		Year ended March 31,	
	2020	2019	2020	2019
Rural Finance business	28,741.17	27,041.06	28,491.28	25,517.39
Housing Finance business	30,642.50	28,580.65	30,410.87	27,575.72
Infrastructure Finance business	41,465.60	39,300.41	41,705.39	38,232.98
Defocused Business	4,278.10	7,066.24	5,230.76	10,568.47
Others	12,694.77	11,927.54	12,878.62	11,650.33
Inter segment assets	(11,128.28)	(10,874.66)	(11,548.39)	(9,909.91)
Unallocated	2,737.33	1,964.92	2,360.49	2,420.12
Total	1,09,431.19	1,05,006.16	1,09,529.02	1,06,055.10

Segment liabilities

Our breakdown of our liabilities as of September 30, 2020 and 2019 and the financial years ended March 31, 2020 and 2019, are as follows:

(₹ in crore)

Particulars	As of September 30,		Year ended March 31,	
	2020	2019	2020	2019
Rural Finance business	24,861.98	23,269.27	24,613.00	22,181.29
Housing Finance business	26,797.53	24,886.16	26,631.96	24,321.31
Infrastructure Finance business	36,011.50	35,371.12	36,435.59	34,757.97
Defocused Business	3,696.19	6,009.54	4,489.67	9,238.06
Others	3,596.43	3,163.88	3,987.22	2,800.57
Inter segment liabilities	(1,090.70)	(1,706.49)	(1,429.19)	(731.40)
Unallocated	403.29	31.84	108.35	38.70
Total	94,276.22	91,025.32	94,836.60	92,606.50

Our Results of Operations

The following table sets forth, for the periods indicated, certain items from our consolidated financial statements, in each case also stated as a percentage of our total income:

	For the six months ended				For the Financial Year			
	September 2020		September 2019		2020		2019	
	(₹ in crore)	(% of Total Income)	(₹ in crore)	(% of Total Income)	(₹ in crore)	(% of Total Income)	(₹ in crore)	(% of Total Income)
Income:								
Interest income	6,576.80	95.23	6,607.15	89.27	13,244.74	91.04	11,640.28	87.51
Dividend income	0.02	0.00	0.08	0.00	0.12	0.00	0.21	0.00
Rental income	2.68	0.04	6.28	0.08	9.03	0.06	18.84	0.14
Fees and commission income	202.78	2.94	435.39	5.88	812.39	5.58	1,274.73	9.58
Net gain on fair value changes	11.68	0.17	142.46	1.92	109.22	0.75	55.66	0.42
Net gain on derecognition of financial instruments under amortised cost category	1.20	0.02	14.49	0.20	-	-	-	-
Total Revenue from operations	**6,795.16**	**98.39**	**7,205.85**	**97.36**	**14,175.50**	**97.44**	**12,989.72**	**97.66**
Other income	111.28	1.61	195.50	2.64	372.63	2.56	311.80	2.34
Total Income	**6,906.44**	**100.00**	**7,401.35**	**100.00**	14,548.13	100	13,301.52	100
Total Expenses:								
Finance costs	3,866.98	55.99	3,820.89	51.62	7,513.60	51.65	6,860.03	51.57
Fees and commission expense	-		3.22	0.04	17.51	0.12	325.71	2.45
Net loss on fair value changes	303.20	4.39	67.81	0.92	107.53	0.74	383.16	2.88
Net loss on derecognition of financial instruments under amortised cost category	109.76	1.59	80.10	1.08	274.22	1.88	384.01	2.89
Impairment on financial instruments	1,548.04	22.41	1,011.08	13.66	1,994.19	13.71	700.88	5.27
Employee benefit expenses	477.79	6.92	509.30	6.88	1,062.32	7.30	824.73	6.20
Depreciation, amortization and impairment	43.75	0.63	31.66	0.43	81.59	0.56	49.62	0.37
Other expenses	354.24	5.13	378.37	5.11	817.09	5.62	721.40	5.42
Total Expenses	6,703.76	97.07	5,902.43	79.75	11,868.05	81.58	10,249.54	77.05
Exceptional items	225.61	3.27	-					
Profit Before Tax	428.29	6.20	1,498.92	20.25	2,680.08	18.42	3,051.98	22.94%
Tax Expense:								
Current Tax	492.99	7.14	377.70	5.10	632.50	4.35	749.49	5.63%
Deferred Tax	(459.86)	(6.66)	(76.09)	(1.03)	(126.06)	(0.87)	70.46	0.53%
Reversal of deferred tax assets on account of change in tax rate	-		473.38	6.40	473.38	3.25	-	0.00%
Tax Expenses	33.13	0.48	774.99	10.47	979.82	6.73	819.95	6.16%
Profit After Tax	395.16	5.72	723.93	9.78	1,700.26	11.69	2,232.03	16.78%
Share in profit of associate company	-		-		-	-	-	-
Profit after tax and share in profit of associate company	395.16	5.72	723.93	9.78	1,700.26	11.69	2,232.03	16.78
Profit for the year attributable to:								
Owners of the company	413.43	5.99	722.99	9.77	1,700.17	11.69	2,226.30	16.74
Non-controlling interest	(18.27)	-0.26	0.94	0.01	0.09	0.00	5.73	0.04

Six months period ended September 30, 2020 compared to six months period ended September 30, 2019

Total income. Total income decreased by 6.69% to ₹ 6,906.44 crore for six months period ended September 30, 2020 from ₹ 7,401.36 crore for the six months period ended September 30, 2019, primarily due to reduction in income from fee and commission.

Revenue from operations. Revenue from operations decreased by 5.70% to ₹ 6,795.16 crore for six months period ended September 30, 2020 from ₹ 7,205.85 crore for the six months period ended September 30, 2019, primarily due to reduction in income from fee and commission.

Other income. Other income decreased by 43.08% to ₹ 111.28 crore for six months period ended September 30, 2020 from ₹ 195.51 crore for the six months period ended September 30, 2019, due to decrease in the income from cross sell.

Total expenses. Total expenses increased by 13.58% to ₹ 6,703.76 crore for six months period ended September 30, 2020 from ₹ 5,902.41 crore for the six months period ended September 30, 2019, primarily due to increase in expected credit loss provision and net loss in the fair valuation of the financial instruments.

Finance costs. Finance costs increased by 1.21% to ₹ 3,866.98 crore for six months period ended September 30, 2020 from ₹ 3,820.89 crore for the six months period ended September 30, 2019.

Net loss on fair value changes. Net loss on fair value changes expense increased by 347.20% to ₹ 303.20 crore for six months period ended September 30, 2020 from ₹ 67.80 crore for the six months period ended September 30, 2019, primarily due to reduction in net loss arising out of fair valuation of financial instruments.

Net loss on derecognition of financial instruments under amortised cost category. Net loss on derecognition of financial instruments under amortised cost category increased by 37.03% to ₹ 109.76 crore for six months period ended September 30, 2020 from ₹ 80.10 crore for the six months period ended September 30, 2019.

Impairment on financial instruments. Impairment on financial instruments category increased by 53.11% to ₹ 1,548.04 crore for six months period ended September 30, 2020 from ₹ 1,011.08 crore for the six months period ended September 30, 2019, due to the increase in expected credit loss provision on financial instruments.

Employee benefit expenses. Employee benefit expenses decreased by 6.19% to ₹ 477.79 crore for six months period ended September 30, 2020 from ₹ 509.30 crore for the six months period ended September 30, 2019.

Depreciation, amortization and impairment. Depreciation, amortization and impairment increased by 38.19% to ₹ 43.75 crore for six months period ended September 30, 2020 from ₹ 31.66 crore for the six months period ended September 30, 2019, due to the amortisation on right of use assets and impairment of property.

Other expenses. Other expenses decreased by 6.37% to ₹ 354.24 crore for six months period ended September 30, 2020 from ₹ 378.36 crore for the six months period ended September 30, 2019.

*Tax expense***.** Tax expense decreased by 95.73% to ₹ 33.13 crore for six months period ended September 30, 2020 from ₹ 774.99 crore for the six months period ended September 30, 2019. There was a reversal of deferred tax assets on account of change in tax rate arising out of introduction of section 115BAA of the Income Tax Act for the period ended September 30, 2019.

Net profit. As a result of the foregoing, profit for the year attributable to the shareholders of our Company decreased by 42.82% to ₹ 413.40 crore for six months period ended September 30, 2020 from ₹ 723.02 crore for the for the six months period ended September 30, 2019, primarily due to increase in expected credit loss provision and net loss in the fair valuation of the financial instruments.

Financial Year 2020 compared to Financial Year 2019

Total income. Total income increased by 9.37% to ₹ 14,548.13 crore for the Financial Year 2020 from ₹ 13,301.52 crore for the Financial Year 2019, primarily due to increase in interest income and income from cross sell.

Revenue from operations. Revenue from operations increased by 9.13% to ₹ 14,175.50 crore for the Financial Year 2020 from ₹ 12,989.72 crore for the Financial Year 2019, primarily due to increase in interest income.

Other income. Other income increased by 19.51% to ₹ 372.63 crore for the Financial Year 2020 from ₹ 311.80 crore for the Financial Year 2019, primarily due to increase in income for cross sell.

Total expenses. Total expenses increased by 15.79% to ₹ 11,868.05 crore for the Financial Year 2020 from ₹ 10,249.54 crore for the Financial Year 2019, primarily due to increased provision required towards impairment of financial instruments.

Finance costs. Finance costs increased by 9.53% to ₹ 7,513.60 crore for the Financial Year 2020 from ₹ 6,860.03 crore for the Financial Year 2019, due to increase in borrowings to create liquidity buffer.

Fees and commission expense. Fees and commission expense decreased by 94.62% to ₹ 17.51 crore for the Financial Year 2020 from ₹ 325.71 crore for the Financial Year 2019, primarily due to the reduction in commission and brokerage pertaining to mutual fund business in view of change in SEBI regulations.

Net loss on fair value changes. Net loss on fair value changes expense decreased by 71.94% to ₹ 107.53 crore for the Financial Year 2020 from ₹ 383.16 crore for the Financial Year 2019, primarily due to reduction in the fair valuation of financial instruments.

Net loss on derecognition of financial instruments under amortised cost category. Net loss on derecognition of financial instruments under amortised cost category decreased by 28.59% to ₹ 274.22 crore for the Financial Year 2020 from ₹ 384.01 crore for the Financial Year 2019, due to the decreased loss on foreclosure and write-off of financial instruments.

Impairment on financial instruments. Impairment on financial instruments category increased by 184.53% to ₹ 1,994.19 crore for the Financial Year 2020 from ₹ 700.88 crore for the Financial Year 2019, due to the increase in expected credit loss provision on financial instruments.

Employee benefit expenses. Employee benefit expenses increased by 28.81% to ₹ 1,062.32 crore for the Financial Year 2020 from ₹ 824.73 crore for the Financial Year 2019, due to increase in the employee headcount and annual increments.

Depreciation, amortization and impairment. Depreciation, amortization and impairment increased by 64.43% to ₹ 81.59 crore for the Financial Year 2020 from ₹ 49.62 crore for the Financial Year 2019, due to the amortisation on right of use assets and impairment of property.

Other expenses. Other expenses increased by 13.26% to ₹ 817.09 crore for the Financial Year 2020 from ₹ 721.40 crore for the Financial Year 2019, mainly on account of increase in collection charges and donation to prime minister cares fund towards COVID relief.

Tax expense. Tax expense increased by 19.50% to ₹ 979.82 crore for the Financial Year 2020 from ₹ 819.95 crore for the Financial Year 2019. There was a reversal of deferred tax assets on account of change in tax rate arising out of introduction of section 115BAA of the Income Tax Act. This charge was partly offset by reduction in current tax due to reduced tax rate.

Net profit. As a result of the foregoing, profit for the year attributable to the shareholders of our Company decreased by 23.63% to ₹ 1,700.17 crore for the Financial Year 2020 from ₹ 2,226.30 crore for the Financial Year 2019, primarily due to a reversal of deferred tax assets on account of change in tax rate arising out of introduction of section 115BAA of the Income Tax Act.

Financial Condition

Assets

Our consolidated assets are set out below as of the dates specified:

(₹ in crore)

	Particulars	As at September 30, 2020	As at September 30, 2019	As at March 31, 2020	As at March 31, 2019
	ASSETS				
1	**Financial assets**				
	(a) Cash and cash equivalents	3,894.20	2,784.83	5,598.69	1,826.65
	(b) Bank balance other than (a) above	1,995.09	589.27	2,205.71	47.50
	(c) Derivative financial instruments	23.61	24.26	155.06	7.20
	(d) Receivables				
	(I) Trade receivables	27.69	104.33	64.74	106.37
	(II) Other receivables	44.72	31.60	19.31	10.63
	(e) Loans	90,458.07	93,374.24	91,462.50	91,324.63
	(f) Investments	6,453.16	3,903.71	5,979.27	8,640.81
	(g) Other financial assets	1,956.49	704.43	91.97	126.29
		1,04,853.03	**1,01,516.68**	**1,05,577.25**	**1,02,090.08**
2	**Non-financial assets**				
	(a) Current tax assets (net)	813.04	572.54	901.24	642.97
	(b) Deferred tax assets (net)	1,924.29	1,392.38	1,452.97	1,777.15
	(c) Investment property	308.75	366.08	311.01	367.66
	(d) Property, plant and equipment	38.52	56.95	47.91	67.69
	(e) Capital work-in-progress	-	2.61	-	-
	(e) Intangible assets under development	60.09	45.26	62.04	38.65
	(f) Goodwill on consolidation	636.71	638.91	636.71	638.91
	(g) Other intangible assets	89.90	45.49	70.44	53.04
	(h) Right of use asset	34.49	-	34.00	-
	(i) Other non-financial assets	672.37	369.27	340.95	378.95
		4,578.16	**3,489.48**	**3,857.27**	**3,965.02**
3	Group of asset classified as held for sale	-	-	**94.50**	-

	Particulars	As at September 30, 2020	As at September 30, 2019	As at March 31, 2020	As at March 31, 2019
	Total assets	**1,09,431.19**	**1,05,006.16**	**1,09,529.02**	**1,06,055.10**
	LIABILITIES AND EQUITY				
	LIABILITIES				
1	**Financial liabilities**				
	(a) Derivative financial instruments	4.76	-	-	-
	(a) Payables				
	(I) Trade payables				
	(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	37.67	54.22	64.84	120.05
	(II) Other payables				
	(i) total outstanding dues of micro enterprises and small enterprises	-	-	-	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	8.31	16.79	0.80	16.12
	(b) Debt securities	48,151.96	43,521.07	43,992.31	51,268.31
	(c) Borrowings (other than debt securities)	39,709.51	41,491.24	44,523.00	35,785.15
	(d) Subordinated liabilities	5,064.44	5,037.57	5,379.18	4,453.52
	(e) Lease Liability	40.32		39.58	-
	(f) Other financial liabilities	577.39	560.38	444.07	569.22
		93,594.36	**90,804.26**	**94,443.78**	**92,212.37**
2	**Non-Financial Liabilities**				
	(a) Current tax liabilities (net)	402.66	26.64	107.89	33.51
	(b) Provisions	49.22	56.88	41.27	42.04
	(c) Deferred tax liabilities (net)	0.62	5.20	0.46	5.19
	(d) Other non-financial liabilities	30.14	34.28	13.03	91.13
		482.64	**123.00**	**162.65**	**171.87**
3	Group of liabilities classified as held for sale	-	-	**9.96**	-
4	**EQUITY**				
	(a) Equity share capital	2,006.53	2,000.48	2,004.83	1,998.81
	(b) Other equity	13,148.44	11,980.36	12,687.59	11,449.79
	Equity attributable to owners of the Company	**15,154.97**	**13,980.84**	**14,692.42**	**13,448.60**
5	Non-controlling interest	**199.22**	**221.05**	**220.21**	**222.26**
	Total liabilities and equity	**1,09,431.19**	**1,05,006.16**	**1,09,529.02**	**1,06,055.10**

Liquidity and Capital Resources

In the past, we have funded our liquidity and capital requirements primarily through term loans, issuance of debentures and commercial paper based on factors such as cost of funds, diversification of funding sources and interest rate risk management.

Our principal amount of borrowings by investor profile and instruments, as of September 30, 2020, are set out below:

(₹ in crore)

	Amount *(₹ in crore)*	Percent of Total (%)
Type of Instrument		
Non-convertible Debentures (Private)	31,806.80	35.41
Non-convertible Debentures (Public)	5,245.60	5.84
Perpetual Debt (Tier II)	3,378.50	3.76
External Commercial Borrowings (Foreign Currency Loans)	3,391.99	3.78
FCNR	100.00	0.11
Term Loan	22,621.34	25.18
Lines of Credit	6,700.00	7.46

	Amount (*₹ in crore*)	Percent of Total (%)
Working Capital Loans (Except Lines of Credit)	6,627.76	7.38
Commercial Paper	8,510.00	9.47
Preference Shares	1,444.20	1.61
Total borrowings (including current maturities)	89,826.19	**100.00**

We actively manage our liquidity and capital position by raising funds periodically. We regularly monitor our funding levels to ensure that we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. Our financing agreements and debentures typically contain several covenants including financial covenants. Such covenants, if acted upon, may have an effect on our liquidity. For details, see "*Risk Factors – Internal Risks – Our Company has incurred significant indebtedness and may incur additional debt. The conditions and restrictions imposed by our financing agreements could adversely impede our flexibility in conducting our business*" and "*We have availed certain unsecured loans that are recallable by the lenders, subject to the terms and conditions of their grant, at any time*" on pages 38-39 and 40, respectively.

The following table sets forth our repayment obligations relating to our borrowings, as of September 30, 2020:

(₹ in crore)

Total Borrowings (including current maturities)	As of September 30, 2020				
	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	89,873.44	21,472.50	49,647.76	11,947.52	6,805.66

See "*Business - Treasury Operations*" for the principal components of our borrowings on pages 159-160.

Our category wise borrowings are as follows:

- *Non-convertible debentures:* We issued secured non-convertible debentures to institutional investors, such as banks, mutual funds and insurance companies. As of September 30, 2020, we had aggregate outstanding non-convertible debentures of ₹37,052.40 crore, of which, ₹ 31,806.80 crore are to private investors and ₹ 5,245.60 crore are to public investors.

- *Perpetual debt:* We raise funds through issuance of perpetual debt instruments from time to time. As of September 30, 2020, we had aggregate outstanding Tier I &Tier II perpetual debt of ₹3,378.50 crore.

- *External Commercial Borrowings:* Our external commercial borrowings comprise secured foreign currency loans which we source from banks. As of September 30, 2020, we had aggregate outstanding principal amount of foreign currency loans of ₹3,391.99 crore.

- *Term loans*: Our term loans from banks consist of secured term loans and generally have a tenure of over one year. As of September 30, 2020, we had aggregate outstanding principal amount of term loans from banks of ₹22,621.34 crore.

- *Lines of Credit:* We regularly access secured and unsecured lines of credit in the form of demand loans and cash credit from banks. As of September 30, 2020, we had aggregate principal amount of lines of credit of ₹ 6,700 crore.

- *Working Capital Loans:* We regularly access working capital loans from banks. As of September 30, 2020, we had aggregate principal amount of ₹6,675.01 crore in relation to our working capital loans, excluding our lines of credit.

- *Commercial paper:* We regularly access the commercial paper market to meet our funding requirements. As of September 30, 2020, we had aggregate outstanding commercial paper of ₹8,510 crore.

Our interest coverage ratio as of September 30, 2020 and March 31, 2020, was 1.12 and 1.37, respectively. The interest coverage ratio is computed by dividing earnings before tax, depreciation, interest, and exceptional gain by interest expenses.

Cash Flows

The following table summarizes our statements of cash flows for the periods presented:

(₹ in crore)

	Six months ended September 30,		Financial Year	
	2020	2019	2020	2019
Net cash generated from or (used in) operating activities	1,643.93	(384.23)	2,161.76	(11,643.45)
Net cash generated from or (used in) investing activities	(2,052.61)	3,328.87	159.52	(3,587.41)
Net cash generated from or (used in) financing activities	(1,295.83)	(1,986.41)	1,450.53	16,008.19

	Six months ended September 30,		Financial Year	
	2020	2019	2020	2019
Net increase or (decrease) in cash and cash equivalents	(1,704.51)	958.23	3,771.81	777.33

Operating Activities

Net cash generated from operating activities increased to ₹ 2,161.76 crore for Financial Year 2020 from net cash used in operating activities of ₹11,643.45 crore for Financial Year 2019, due to lower disbursements (net of repayments) during the Financial Year 2020.

Net cash generated from operating activities increased to ₹ 1,643.93 crore for the six months ended September 30, 2020 from net cash used in operating activities of ₹ 384.23 crore for six months ended September 30, 2019 primarily due to lower disbursements (net of repayments) during the six months ended September 30, 2020.

Investing Activities

Net cash generated from investing activities increased to ₹ 159.52 crore for Financial Year 2020 from net cash used in investing activities of ₹ 3,587.41 crore for Financial Year 2019, as we maintained higher bank balances to create liquidity buffer.

Net cash used in investing activities increased to ₹ 2,052.61 crore for the six months ended September 30, 2020 from ₹ (3,328.87) crore for six months ended September 30, 2019, primarily due to maintaining of higher bank balances to create liquidity buffer.

Financing Activities

Net cash generated from financing activities decreased to ₹ 1,450.53 crore for Financial Year 2020 from ₹ 16,008.19 crore for Financial Year 2019, due to the higher borrowings in Financial Year 2019.

Net cash used in financing activities decreased to ₹ 1,295.83 crore for the six months ended September 30, 2020 from net cash generated from financing activities of ₹ 1,986.41 crore for six months ended September 30, 2019, primarily due to higher repayment of borrowings in the six months ended September 30, 2020.

Contingent liabilities and commitments

The following table sets forth details of our contingent liabilities and commitments as of September 30, 2020:

Particulars	Amount *(₹ in crore)*
Contingent liabilities	
Claims against our Company not acknowledged as debt:	
Income tax matter in dispute	44.77
Service tax or sales tax or VAT matters in dispute	504.21
Legal matters in dispute	2.03
Bank guarantees	203.66
Other money for which our Company is contingently liable, letter of credit or letter of comfort	1,539.46
Total contingent liabilities	**2,294.13**
Commitments	
Estimated amount of contracts remaining to be executed on capital account and not provided for	17.61
Other Undrawn/Undisbursed commitments or standby facilities	1,849.55
Total commitments	**1,867.16**

Derivative Transactions

As of September 30, 2020, our Company had foreign currency loans of ₹ 3,643.55 crore, which have been fully hedged. We did not have any unhedged foreign currency exposure as on September 30, 2020.

Capital Expenditure

For the six months ended September 30, 2020, the Financial Year 2020 and the Financial Year 2019, we incurred capital expenditure of ₹ 35.90 crore, ₹ 79.71 crore and ₹ 91.20 crore respectively.

Capital Adequacy Ratio

As an NBFC-CIC-SI, our Company is required to maintain a capital ratio-requirement of at least 30% of our aggregate risk-weighted assets of our balance sheet (on-balance sheet and of risk adjusted value of off balance sheet items) on an ongoing basis. Our capital ratio was 69.26% and 67.75% as on September 30, 2020 and March 31, 2020 respectively. In addition, our subsidiaries, being financial institutions regulated by the RBI and/or NHB, are subject to capital adequacy ratio consisting of Tier I and Tier II capital of not less than 15% (i) 13% on or before March 31, 2020, (ii) 14% on or before March 31, 2021, and 15% on or before March 31, 2022 and thereafter, of its aggregate risk weighted assets and of risk adjusted value of off-balance sheet items in case of NHB of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off balance sheet items. The total Tier I capital, at any point is required to be at least 10%.

Information related to our Material Subsidiaries' capital adequacy ratio, for the dates specified are set out below:

Entity	Tier I			Tier II			CRAR		
	September 2020	March 2020	March 2019	September 2020	March 2020	March 2019	September 2020	March 2020	March 2019
L&T Finance Limited	15.60%	15.87%	15.22%	2.57%	2.44%	1.76%	18.17%	18.31%	16.98%
L&T Infrastructure Finance Company Limited	20.30%	20.61%	17.47%	6.75%	6.54%	6.79%	27.05%	27.15%	24.26%
L&T Housing Finance Limited	13.07%	14.99%	14.79%	2.90%	2.81%	2.90%	15.97%	17.80%	17.69%

Our Credit Ratings

Our present credit ratings are set forth below:

Name of the Company	CARE	ICRA	CRISIL	India Ratings
L&T Finance Holdings Limited	CARE AAA / Stable(1) CARE AAA (RPS) / Stable(2) CARE A1+(5)	ICRA AAA / Negative(1) ICRA A1+(5)	CRISIL AAA / Stable(1 & 2) CRISIL AAA / Stable CRISIL A1+(5)	IND AAA / Stable(1) IND A1+(5)
L&T Finance Limited	CARE AAA / Stable(1) CARE AAA PP-MLD / Stable(3) CARE AA+ / Stable(4) CARE A1+(5)	ICRA AAA / Negative(1) PP-MLD ICRA AAA / Negative(3) ICRA AA+ / Negative(4) ICRA A1+(5)	CRISIL AAA / Stable(1) CRISIL A1+(5)	IND AAA / Stable(1) IND PP-MLD AAA emr/Stable(3)
L&T Infrastructure Finance Company Limited	CARE AAA / Stable(1) CARE AAA PP-MLD / Stable(3) CARE AA+ / Stable(4) CARE A1+(5)	ICRA AAA / Negative(1) ICRA AA+ / Negative(4) ICRA A1+(5)	CRISIL AAA / Stable(1) CRISIL A1+(5)	IND AAA / Stable(1) IND PP-MLD AAA emr/Stable(3)
L&T Housing Finance Limited	CARE AAA / Stable(1) CARE AAA PP-MLD / Stable(3) CARE AA+ / Stable(4) CARE A1+(5) CARE AAA (FD) / Stable(6)	ICRA AAA / Negative(1) ICRA AA+ / Negative(4) ICRA A1+(5)	CRISIL AAA / Stable(1) CRISIL A1+(5)	IND AAA / Stable(1) IND PP-MLD AAA emr/Stable(3)

Name of the Company	CARE	ICRA	CRISIL	India Ratings
L&T Infra Debt Fund Limited	CARE AAA / Stable(1) CARE AAA PP-MLD / Stable(3) CARE A1+(5)	ICRA AAA / Stable(1) PP-MLD ICRA AAA / Stable(3) ICRA A1+(5)	CRISIL AAA / Stable(1 & 2) CRISIL PP-MLD AAA / Stable (3) CRISIL A1+(5)	

Notes:

(1) NCDs (public issue / private), subordinate debt and infrastructure bonds

(2) Redeemable preference shares

(3) Principle protected market linked debentures

(4) Perpetual debt programme / bonds

(5) Commercial papers

(6) Fixed deposits

AUDITOR'S OBSERVATIONS

Other than as disclosed below, there have been no reservations/ qualifications/ adverse remarks/ matters of emphasis highlighted by our statutory auditors in their auditor's reports on the Audited Consolidated Financial Statements and Unaudited Consolidated September Financial Results:

The auditor's report on the Audited Consolidated Financial Statements included a matter of emphasis referring to the following note which state the impact of COVID-19 on the operations of our Company. The relevant note is set forth below:

Estimation uncertainty relating to COVID-19 global health pandemic:

In assessing the recoverability of loans, receivables, intangible assets (including goodwill) and investments, the Group has considered internal and external sources of information, including credit reports, economic forecasts and industry reports upto the date of approval of these consolidated financial statements. The Group has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the Group expects to recover the carrying amount of these assets. The eventual outcome of impact of the global health pandemic may be different from those estimated as on the date of approval of these financial statements and the Group will continue to monitor any material changes to the future economic conditions. The Group has developed estimates and applied management overlays for the purpose of determination of the provision for impairment of financial assets.

The auditor's report on the Unaudited Consolidated September Financial Results included a note which state the impact of COVID-19 on the operations of our Company. The relevant note is set forth below:

Estimation of uncertainty relating to COVID-19 global health pandemic:

In assessing the recoverability of loans, receivables, intangible assets (including Goodwill) and investments, the L&T Financial Services Group has considered internal and external sources of information, including credit reports, economic forecasts and industry reports upto the date of approval of these consolidated financial results. The Group has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the Group expects to recover the carrying amount of these assets. The Group has developed estimates and applied management overlays for the purpose of determination of the provision for impairment of financial assets. Given the uncertainty over the potential macro-economic condition and external developments including the final decision of the Honourable Supreme Court of India in relation to moratorium and other related matters, the eventual outcome of impact of the aforesaid factors may be different from those estimated as on the date of approval of these consolidated financial results and the Group will continue to monitor any material changes to the future economic conditions, which will be given effect to in the respective future period.

The Honourable Supreme Court of India, in a public interest litigation (Gajendra Sharma vs. Union of India & Am), vide an interim order dated September 3, 2020 (interim order), directed that borrowers who were not declared Non Performing Assets (NPA) till August 31, 2020 shall not be declared as NPA till further orders. Basis the said interim order, the lending entities of the Group have not classified any borrowers as NPA from August 31, 2020 as per RBI Prudential norms. However, provision for such borrowers have been made appropriately considering them as Stage 3 assets in accordance with Company's Expected Credit Loss Policy.

Related Party transactions

We have engaged in the past, and may engage in the future, in transactions with related parties, including our affiliates. Such transactions are for, amongst others, provision of professional services and brand license fees and incurrence of indebtedness. For details of our related party transactions, see notes to our financial statements.

Off-Balance Sheet commitments and arrangements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with affiliates or other unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements.

Competitive conditions

We operate in a competitive environment. For further details on competitive conditions that we face across our various business, see "-*Significant Factors Affecting Our Results of Operations"* beginning on page 261.

Known trends and uncertainties that have or are expected to have a material impact on income

Our business has been affected and we expect that it will continue to be affected by the trends identified above in "*Significant Factors Affecting Our Results of Operations*" and the uncertainties described in the section "*Risk Factors*" beginning on pages 261 and 17, respectively. To our knowledge, except as disclosed in this Letter of Offer, there are no known factors which we expect to have a material adverse effect on our income.

Future changes in relationship between costs and revenues

Other than as described in "*Risk Factors*" beginning on page 17 and this section, there are no known factors that might affect the future relationship between cost and revenue.

Introduction of new products or services

Except as disclosed in "*Our Business*" beginning on page 143, we have not announced and do not expect to announce in the near future any new products or business.

Seasonality

Our business operations may be affected by seasonal trends in the Indian economy. Typically, the period from October to March is the peak period in India for retail economic activity. This increased, or seasonal, activity is the result of several holiday periods, improved weather conditions and crop harvests. We typically experience higher volumes of business during this period in relation to our rural finance and home loans businesses. Any significant unforeseen events such as floods, earthquakes, political instabilities, epidemics or economic slowdowns during this peak season would adversely affect our results of operations and growth. During these periods, we may continue to incur operating expenses, but our income from operations may be delayed or reduced.

Significant dependence on a few customers or sectors

As at September 30, 2020, with 64.60% of our adjusted total loans and advances comprising loans towards renewable energy projects, transportation projects, power transmission projects, construction finance, farm equipment and two-wheelers, respectively, we have significant exposure in renewable energy, roads, transportation projects, power transmission, housing, construction and rural sectors in India and may continue to have significant concentration of loans in these sectors.

Further, our top 20 borrowers (including affiliates of such borrowers) in terms of adjusted loans and advances represented 15.82% and 16.02% of our total loans outstanding as of September 30, 2020 and March 31, 2020, respectively. We may continue to have significant concentration of loans to such sectors or borrowers, including other large corporate groups in India. See "*Risk Factors – We have significant exposure to certain borrowers. Any negative developments impacting the ability of such borrowers to perform their obligations under their existing financing agreements with us and increase in the level of NPAs/ stage 3 assets in our portfolio, may adversely affect our business, financial performance and results of operations* on page 22.

Quantitative and qualitative disclosures about market risks

Our business exposes us to a variety of financial risks, including credit risk, interest rate risk, concentration risk, operational risk, liquidity risk, cash management risk, asset impairment risk and foreign exchange risk. For further details on our exposure to these risks and our policies to address them, please refer to "*Our Business – Strong Risk Management framework*" on page 147.

Material Developments

Except as set forth below in the "*Material Developments*" on page 299, no circumstances have arisen since the date of the last financial statements as disclosed in this Letter of Offer which materially or adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND DEFAULTS

*Our Company and our Subsidiaries are subject to various legal proceedings from time to time, primarily arising in the ordinary course of business. There is no outstanding litigation which has been considered material in accordance with our Company's 'Policy for Determination of Materiality', framed in accordance with Regulation 30 of the SEBI Listing Regulations, and accordingly, there is no such outstanding litigation involving our Company and/or our Subsidiaries that requires disclosure in this Letter of Offer. However, solely for the purpose of the Issue, the following outstanding litigations have been disclosed in this section of this Letter of Offer, to the extent applicable: any outstanding civil litigation, including tax litigation, involving our Company and/or our Subsidiaries, where the amount involved is ₹51.01 crore (being 3% of the consolidated profit after tax of our Company, in terms of the Audited Consolidated Financial Statements) ("**Materiality Threshold**") or above.*

Except as disclosed below, there are no outstanding litigation with respect to (i) issues of moral turpitude or criminal liability on the part of our Company and/or our Subsidiaries; (ii) material violations of statutory regulations by our Company and/or our Subsidiaries; (iii) economic offences where proceedings have been initiated against our Company and/or our Subsidiaries; (iv) any pending matters, which if they result in an adverse outcome, would materially and adversely affect our operations or our financial position.

Pre-litigation notices received by our Company and/or our Subsidiaries from third-parties (excluding notices pertaining to any offence involving issues of moral turpitude, criminal liability, material violations of statutory regulations or proceedings related to economic offences) shall not be evaluated for materiality until such time our Company and/or our Subsidiaries are impleaded as defendants in litigation proceedings before any judicial forum.

I. Litigation involving our Subsidiaries

A. Litigation against our Subsidiaries

Criminal

*Litigation against L&T Finance Limited ("**L&T Finance**")*

1. There are 15 FIRs and 21 criminal complaints filed with police stations and/ or before various courts having criminal jurisdiction registered against L&T Finance and its certain officials (collectively, the "**Accused**"). These are in relation to alleged offences committed during collections or recovery of instalments and alleged illegal or forceful repossession of assets financed through loan cum hypothecation agreement entered into between the respective complainants and L&T Finance. In matters of illegal or forceful repossession, it has been alleged that possession of the financed assets has been taken by the Accused, *inter alia* through theft, cheating and dishonestly inducing delivery of property, criminal breach of trust, extortion, fraud or forging of documents, mischief, defamation and criminal intimidation. In certain of these matters, the repossessed assets have been sold by the Accused. These matters are at different stages of adjudication before various forums and are currently pending.

2. Rekhaben Kapadiya filed a criminal complaint before the Chief Judicial Magistrate, Rural Court, Ahmedabad alleging that L&T Finance's officials had forged her documents and created a loan in her name by using passport size photo, three cheques and her signature. The matter is currently pending.

3. H.S. Krishnamurthy ("**Borrower**") availed financial assistance from L&T Finance for purchasing a vehicle. Since the Borrower failed to pay the motor vehicle tax, the Regional Transport Office, Madhugiri filed a criminal miscellaneous petition against the Borrower and L&T Finance for non-payment of tax under the provisions of Karnataka Motor Vehicle Taxation Act, 1957, before the Additional Judicial Magistrate First Class, Sira. The matter is currently pending.

4. L. Devendran ("**Borrower**") availed a loan from L&T Finance to purchase a vehicle. The Borrower subsequently filed a criminal complaint ("**Complaint**") before the Judicial Magistrate, Karaikudi, alleging that while availing the loan he had given 10 blank cheques to L&T Finance and had also paid the down payment to the dealer of the vehicle, but the vehicle was not delivered to him, even though a few instalments were deducted from his account. L&T Finance filed a quashing petition and criminal miscellaneous petitions before the Madras High Court ("**Court**"). The Court granted an interim stay order to stay all further proceedings in the Complaint filed by the Borrower. The matter is currently pending.

5. Vikas Kumar Migalani, proprietor of Laxmi Leasing and Finance Company ("**Complainant**") filed an FIR against L&T Finance and its certain officials (collectively, the "**Accused**") before the Chhindwara police station, alleging that the Accused had committed fraud and criminal breach of trust, by inducing the Complainant to deposit a certain sum of money with the Accused and giving him false information that it would be doubled in six months. Pursuant to the FIR, a charge-sheet was filed before the Chief Judicial Magistrate, Chhindwara, and a case was registered against the

Accused. The Accused filed a petition before the Madhya Pradesh High Court seeking stay of proceedings against the Accused, which was granted by the Madhya Pradesh High Court. The matter is currently pending.

6. Siksha 'O' Anusandhan University ("**Complainant**") filed a criminal case against L&T Finance (erstwhile Family Credit Limited) and one of its officials (collectively, the "**Accused**") before the Sub-Divisional Judicial Magistrate, Bhubaneshwar for alleged cheating by crediting excess equated monthly instalments (EMI) in the account of L&T Finance through electronic clearance system post closure of the loan account. The Complainant has sought direction to the Inspector-in-Charge, Khandageri Police Station for registering the case and investigating the matter. The matter is currently pending.

7. Rameshwar Singh ("**Borrower**") approached L&T Finance for a loan to finance the purchase of a tractor. The Borrower filed a criminal complaint before the Chief Judicial Magistrate, Jamshedpur, pursuant to which a first information report was registered against L&T Finance and its certain officials (collectively, the "**Accused**") before the Sakchi police station, in relation to refusal by the Accused to refund the amount deposited by the Borrower after the proposed loan was not sanctioned to him. The Accused filed a quashing petition before the Jharkhand High Court. The Jharkhand High Court has granted a stay on the proceedings. The matter is currently pending.

8. Krushnadev Das ("**Complainant**") filed a complaint *inter alia* against L&T Finance and its employee under Section 193 of CrPC before the Additional Chief Judicial Magistrate, Mothihari ("**ACJM**"), alleging that a tractor financed through a loan provided by L&T Finance was not given to him by the automobile proprietor. The ACJM dismissed the said complaint on the grounds that the case was of a civil nature. Hence, the Complainant has filed a criminal revision petition before the District and Sessions Judge, Motihari, against the order passed by the ACJM. The matter is currently pending for hearing.

Litigation involving an amount above the Materiality Threshold

Litigation against L&T Finance

1. L&T Finance has filed a petition ("**Petition**") before the Telecom Disputes Settlement and Appellate Tribunal, New Delhi ("**TDSAT**"), *inter alia* challenging the Department of Telecommunication's ("**DoT**") provisional assessment amounting to ₹1599.98 crore, comprising license fee, interest and penalty for an internet service provider license ("**ISP License**") held by L&T Netcom Limited which merged with L&T Finance in the year 2004. L&T Finance paid the amounts due, towards license fees, calculated on the basis of percentage of adjusted gross revenue earned exclusively from the ISP business. The DoT, while undertaking assessment of their demand included the revenue earned by L&T Finance from its financial services business in their computation, instead of including the revenue from the ISP business only. After a period of three years from the expiry of the ISP Licence, the DoT issued letters demanding the outstanding license fee (including interest, penalty and interest on penalty) for the financial years 2006-07, 2008-09, 2009-10, 2011-12 and 2012-13. The aforesaid method of computation has been challenged *vide* the Petition. The TDSAT while admitting the Petition has vide its order dated October 21, 2019 *inter alia* allowed L&T Finance to seek interim relief if any coercive steps were taken by the DoT. L&T Finance has not received any other demand, pursuant to the said order of the TDSAT. In June 2020, in two orders passed by the Supreme Court pertaining to separate cases, wherein the definition of adjusted gross revenue (AGR) was clarified, the demands raised against public sector undertakings not in the business of rendering telecommunication services but utilizing licenses for non-commercial purposes were directed to be withdrawn. Since the grounds raised in the Petition was similar, L&T Finance filed a petition for quashing or withdrawal of the demand against it before the TDSAT. The matter is currently pending.

2. The Directorate General of GST Intelligence, Mumbai, has issued a show cause cum demand notice ("**SCN**") to L&T Finance, *inter alia*, alleging that L&T Finance was evading the service tax/GST on various services provided by them and that the additional interest, penal interest and default interest charged to customers is liable to service tax, for the assessment period of April 2013 to June 2017, under the applicable provisions of the Finance Act, 1994. The Principal Commissioner of GST & Central Excise Mumbai East Commissionerate ("**Principal Commissioner**") has confirmed the SCN against L&T Finance pursuant to its order dated January 30, 2020 ("**Order**"). Subsequently, an appeal has been filed against the Order passed by the Principal Commissioner before the Customs, Excise and Service Tax Appellate Tribunal, Mumbai by L&T Finance. The amount involved in the matter is ₹197.29 crore. The matter is currently pending.

3. Pursuant to the invocation and sale of pledged shares provided as security for the loan facilities ("**Loan Facilities**") availed by DM South India Hospitality Private Limited ("**Borrower**") from L&T Finance, the Borrower and its pledgers initiated arbitration proceedings against L&T Finance before Justice (Retd.) A.P. Shah ("**Sole Arbitrator**"). The amount involved in the matter is ₹164.94 crore. Subsequently, an appeal has been filed by L&T Finance before the Delhi High Court challenging the interim award passed by the Sole Arbitrator dated August 18, 2019, wherein the Sole Arbitrator *inter alia* directed L&T Finance to not take any coercive steps for the recovery of the amount due under the Loan Facilities. The matter is currently pending.

Proceedings involving material violations of statutory regulations

Litigation against L&T Finance

1. L&T Finance ("**Transferor 1**") and L&T Fincorp Limited ("**Transferor 2**") amalgamated with Family Credit Limited (name subsequently changed to 'L&T Finance Limited', the "**Transferee**") by virtue of an order dated January 24, 2017 ("**Amalgamation Order**") passed by the National Company Law Tribunal, Mumbai, approving the scheme of amalgamation ("**Scheme**"). The Transferee had filed an application before the Collector and Superintendent of Stamps, Gujarat (the "**Collector**") for adjudication of stamp duty leviable on the transfer of certain immovable property belonging to Transferor 2 which was situated in Gujarat, to the Transferee, pursuant to the Amalgamation Order. Subsequently, the Collector passed an order dated August 29, 2017 ("**Collector Order**") requiring the Transferee to pay stamp duty amounting to ₹12.36 crore within a period of 90 days, under the applicable provisions of the Gujarat Stamp Act, 1958 computed on the basis of the market price of the equity shares of Transferor 1 and Transferor 2 which were issued to the shareholders of the Transferee pursuant to the provisions of the Scheme. The Transferee filed another application before the Collector, seeking the recall and/or modification of the Collector Order since the adjudication was erroneously conducted on the equity shares and not on the above-mentioned immovable property. The Collector vide its letter dated October 25, 2017, informed the Transferee that it would not reconsider its opinion. Accordingly, the Transferee filed a special civil application before the Gujarat High Court for quashing the Collector Order. The Gujarat High Court passed a stay order *vide* an order dated December 21, 2017 against the Collector Order. Subsequently, with liberty from the Gujarat High Court, the Transferee approached the Chief Controlling Revenue Authority Gandhinagar, Gujarat ("**CCRA**") with a plea to set aside the Collector Order. The CCRA *vide* its order dated September 14, 2018 ("**CCRA Order**") remanded the matter to the Additional Collector and Superintendent of Stamps, Gandhinagar to *inter alia* re-evaluate the subject properties. Additionally, the Collector issued a letter dated December 10, 2018 demanding *inter alia* ₹12.36 crore and payment of stamp duties in Maharashtra and West Bengal. A representation along with the detailed submission was submitted with the Collector on January 16, 2019 in this regard. The Transferee thereafter received a letter from the Collector dated July 6, 2019 requesting for details of valuation of the shares of Transferor 1 and Transferor 2. Subsequently, the Transferee filed its reply, providing the requisite information and submitted that it is the property which needs to be adjudicated and not the issue of shares, as also stated in the CCRA Order. Subsequently, the Collector *vide* its letter dated November 19, 2019 reduced the demand from ₹12.36 crore to ₹6.26 crore by allowing a set-off for the stamp duty paid by the Transferee in the state of Maharashtra. The Transferee thereafter submitted that the claim of ₹6.26 crore towards stamp duty made by the Collector is not due, which was rejected by the Collector *vide* order dated March 13, 2020. Transferor 1 has challenged the Collector's order dated March 13, 2020 before the Gujarat High Court by filing a writ petition on the limited ground of lack of jurisdiction of the Collector to consider properties beyond the territorial jurisdiction of the state of Gujarat. The matter is currently pending.

   Further, pursuant to the Amalgamation Order, the Collector of Stamps, Enforcement 1, Mumbai issued a demand letter dated November 2, 2017, requiring the Transferee to pay stamp duty amounting to ₹39.61 crore as per Section 5 of the Maharashtra Stamp Act, 1958. The Transferee has filed an appeal before the Chief Controlling Revenue Authority, Maharashtra, seeking reduction of the demand of stamp duty to ₹25.00 crore, based on a conjoint reading of Article 25(da) of Schedule I of the Maharashtra Stamp Act, 1958 ("**Article 25(da)**") and notification number Mudrank 2002/875/CR-173/M-1 dated May 6, 2002 which states that the maximum stamp duty chargeable under Article 25(da) is ₹25.00 crore. The matter is currently pending.

2. L&T Finance has received six notices ("**Notices**") from the Office of the District Registrar of Assurances, Hyderabad (South), Office of the District Registrar of Assurances, Khammam and District Registrar, Warangal District ("**Authorities**"), alleging deficit in stamp duty paid on certain loan cum hypothecation agreements and concession agreements entered into between *inter alia* L&T Finance and its borrowers. The Office of the District Registrar of Assurances, Hyderabad (South) has also issued two final notices pursuant to two of the Notices issued earlier. The total amount demanded through the Notices is ₹11.66 crore, which includes the claim amount against L&T Finance. L&T Finance has submitted its representations ("**Representations**") before the Authorities in respect of five of the Notices. The Authorities have not responded to the said Representations. The matters are currently pending.

B. Litigation by our Subsidiaries

Criminal

Litigation by L&T Finance

1. There are various criminal complaints filed by L&T Finance before various forums in relation to, *inter alia* dishonour of cheques under Section 138 of the Negotiable Instruments Act, 1881, dishonour of electronic funds transfer under Section 25 of the Payment and Settlement Systems Act, 2007, and cheating and dishonestly inducing delivery of property, against customers of L&T Finance in respect of recovery of loans financed by L&T Finance. These matters are at various stages of adjudication before various forums and are currently pending.

*Litigation by L&T Housing Finance Limited ("**L&T Housing Finance**")*

1. There are various criminal complaints filed by L&T Housing Finance before various forums in relation to, *inter alia* dishonour of cheques under Section 138 of the Negotiable Instruments Act, 1881 and dishonour of electronic funds transfer under Section 25 of the Payment and Settlement Systems Act, 2007, against customers of L&T Housing Finance in respect of recovery of loans financed by L&T Housing Finance. These matters are at various stages of adjudication before various forums and are currently pending.

2. L&T Housing Finance filed two criminal complaints ("**Complaints**") against Trishul Developers ("**Borrower**") before the BKC police station and the Junior Magistrate First Class at Mysuru. L&T Housing Finance had extended financial assistance to the Borrower for the completion of some construction projects. The Complaints have been filed *inter alia* for fraudulently preventing the enforcement of loan security, intentional neglect to repay the loan and criminal trespass into a property in possession of L&T Housing Finance. The matters are currently pending.

*Litigation by L&T Infrastructure Finance Company Limited ("**L&T Infrastructure**")*

1. There are various criminal complaints filed by L&T Infrastructure before various forums in relation to, *inter alia* dishonour of cheques under Section 138 of the Negotiable Instruments Act, 1881 and cheating and dishonestly inducing delivery of property, against customers of L&T Infrastructure in respect of recovery of loans financed by L&T Infrastructure. These matters are at various stages of adjudication before various forums and are currently pending.

Litigation involving an amount above the Materiality Threshold

Litigation by L&T Finance

1. The National Company Law Tribunal, Mumbai has admitted an application for initiation of the corporate insolvency resolution process ("**CIRP**") under IBC against Dewan Housing Finance Corporation Limited ("**DHFL**"), filed by the Reserve Bank of India. L&T Finance had subscribed to private placement of non-convertible debentures issued by DHFL amounting to ₹524.60 crore. Upon the commencement of the CIRP, Catalyst Trusteeship Limited, acting as the debenture trustee, submitted claims on behalf of all debenture holders of DHFL, including L&T Finance. The CIRP is ongoing and the matter is currently pending.

2. The National Company Law Tribunal, Hyderabad has admitted an application for initiation of the corporate insolvency resolution process under IBC against Deccan Chronicle Holdings Limited ("**Corporate Debtor**"), filed by State Bank of India. L&T Finance has filed its claim for ₹48.01 crore against the Corporate Debtor and for ₹61.04 crore against T.V. Reddy, the Corporate Debtor's personal guarantor, alleging default in repayment of the term loan. The resolution plan submitted by SREI Multiple Asset Investments Trust-Vision India Fund pertaining to the Corporate Debtor was approved by the Committee of Creditors but challenged by IDBI Bank before the National Company Law Appellate Tribunal, New Delhi. Additionally, L&T Finance has initiated proceedings under Section 138 of the Negotiable Instruments Act, 1881 against the Corporate Debtor, before the Metropolitan Magistrate's 58th Court at Bandra, Mumbai. The matters are currently pending.

3. L&T Fincorp Limited (now L&T Finance) had filed an application ("**Application**") before the Bombay High Court for appointment of a court receiver in relation to hypothecated assets under the loan agreement ("**Loan Agreement**") with Saumya Mining Limited ("**Borrower**"). The Bombay High Court disposed of the Application in favour of L&T Finance on March 6, 2017. Further, L&T Finance initiated arbitration proceedings before the sole arbitrator Mikhail Behl ("**Arbitrator**"), against the Borrower and guarantors of the Borrower alleging default in making timely payments under the Loan Agreement. The Arbitrator passed an award dated January 27, 2018 in favour of L&T Finance. Thereafter, an execution petition has been filed by L&T Finance before the Bombay High Court, seeking *inter alia* disclosure of the Borrower's assets by way of an affidavit. The amount involved in the matter is ₹85.85 crore. The matter is currently pending. Additionally, L&T Finance has initiated two proceedings under Section 138 of the Negotiable Instruments Act, 1881 against the Corporate Debtor, before the Metropolitan Magistrate's 33rd Court at Ballard Pier, Mumbai. The matters are currently pending.

4. L&T Fincorp Limited (now L&T Finance), Family Credit Limited (now L&T Finance) and L&T Finance (collectively, "**Lenders**") initiated arbitration proceedings against Brij Bhushan Singhal and Neeraj Singhal, personal guarantors ("**Personal Guarantors**") of Bhushan Steel Limited ("**Borrower**"), before Firoz Bharucha, sole arbitrator. The Lenders had extended certain loan facilities ("**Loan Facilities**") to the Borrower, which were guaranteed by the Personal Guarantors by way of jointly executed personal guarantees. After the conclusion of the corporate insolvency resolution process ("**CIRP**") against the Borrower and the approval of the resolution plan ("**Resolution Plan**") by the National Company Law Tribunal, New Delhi ("**NCLT**"), the Lenders initiated arbitration proceedings alleging that they did not receive the entire sum due to them as per the Resolution Plan, in order to recover the balance amount from the Personal Guarantors. The Lenders' consolidated claim amount is ₹67.37 crore. The matter is currently pending.

Further, L&T Finance has filed an application ("**Application**") for initiation of CIRP under IBC against Neeraj Singhal before the NCLT, for a claim amount of ₹60.00 crore. The Application is yet to be admitted.

5. The National Company Law Tribunal, Delhi ("**NCLT**") has admitted applications for initiation of the corporate insolvency resolution process ("**CIRP**") against Metalyst Forgings Limited and Castex Technologies Limited ("**Corporate Debtors**") under IBC filed by various creditors of the Corporate Debtors. L&T Finance has filed its claim of ₹66.21 crore and ₹152.16 crore respectively, before the interim resolution professional, alleging that the Corporate Debtors failed to repay their respective loans. Further, L&T Finance filed an application before the Bombay High Court under Section 9 of the Arbitration and Conciliation Act, 1996 against Arvind Dham ("**Personal Guarantor**"), personal guarantor of Castex Technologies Limited, to recover an amount of ₹79.43 crore, alleging that the guarantee given by the Personal Guarantor stood invoked due to the default in repaying the loan on the part of Castex Technologies Limited. The matters are currently pending. Subsequently, L&T Finance filed an application ("**Application**") to initiate the CIRP against the Personal Guarantor before the NCLT, for a claim amount of ₹92.19 crore. The Application is yet to be admitted.

6. The National Company Law Tribunal, Kolkata ("**NCLT**") admitted an application for initiation of the corporate insolvency resolution process ("**CIRP**") against Precision Engineers and Fabricators Private Limited ("**Corporate Debtor**") under IBC, filed by Berger Paints India Limited. The Corporate Debtor failed to abide by the resolution plan approved by the NCLT. The NCLT thereafter passed a liquidation order against the Corporate Debtor. L&T Finance (erstwhile Family Credit Limited) filed a claim of ₹51.12 crore before the liquidator, alleging that the Corporate Debtor failed to repay its debt under a loan agreement. Additionally, L&T Finance has initiated two proceedings under Section 138 of the Negotiable Instruments Act, 1881 against the Corporate Debtor, before the Metropolitan Magistrate's 33rd Court at Ballard Pier, Mumbai. The matters are currently pending.

7. The National Company Law Tribunal, Chennai has admitted applications for initiation of the corporate insolvency resolution process ("**CIRP**") against Regen Infrastructure and Services Private Limited ("**Corporate Debtor**") and its corporate guarantor, Regen Powertech Private Limited ("**Guarantor**") under IBC, filed by SB Aditya Power Projects Private Limited and Sarens Heavy Lift India Private Limited, respectively. L&T Finance had provided financial assistance to the Corporate Debtor by subscribing to the optionally convertible debentures issued by the Corporate Debtor. L&T Finance filed a claim of ₹249.19 crore and ₹238.18 crore against the Corporate Debtor and the Guarantor, respectively. The matters are currently pending.

8. L&T Finance has filed applications in the corporate insolvency resolution process of Amtek Auto Limited ("**Amtek Auto**") through Vistara ITCL Limited, its security trustee ("**Security Trustee**"), *inter alia* for being recognized as a financial creditor of Amtek Auto on the ground that Amtek Auto had covenanted to repay the debt of Brassco Engineering Limited ("**Borrower**"), since the Borrower is an affiliate/ promoter group company of Amtek Auto. The application filed before the resolution professional for a claim amount of ₹500.00 crore, which included the claim amount of L&T Finance, was rejected. Thereafter, applications ("**Applications**") were filed before the National Company Law Tribunal, Chandigarh ("**NCLT**") and subsequently before the National Company Law Appellate Tribunal, New Delhi ("**NCLAT**"). Both the NCLT and the NCLAT rejected the Applications, due to which L&T Finance has preferred a civil appeal before the Supreme Court. Further, an application under Section 14 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**") has also been filed by the Security Trustee before the Court of the District Magistrate, Rewari, to take possession of the secured asset of the Borrower since the Borrower and its obligors to pay an amount of ₹297.19 crore, demanded through a notice under Section 13(2) of SARFAESI Act, which includes the claim amount of L&T Finance. The Security Trustee has also initiated proceedings against the Borrower under Section 138 of the Negotiable Instruments Act, 1881 before the Metropolitan Magistrate's 33rd Court at Ballard Pier, Mumbai. The matters are currently pending.

9. The National Company Law Tribunal, Mumbai has admitted an application for initiation of the corporate insolvency resolution process ("**CIRP**") against PMT Machines Limited ("**Corporate Debtor**") under IBC, filed by UCO Bank. L&T Finance filed a claim of ₹51.28 crore before the interim resolution professional in the ongoing CIRP, alleging that the Corporate Debtor failed to pay the sum under an arbitral award dated December 27, 2012 ("**Arbitral Award**") passed in favour of L&T Finance and the consent terms signed by the Corporate Debtor and L&T Finance on February 13, 2014, in which the Corporate Debtor had *inter alia* admitted that the arbitral Award is binding upon them. Additionally, L&T Finance has initiated proceedings under Section 138 of the Negotiable Instruments Act, 1881 against the Corporate Debtor, before the Metropolitan Magistrate's 33rd Court at Ballard Pier, Mumbai. The matters are currently pending.

10. The National Company Law Tribunal, Calcutta has admitted an application ("**Application**") for initiation of the corporate insolvency resolution process ("**CIRP**") against Emta Coal Limited ("**Corporate Debtor**") under IBC, filed by L&T Finance. L&T Finance alleged that the Corporate Debtor failed to discharge its debt under a term loan, for a claim amount of ₹74.99 crore. L&T Finance has also filed a suit for the recovery of ₹56.71 crore before the Calcutta High Court, alleging that the Corporate Debtor has consistently failed to perform repayment obligations. The matters are currently pending.

11. The National Company Law Tribunal, Chennai ("**NCLT**") has admitted applications for initiation of the corporate insolvency resolution process ("**CIRP**") against Shree Ambika Sugars Limited ("**Corporate Debtor**") and its corporate guarantor, Thiru Arooran Sugars Private Limited ("**Corporate Guarantor**") under IBC, filed by Punjab National Bank and State Bank of India, respectively. L&T Finance filed a claim of ₹63.97 crore in respect of the Corporate Debtor and of ₹58.41 crore in respect of the Corporate Guarantor, before the respective resolution professionals, alleging that the Corporate Debtor had defaulted in repaying the loan, due to which the corporate guarantee provided by the Corporate Guarantor stood invoked. Subsequently, the resolution professional in the CIRP against the Corporate Guarantor re-classified the claims of the lenders including L&T Finance, thus excluding them from the purview of 'financial creditors'. L&T Finance, along with other aggrieved lenders, has filed an application before the NCLT, praying *inter alia* for the setting aside of the re-classification of the claims. The matters are currently pending.

12. L&T Finance has filed an application under Section 7 of IBC ("**Application**") before the National Company Law Tribunal, Ahmedabad, to initiate the corporate insolvency resolution process ("**CIRP**") against Essar Shipping Limited, corporate guarantor of OGD Services Limited ("**Borrower**"). The Application has been filed alleging default in term loan facility availed by the Borrower, for a claim amount of ₹53.18 crore. The matter is currently pending.

Litigation by L&T Housing Finance

1. L&T Housing Finance declared the term loan ("**Term Loan**") given to JSM Devcons Private Limited (the "**Borrower**") as a non-performing asset on account of defaults committed in payment of instalments and issued a notice to the Borrower under Section 13(2) of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**") requiring it to discharge its liabilities within 60 days. L&T Housing Finance also filed an application before the Bombay High Court under Section 9 of the Arbitration and Conciliation Act, 1996 seeking interim relief, including the enforcing of security under the loan agreement and the appointment of court receiver. The court receiver has taken physical possession of the phase II property, three incomplete buildings and phase III land which is an open plot of land, by putting appropriate boards. Additionally, arbitration proceedings against the Borrower and its guarantors have been initiated before the sole arbitrator, R.P. Sondurbaldota ("**Arbitrator**"), for the repayment of amounts due under the Term Loan. L&T Housing Finance has also sought interim reliefs before the Arbitrator to *inter alia* direct the Borrower to provide security in favour of L&T Housing Finance for the claim amount of ₹53.92 crore. Additionally, L&T Housing Finance has initiated proceedings under Section 138 of the Negotiable Instruments Act, 1881 against the Borrower, before Metropolitan Magistrate's 33rd Court at Ballard Pier, Mumbai. The matters are currently pending.

Litigation by L&T Infrastructure

1. The National Company Law Tribunal, Mumbai ("**NCLT**") admitted applications for initiation of the corporate insolvency resolution process ("**CIRP**") under IBC, against Gupta Global Resources Private Limited ("**Corporate Debtor**") and its corporate guarantors, Gupta Corporation Private Limited and Gupta Infrastructure (India) Private Limited ("**Corporate Guarantors**"), filed by various creditors of the Corporate Debtor and the Corporate Guarantors. Thereafter, liquidation orders have been passed by the NCLT against the Corporate Debtor and the Corporate Guarantors. L&T Infrastructure has filed a claim of ₹102.79 crore against the Corporate Debtor, and ₹93.90 crore and ₹106.05 crore against Gupta Corporation Private Limited and Gupta Infrastructure (India) Private Limited, respectively, before the liquidator, alleging that the Corporate Debtor defaulted in the repayment of the loan facility. The matters are currently pending.

   Further, an original application ("**Application**") was filed by L&T Infrastructure against Gupta Infrastructure (India) Private Limited, guarantor of the Corporate Debtor before the Debt Recovery Tribunal, Mumbai in relation to persistent defaults by the Borrower on the loan sanctioned and disbursed by L&T Infrastructure. The amount claimed in the Application is ₹86.61 crore. A notice was also issued by L&T Infrastructure to the Corporate Debtor under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**SARFAESI Act**") for the repayment of ₹112.20 crore ("**Demand Notice**") in respect of the loan facility granted by L&T Infrastructure. The Corporate Debtor failed to comply with the terms of the Demand Notice. Hence, a possession notice as per Section 13(4) of the SARFAESI Act was issued, on account of which the possession of the Corporate Debtor's asset was transferred to L&T Infrastructure. The matters are currently pending.

   L&T Infrastructure has also filed applications ("**Applications**") for initiation of CIRP under IBC against the personal guarantors of the Corporate Debtor before the NCLT, for a claim amount of ₹120.59 crore. The Applications are yet to be admitted.

2. The National Company Law Tribunal, Calcutta ("**NCLT**") admitted an application for initiation of the corporate insolvency resolution process ("**CIRP**") against Coastal Projects Limited ("**Corporate Debtor**") under IBC, filed by State Bank of India ("**SBI**"). Upon the conclusion of the CIRP, the Corporate Debtor has been liquidated pursuant to the liquidation order passed by the NCLT. L&T Infrastructure has filed its claim of ₹360.36 crore before the liquidator, alleging that the Corporate Debtor defaulted under loan facility agreement Further, L&T Infrastructure, along with

SBI and other lenders, has filed an original application before the Debt Recovery Tribunal of Hyderabad against the Corporate Debtor and its personal guarantors for a claim amount of ₹343.09 crore. The matters are currently pending. L&T Infrastructure has also filed an application ("**Application**") to initiate the CIRP against the personal guarantors of the Corporate Debtor before the National Company Law Tribunal, Cuttack, for a claim amount of ₹510.78 crore. The Application is yet to be admitted.

3. L&T Infrastructure initiated proceedings against Surana Power Limited ("**Corporate Debtor**"), before the Debt Recovery Tribunal, Chennai, for recovering the claim amount of ₹104.98 crore, alleging that the Corporate Debtor failed to repay its debt under certain loan facilities. Subsequently, the National Company Law Tribunal, Chennai admitted an application for initiation of the corporate insolvency resolution process against the Corporate Debtor under IBC, filed by Gimpex Private Limited. L&T Infrastructure has filed a claim of ₹127.14 crore before the resolution professional. Both proceedings are currently pending.

4. The National Company Law Tribunal, New Delhi ("**NCLT**") has admitted an application for initiation of the corporate insolvency resolution process ("**CIRP**") against C&C Constructions Limited ("**Corporate Debtor**") under IBC, filed by State Bank of India. L&T Infrastructure filed a claim of ₹478.27 crore before the resolution professional alleging that the Corporate Debtor failed to discharge its debt under various loan facility agreements. The matter is currently pending. Further, L&T Infrastructure has also filed an application ("**Application**") to initiate the CIRP against the corporate guarantors of the Corporate Debtor before the NCLT, for a claim amount of ₹593.36 crore. The Application is yet to be admitted. L&T Infrastructure has also initiated three proceedings under Section 138 of the Negotiable Instruments Act, 1881 against the Corporate Debtor, before Metropolitan Magistrate's 58th Court at Bandra, Mumbai. The matters are currently pending.

5. The National Company Law Tribunal, Mumbai has admitted applications for initiation of the corporate insolvency resolution process of Aircel Limited, Aircel Cellular Limited and Dishnet Wireless Limited ("**Corporate Debtors**") under IBC. L&T Infrastructure filed a claim of ₹214.21 crore against Aircel Cellular Limited, a claim of ₹214.21 crore against Dishnet Wireless Limited and a claim of ₹213.77 crore against Aircel Limited before the resolution professional, alleging *inter alia* that the sum under a loan facility provided to Dishnet Wireless Limited, to which the rest of the Corporate Debtors are co-obligators, is due. The matters are currently pending.

6. The National Company Law Tribunal, Hyderabad ("**NCLT**") admitted an application for initiation of the corporate insolvency resolution process against KSK Energy Ventures Limited ("**Corporate Debtor**") under IBC, filed by IFCI Limited. Thereafter, liquidation order has been passed by the NCLT against the Corporate Debtor. L&T Infrastructure has filed a claim of ₹334.23 crore before the liquidator, alleging that the Corporate Debtor failed to repay its debt under the loan facility. L&T Infrastructure has also initiated four proceedings under Section 138 of the Negotiable Instruments Act, 1881 against the Corporate Debtor, before the Metropolitan Magistrate's 58th Court at Bandra, Mumbai and the Metropolitan Magistrate's 33rd Court at Esplanade, Mumbai. The matters are currently pending.

7. The National Company Law Tribunal, Mumbai has admitted applications for initiation of the corporate insolvency resolution process ("**CIRP**") against Lavasa Corporation Limited ("**Lavasa Corporation**") and Warasgaon Assets Maintenance Limited ("**Warasgaon Assets Maintenance**") under IBC, filed by Raj Infrastructure Development (India) Private Limited. In the CIRP against Lavasa Corporation, L&T Infrastructure filed a claim of ₹89.39 crore before the resolution professional alleging *inter alia* that it failed to repay its debt under a loan facility. L&T Infrastructure has also filed claims of ₹262.60 crore and ₹304.28 crore in the CIRP against Lavasa Corporation, on account of the corporate guarantee given by Lavasa Corporation on behalf of Warasgaon Assets Maintenance and Warasgaon Power Supply Limited, respectively. In the CIRP against Warasgaon Assets Maintenance, L&T Infrastructure filed a claim of ₹274.65 crore before the resolution professional alleging that it failed to repay its debt under a loan agreement. The matters are currently pending.

8. The National Company Law Tribunal, Mumbai ("**NCLT**") has admitted an application for initiation of the corporate insolvency resolution process against Maharashtra Vidyut Nigam Private Limited ("**Corporate Debtor**") under IBC, filed by L&T Infrastructure. L&T Infrastructure filed a claim of ₹107.67 crore before the resolution professional, alleging *inter alia* that the Corporate Debtor defaulted under a deed of guarantee. The matter is currently pending.

9. The National Company Law Tribunal, New Delhi has admitted an application for initiation of the corporate insolvency resolution process against Punj Lloyd Limited ("**Corporate Debtor**") under IBC, filed by ICICI Bank Limited. L&T Infrastructure filed a claim of ₹100.45 crore before the resolution professional alleging that the Corporate Debtor failed to discharge its debt under certain loan facilities. The matter is currently pending.

10. The National Company Law Tribunal, Bangalore ("**NCLT**") has admitted an application for initiation of the corporate insolvency resolution process ("**CIRP**") against IDEB Projects Private Limited ("**Corporate Debtor**") under IBC, filed by Oriental Bank of Commerce. Subsequently, the Corporate Debtor has been liquidated *vide* order of the NCLT. L&T Infrastructure filed a claim of ₹107.22 crore before the liquidator, alleging that the Corporate Debtor failed to repay its debt under a loan facility. L&T Infrastructure has also initiated proceedings under Section 138 of the

Negotiable Instruments Act, 1881 against the Corporate Debtor, before the Metropolitan Magistrate's 33rd Court at Esplanade, Mumbai. The matters are currently pending.

Further, L&T Infrastructure has also filed an application ("**Application**") for initiation of CIRP under IBC against the personal guarantor of the Corporate Debtor before the NCLT, for a claim amount of ₹107.22 crore. The Application is yet to be admitted.

Other material litigation

*Litigation by L&T Infra Debt Fund Limited ("**LTIDF**")*

1. LTIDF extended debt facilities to four special purpose vehicles, namely, West Gujarat Expressway Limited, Hazaribagh Ranchi Expressway Limited, Jharkhand Road Projects Implementation Company Limited and Moradabad Bareilly Expressway Limited (collectively, "**SPVs**"), which are fully operational road projects. The SPVs are held by IL&FS Transportation Networks Limited, which in turn is promoted by Infrastructure Leasing and Financial Services Limited group ("**IL&FS**").

   The erstwhile board of directors of IL&FS was superseded by a new board of directors pursuant to an order dated October 1, 2018 passed by the National Company Law Tribunal, Mumbai ("**NCLT**"), based on an application filed by the Union of India (acting through the Ministry of Corporate Affairs) ("**UoI**") under Sections 241 and 242 of the Companies Act, 2013. The NCLT, *vide* its order dated October 12, 2018 ("**NCLT Order**"), rejected the UoI's plea for a moratorium on *inter alia* invocation of term loans, institution or continuation of suits or proceedings. Thereafter, the UoI filed an appeal before the National Company Law Appellate Tribunal, New Delhi ("**NCLAT**"), challenging the NCLT Order. The NCLAT granted certain reliefs to IL&FS, which are akin to a moratorium order passed under Section 14 of IBC. Subsequently, the Government-nominated IL&FS Board submitted a resolution framework to the NCLAT, as per which IL&FS entities were to be categorized into 'green', 'amber' and 'red' companies. The categorization was based *inter alia* on their ability to make payments to various categories of creditors. The SPVs were categorized as 'amber' entities. The NCLAT *vide* its order dated February 11, 2019 permitted only 'green' entities to make payments to their lenders. LTIDF filed intervention applications seeking *inter alia* a declaration from the NCLAT that the moratorium would not affect the interests of LTIDF. Subsequently, the NCLAT vide order dated May 29, 2019 ("**NCLAT's order dated May 29, 2019**"), allowed UoI and IL&FS to re-classify 'amber' entities as 'green' entities. Pursuant to the NCLAT's order dated May 29, 2019, three SPVs, namely, West Gujarat Expressway Limited, Jharkhand Road Projects Implementation Company Limited and Moradabad Bareilly Expressway Limited, were reclassified as 'green' entities and thus commenced regular debt servicing. In view of the various resolutions proposed by UoI and IL&FS, and intervention applications filed by the lenders of IL&FS, including LTIDF, the NCLAT *vide* its order dated March 12, 2020 ("**NCLAT's order dated March 12, 2020**") approved a revised resolution framework ("**Revised Resolution Framework**"). LTIDF has filed a civil appeal against the NCLAT's order dated March 12, 2020 before the Supreme Court, challenging the Revised Resolution Framework. The matter is currently pending.

   In the event the final decision in this matter or its consequences thereof restrict LTIDF's ability to recover its debts from the SPVs, it could adversely impact LTIDF's profitability and financial position.

MATERIAL DEVELOPMENTS

Except as set forth below, no circumstances have arisen since the date of the last financial statements as disclosed in this Letter of Offer which materially or adversely affect or are likely to affect, our operations or profitability, or the value of our assets or our ability to pay our material liabilities within the next 12 months.

- [●]

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for this Issue

The Issue has been authorised by a resolution of our Board of Directors passed at its meeting held on November 9, 2020, pursuant to Section 62(1)(a) and other applicable provisions of the Companies Act, 2013.

Our Board, in its meeting held on [●] has resolved to issue the Equity Shares to the Eligible Equity Shareholders, at ₹ [●] per Equity Share (including a premium of ₹ [●] per Equity Share) aggregating up to ₹ [●] crore. The Issue Price is ₹ [●] per Equity Share and has been arrived at by our Company in consultation with the Lead Managers prior to determination of the Record Date.

Our Company has received in-principle approvals from BSE and NSE in accordance with Regulation 28(1) of the SEBI Listing Regulations for listing of the Equity Shares to be Allotted in this Issue pursuant to their respective letters each dated [●] and [●], respectively. Our Company will also make applications to BSE and NSE to obtain their trading approvals for the Rights Entitlements as required under the SEBI Rights Issue Circulars.

Our Company has been allotted the ISIN '[●]' for the Rights Entitlements to be credited to the respective demat accounts of the Equity Shareholders of our Company. Our Company has been allotted the ISIN '[●]' both from NSDL and CDSL for the Equity Shares issued pursuant to this Issue. For details, see *"Terms of the Issue"* beginning on page 308.

Prohibition by SEBI

Our Company, our Promoter, members of the Promoter Group or our Directors have not been debarred and are not prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

The companies with which our Promoter or our Directors are associated as promoter or directors have not been debarred from accessing the capital market by SEBI.

Neither our Promoter nor our Directors are declared as Fugitive Economic Offenders.

Directors of our Company who are associated with the securities market and details of outstanding actions, if any, in initiated by SEBI against the entities operating in the securities market with which such Directors are associated

Our Directors, Shailesh Vishnubhai Haribhakti, Dinanath Mohandas Dubhashi, Ramamurthi Shankar Raman, Pradeep Vasudeo Bhide, Rajani Rajiv Gupte and Prabhakar Banavar Anantharamaiah are associated with the securities market. No actions have been initiated by SEBI against the entities operating in the securities market with which our Directors are associated.

Prohibition by RBI

Neither our Company nor our Promoter or our Directors have been or are identified as Wilful Defaulters.

Eligibility for this Issue

Our Company is a listed company and has been incorporated under the Companies Act, 1956. Our Equity Shares are presently listed on the Stock Exchanges. Our Company is eligible to offer Equity Shares pursuant to this Issue in terms of Chapter III and other applicable provisions of the SEBI ICDR Regulations. Further, our Company is undertaking this Issue in compliance with Part B of Schedule VI of the SEBI ICDR Regulations.

Compliance with Regulations 61 and 62 of the SEBI ICDR Regulations

Our Company is in compliance with the conditions specified in Regulations 61 and 62 of the SEBI ICDR Regulations, to the extent applicable. Further, in relation to compliance with Regulation 62(1)(a) of the SEBI ICDR Regulations, our Company has made applications to the Stock Exchanges and has received their in-principle approvals for listing of the Equity Shares to be issued pursuant to this Issue. [●] is the Designated Stock Exchange for the Issue.

Compliance with conditions of Fast Track Issue

Our Company satisfies the following conditions specified in Regulation 99 of the SEBI ICDR Regulations read with the SEBI circular, bearing reference number SEBI/HO/CFD/CIR/CFD/DIL/ 67/2020 dated April 21, 2020, and accordingly, our Company is eligible to make this Issue by way of a 'fast track issue':

1. Our Equity Shares have been listed on BSE and NSE, each being a recognized stock exchange having, nationwide trading terminals, for a period of at least 18 months immediately preceding the date of filing this Letter of Offer with the Designated Stock Exchange;

2. The entire shareholding of the members of the Promoter Group is held in dematerialized form as at the date of filing this Letter of Offer with the Designated Stock Exchange. As on the date of this Letter of Offer, members of our Promoter Group (other than our Promoter), do not hold any Equity Shares in our Company;

3. The average market capitalization of the public shareholding (as defined under the SEBI ICDR Regulations) of our Company is at least ₹ 100 crore;

4. The annualized trading turnover of our Equity Shares during six calendar months immediately preceding the month of filing of this Letter of Offer with the Designated Stock Exchange has been at least 2% of the weighted average number of Equity Shares listed during such six-months period;

5. The annualized delivery-based trading turnover of our Equity Shares during six calendar months immediately preceding the month of filing of this Letter of Offer with the Designated Stock Exchange has been at least 10% of the annualized trading turnover of Equity Shares during such six-month period;

6. Our Company has been in compliance with the equity listing agreement and the SEBI Listing Regulations, for a period of at least 18 months immediately preceding the date of filing this Letter of Offer with the Designated Stock Exchange;

7. Our Company has redressed at least 95% of the complaints received from the investors until the end of the quarter immediately preceding the month at the date of filing this Letter of Offer with the Designated Stock Exchange;

8. No show-cause notices, excluding under adjudication proceedings, have been issued by SEBI and are pending against our Company, its Promoters or whole-time Directors of our Company. Further, no show-cause notices have been issued or adjudication proceedings or prosecution proceedings initiated by SEBI against our Company, its Promoter, its Directors or its Group Companies which have not been disclosed in this Letter of Offer, along with it potential adverse impact on our Company;

9. No show-cause notices, excluding proceedings for imposition of penalty, have been issued by SEBI and are pending against our Company, its Promoter or whole-time Directors. Further, no show-cause notices have been issued by SEBI in a proceeding for imposition of penalty and/or no prosecution proceedings have been initiated by SEBI against our Company, its Promoters or whole-time Directors which have not been disclosed in this Letter of Offer, along with it potential adverse impact on our Company;

10. Our Company, the members of our Promoter Group or our Directors have not settled any alleged violation of securities laws through the consent or settlement mechanism with SEBI. Our Promoter has fulfilled the settlement terms and adhered to the directions of the settlement order passed by SEBI bearing reference number SO/EFD-2/SD/199/JAN/2018, and has settled alleged violation of securities laws through the consent or settlement mechanism with SEBI;

11. Our Equity Shares have not been suspended from trading as a disciplinary measure during 18 months immediately preceding the date of filing this Letter of Offer with the Designated Stock Exchange;

12. There is no conflict of interest between the Lead Managers and our Company or its Group Companies in accordance with applicable regulations;

13. Our Promoter has undertaken to subscribe to the full extent of its respective Rights Entitlements, subject to compliance with the minimum public shareholding requirements, as prescribed under the SCRR. In addition, our Promoter reserves the right to subscribe to the unsubscribed portion in the Issue, if any, to the extent that the amount involved in such subscription of the unsubscribed portion in the Issue does not exceed ₹ 1,000 crore, subject to compliance with the Companies Act, the SEBI ICDR Regulations, the SEBI Takeover Regulations and other applicable laws. As on the date of this Letter of Offer, members of our Promoter Group (other than our Promoter), do not hold any Equity Shares in our Company and accordingly, they will not participate in the Issue.

    Any participation by our Promoter, over and above its Rights Entitlements, shall not result in a breach of the minimum public shareholding requirements prescribed under applicable law.

    For subscription by our Promoter and details in relation to compliance with minimum public shareholding norms prescribed under the SCRR, see "*Capital Structure - Intention and extent of participation by our Promoter*" on page 62; and

14. There are no audit qualifications (as defined under the SEBI ICDR Regulations) on the audited accounts of our Company in respect of the Financial Year for which such accounts are disclosed in this Letter of Offer.

Compliance with Part B of Schedule VI of the SEBI ICDR Regulations

Our Company is in compliance with the provisions specified in Clause (1) of Part B of Schedule VI of the SEBI ICDR Regulations as explained below:

1. Our Company has been filing periodic reports, statements and information in compliance with the SEBI Listing Regulations, as applicable for the last one year immediately preceding the date of filing of this Letter of Offer with the Designated Stock Exchange;

2. The reports, statements and information referred to above are available on the websites of BSE and NSE; and

3. Our Company has an investor grievance-handling mechanism which includes meeting of the Stakeholders' Relationship Committee at frequent intervals, appropriate delegation of power by our Board as regards share transfer and clearly laid down systems and procedures for timely and satisfactory redressal of investor grievances.

As our Company satisfies the conditions specified in Clause (1) of Part B of Schedule VI of SEBI ICDR Regulations, and given that the conditions specified in Clause (3) of Part B of Schedule VI of SEBI ICDR Regulations are not applicable to our Company, the disclosures in this Letter of Offer are in terms of Clause (4) of Part B of Schedule VI of the SEBI ICDR Regulations.

DISCLAIMER CLAUSE OF SEBI

IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE SUBMISSION OF THIS LETTER OF OFFER TO SEBI SHOULD NOT, IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE, OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THIS LETTER OF OFFER. THE LEAD MANAGERS, NAMELY AXIS CAPITAL LIMITED, BOB CAPITAL MARKETS LIMITED, CITIGROUP GLOBAL MARKETS INDIA PRIVATE LIMITED, CREDIT SUISSE SECURITIES (INDIA) PRIVATE LIMITED, HSBC SECURITIES AND CAPITAL MARKETS (INDIA) PRIVATE LIMITED, ICICI SECURITIES LIMITED, MOTILAL OSWAL INVESTMENT ADVISORS LIMITED, SBI CAPITAL MARKETS LIMITED AND UBS SECURITIES INDIA PRIVATE LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THIS LETTER OF OFFER ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2018, IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MANAGERS, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED [●], WHICH READS AS FOLLOWS:

(1) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION, INCLUDING COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL WHILE FINALISING THIS LETTER OF OFFER OF THE SUBJECT ISSUE.

(2) ON THE BASIS OF SUCH EXAMINATION AND DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION, CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:

(a) THE LETTER OF OFFER FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS WHICH ARE MATERIAL TO THE ISSUE;

(b) ALL MATERIAL LEGAL REQUIREMENTS RELATING TO THE ISSUE AS SPECIFIED BY SEBI, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(c) THE MATERIAL DISCLOSURES MADE IN THE LETTER OF OFFER ARE TRUE AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 2013, THE SEBI ICDR REGULATIONS AND OTHER APPLICABLE LEGAL REQUIREMENTS.

(3) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE LETTER OF OFFER ARE REGISTERED WITH SEBI AND THAT UNTIL DATE SUCH REGISTRATION IS VALID. <u>COMPLIED WITH</u>

(4) WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. NOT APPLICABLE

(5) WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF HIS SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE LETTER OF OFFER WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE LETTER OF OFFER. NOT APPLICABLE

(6) ALL APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS, WHICH RELATE TO EQUITY SHARES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAVE BEEN AND SHALL BE DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION(S) HAVE BEEN MADE IN THE LETTER OF OFFER. NOT APPLICABLE

(7) ALL APPLICABLE PROVISIONS OF SEBI ICDR REGULATIONS, WHICH RELATE TO RECEIPT OF PROMOTER'S CONTRIBUTION PRIOR TO OPENING OF THE ISSUE, SHALL BE COMPLIED WITH. ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE AND THE STATUTORY AUDITOR'S CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE ISSUE. NOT APPLICABLE

(8) NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE ISSUE ARE CREDITED OR TRANSFERRED TO A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES, AND THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKER(S) TO THE ISSUE AND THE COMPANY SPECIFICALLY CONTAINS THIS CONDITION. NOTED FOR COMPLIANCE TO THE EXTENT APPLICABLE

(9) THE EXISTING BUSINESS AS WELL AS ANY NEW BUSINESS OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED FALL WITHIN THE 'MAIN OBJECTS' IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED IN LAST TEN YEARS ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. COMPLIED WITH TO THE EXTENT APPLICABLE

(10) FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE LETTER OF OFFER:

(a) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY, EXCLUDING SUPERIOR EQUITY SHARES, WHERE THE COMPANY HAS OUTSTANDING SUPERIOR EQUITY SHARES. COMPLIED WITH; AND

(b) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH ALL DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI. COMPLIED WITH

(11) WE SHALL COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENTS IN TERMS OF THE SEBI ICDR REGULATIONS, INCLUDING THE SEBI CIRCULAR SEBI/HO/CFD/DIL2/CIR/P/2020/78 DATED MAY 6, 2020 READ WITH SEBI CIRCULAR SEBI/HO/CFD/DIL1/CIR/P/2020/136 DATED JULY 24, 2020. NOTED FOR COMPLIANCE

(12) IF APPLICABLE, THE COMPANY IS ELIGIBLE TO LIST ON THE INNOVATORS GROWTH PLATFORM IN TERMS OF THE PROVISIONS CHAPTER X OF THE SEBI ICDR REGULATIONS. NOT APPLICABLE

(13) NONE OF THE INTERMEDIARIES NAMED IN THIS LETTER OF OFFER HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY. COMPLIED WITH

(14) THE COMPANY IS ELIGIBLE TO MAKE A FAST TRACK ISSUE IN TERMS OF REGULATION 99 OF THE SEBI ICDR REGULATIONS INCLUDING SEBI CIRCULAR SEBI/HO/CFD/CIR/CFD/DIL/67/2020 DATED APRIL 21, 2020. THE FULFILMENT OF THE ELIGIBILITY CRITERIA AS SPECIFIED IN THAT

REGULATION BY THE COMPANY HAS ALSO BEEN DISCLOSED IN THIS LETTER OF OFFER. COMPLIED WITH

(15) THE ABRIDGED LETTER OF OFFER CONTAINS ALL DISCLOSURES AS SPECIFIED IN THE SEBI ICDR REGULATIONS. COMPLIED WITH

(16) ALL MATERIAL DISCLOSURES IN RESPECT OF THE COMPANY HAVE BEEN MADE IN THIS LETTER OF OFFER AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE COMPANY OR RELATING TO THE COMPANY UP TO THE COMMENCEMENT OF LISTING AND TRADING OF THE EQUITY SHARES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES/ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN. COMPLIED WITH AND NOTED FOR COMPLIANCE

(17) AGREEMENTS HAVE BEEN ENTERED INTO WITH THE DEPOSITORIES FOR DEMATERIALISATION OF THE SPECIFIED SECURITIES OF THE COMPANY. COMPLIED WITH

THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER THE COMPANIES ACT, 2013 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP, AT ANY POINT OF TIME, WITH THE LEAD MANAGERS ANY IRREGULARITIES OR LAPSES IN THE LETTER OF OFFER.

Disclaimer clauses from our Company and the Lead Managers

Our Company and the Lead Managers accept no responsibility for statements made otherwise than in this Letter of Offer or in any advertisement or other material issued by our Company or by any other persons at the instance of our Company and anyone placing reliance on any other source of information would be doing so at their own risk.

Investors who invest in the Issue will be deemed to have represented to our Company, the Lead Managers and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares, and are relying on independent advice / evaluation as to their ability and quantum of investment in the Issue.

Caution

Our Company and the Lead Managers shall make all relevant information available to the Eligible Equity Shareholders in accordance with SEBI ICDR Regulations and no selective or additional information would be available for a section of the Eligible Equity Shareholders in any manner whatsoever including at presentations, in research or sales reports etc. after filing of this Letter of Offer.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Letter of Offer. You must not rely on any unauthorized information or representations. This Letter of Offer is an offer to sell only the Equity Shares and rights to purchase the Equity Shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Letter of Offer is current only as of its date.

Disclaimer with respect to jurisdiction

This Letter of Offer has been prepared under the provisions of Indian laws and the applicable rules and regulations thereunder. Any disputes arising out of the Issue will be subject to the jurisdiction of the appropriate court(s) in Mumbai, India only.

Designated Stock Exchange

The Designated Stock Exchange for the purpose of the Issue is [●].

Disclaimer Clause of BSE

As required, a copy of this Letter of Offer has been submitted to the BSE. The Disclaimer Clause as intimated by BSE to us, post scrutiny of this Letter of Offer, shall be included in the Letter of Offer prior to the filing with the Stock Exchanges.

Disclaimer Clause of NSE

As required, a copy of this Letter of Offer has been submitted to the NSE. The Disclaimer Clause as intimated by the NSE to us, post scrutiny of this Letter of Offer, shall be included in the Letter of Offer prior to the filing with the Stock Exchanges.

Disclaimer Clause of RBI

The Company has a valid certificate of registration dated September 11, 2013 issued by RBI under section 45 IA of RBI Act. However, RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company, or for the correctness of any of the statements or representations made or opinions expressed by the Company, and for repayment of deposits/ discharge of liabilities by the Company.

Selling Restrictions

The distribution of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form and the issue of Rights Entitlements and Equity Shares on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. Persons into whose possession this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form may come are required to inform themselves about and observe such restrictions.

Our Company is undertaking this Issue on a rights basis to the Eligible Equity Shareholders who are (i) within the United States and to U.S. Persons that are U.S. QIBs, pursuant to the private placement exemption set out in Section 4(a)(2) of the U.S. Securities Act, that are also QPs in reliance upon section 3(c)(7) of the U.S. Investment Company Act, and (ii) outside the United States and to non-U.S. Persons in offshore transactions in reliance on Regulation S located in jurisdictions where such offer and sale of the Equity Shares is permitted under laws of such jurisdictions.

No action has been or will be taken to permit the Issue in any jurisdiction, or the possession, circulation, or distribution of this Letter of Offer/ Abridged Letter of Offer and Application Form or any other material relating to our Company, the Equity Shares or Rights Entitlement in any jurisdiction, where action would be required for that purpose, except that this Letter of Offer is being filed with SEBI and the Stock Exchanges.

Accordingly, the Equity Shares and the Rights Entitlement may not be offered or sold, directly or indirectly, and none of this Letter of Offer, the Abridged Letter of Offer and the Application Form or any offering materials or advertisements in connection with the Equity Shares or Rights Entitlement may be distributed or published in any jurisdiction, except in accordance with legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer.

This Letter of Offer and its accompanying documents will be supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose

Our Company is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Further, this Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

If this Letter of Offer is received by any person in any jurisdiction where to do so would or might contravene local securities laws or regulation, or by their agent or nominee, they must not seek to subscribe to the Equity Shares or the Rights Entitlement referred to in this Letter of Offer. Investors are advised to consult their legal counsel prior to applying for the Rights Entitlement and Equity Shares or accepting any provisional allotment of Equity Shares, or making any offer, sale, resale, pledge or other transfer of the Equity Shares or Rights Entitlement.

Neither the receipt of this Letter of Offer nor any sale hereunder, shall under any circumstances create any implication that there has been no change in our Company's affairs from the date hereof or the date of such information or that the information contained herein is correct as of any time subsequent to this date or the date of such information.

NOTICE TO INVESTORS IN THE UNITED STATES

THE RIGHTS ENTITLEMENTS AND THE EQUITY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S, EXCEPT FOR THESE PURPOSES, U.S. PERSONS INCLUDE PERSONS WHO WOULD OTHERWISE HAVE BEEN EXCLUDED

FROM SUCH TERM SOLELY BY VIRTUE OF RULE 902(K)(1)(VIII)(B) OR RULE 902(K)(2)(I)) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE RIGHTS ENTITLEMENTS (INCLUDING THEIR CREDIT) AND THE EQUITY SHARES ARE ONLY BEING OFFERED AND SOLD (I) WITHIN THE UNITED STATES OR TO U.S. PERSONS THAT ARE U.S. QIBS PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET OUT IN SECTION 4(A)(2) OF THE U.S. SECURITIES ACT, THAT ARE ALSO QPS IN RELIANCE UPON SECTION 3(C)(7) OF THE U.S. INVESTMENT COMPANY ACT AND (II) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT AND THE APPLICABLE LAWS OF THE JURISDICTION WHERE THOSE OFFERS AND SALES OCCUR. OUR COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS OF THE U.S. INVESTMENT COMPANY ACT. THE RIGHTS ENTITLEMENTS AND THE EQUITY SHARES MAY NOT BE RE-OFFERED, RE-SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S TO A PERSON OUTSIDE THE UNITED STATES AND NOT REASONABLY KNOWN BY THE TRANSFEROR TO BE A U.S. PERSON BY PRE-ARRANGEMENT OR OTHERWISE (INCLUDING, FOR THE AVOIDANCE OF DOUBT, A BONA FIDE SALE ON THE STOCK EXCHANGES).

Neither our Company, nor any person acting on behalf of our Company, will accept a subscription or renunciation from any person, or the agent of any person, who appears to be, or who our Company, or any person acting on behalf of our Company, has reason to believe is, in the United States when the buy order is made (other than persons in the United States who are both U.S. QIBs and QPs). No Application Form should be postmarked in the United States, electronically transmitted from the United States or otherwise dispatched from the United States (in each case, other than from persons in the United States who are both U.S. QIBs and QPs) or from any other jurisdiction where it would be illegal to make an offer of securities under this Letter of Offer. Our Company is undertaking this Issue on a rights basis to the Eligible Equity Shareholders and will dispatch, only through email, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form only to Eligible Equity Shareholders who have provided an Indian address to our Company.

Any person who acquires Rights Entitlements or Equity Shares will be deemed to have declared, warranted and agreed, by accepting the delivery of this Letter of Offer, that it is not and that at the time of subscribing for the Equity Shares or the Rights Entitlements, it will not be, in the United States and is authorized to acquire the Rights Entitlements and the Equity Shares in compliance with all applicable laws and regulations.

Our Company, in consultation with the Lead Managers, reserves the right to treat as invalid any Application Form which: (i) appears to our Company or its agents to have been executed in, electronically transmitted from or dispatched from the United States (unless the Application Form is submitted by a U.S. QIB in the United States who is also a QP) or other jurisdictions where the offer and sale of the Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is (a) both a U.S. QIB and a QP, if in the United States or a U.S. Person or (b) outside the United States and is a non-U.S. Person, and in each case such person is eligible to subscribe for the Equity Shares under applicable securities laws and such person is complying with laws of jurisdictions applicable to such person in connection with this Issue and have obtained requisite approvals before applying in this Issue; or (iii) where either a registered Indian address is not provided or our Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements; and our Company shall not be bound to issue or allot any Equity Shares in respect of any such Application Form.

NOTICE TO INVESTORS

NO ACTION HAS BEEN TAKEN OR WILL BE TAKEN THAT WOULD PERMIT A PUBLIC OFFERING OF THE RIGHTS ENTITLEMENTS OR EQUITY SHARES TO OCCUR IN ANY JURISDICTION OTHER THAN INDIA, OR THE POSSESSION, CIRCULATION OR DISTRIBUTION OF THIS LETTER OF OFFER OR ANY OTHER MATERIAL RELATING TO OUR COMPANY, THE RIGHTS ENTITLEMENTS AND THE EQUITY SHARES IN ANY JURISDICTION WHERE ACTION FOR SUCH PURPOSE IS REQUIRED. ACCORDINGLY, THE RIGHTS ENTITLEMENTS AND EQUITY SHARES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS LETTER OF OFFER NOR ANY OFFERING MATERIALS OR ADVERTISEMENTS IN CONNECTION WITH THE RIGHTS ENTITLEMENTS OR EQUITY SHARES MAY BE DISTRIBUTED OR PUBLISHED IN OR FROM ANY COUNTRY OR JURISDICTION EXCEPT IN ACCORDANCE WITH THE LEGAL REQUIREMENTS APPLICABLE IN SUCH COUNTRY OR JURISDICTION. THIS ISSUE WILL BE MADE IN COMPLIANCE WITH THE APPLICABLE SEBI REGULATIONS. EACH PURCHASER OF THE RIGHTS ENTITLEMENTS OR THE EQUITY SHARES IN THIS ISSUE WILL BE DEEMED TO HAVE MADE ACKNOWLEDGMENTS AND AGREEMENTS AS DESCRIBED UNDER "RESTRICTIONS ON PURCHASES AND RESALES" BEGINNING ON PAGE 337.

Filing

This Letter of Offer is being filed with Stock Exchanges and SEBI, as per the provisions of the SEBI ICDR Regulations. Further, in terms of the SEBI ICDR Regulations, our Company will simultaneously while filing this Letter of Offer with the Designated Stock Exchange do an online filing with SEBI through the SEBI intermediary portal at https://siportal.sebi.gov.in in terms of the circular (No. SEBI/HO/CFD/DIL1/CIR/P/2018/011) dated January 19, 2018 issued by the SEBI. Further, in light of the SEBI notification dated March 27, 2020, our Company will submit a copy of this Letter of Offer to the e-mail address: cfddil@sebi.gov.in.

Investor Grievances and Redressal System

Our Company has adequate arrangements for the redressal of investor complaints in compliance with the corporate governance requirements under the Listing Agreement.

Our Company has a Stakeholders Relationship Committee which currently comprises of P.V. Bhide, R. Shankar Raman and Nishi Vasudeva. The broad terms of reference include reviewing cases for refusal of transfer or transmission of securities, redressal of stakeholders and investor complaints, reference to statutory and regulatory authorities regarding security holder's grievances, ensuring proper and timely attendance and redressal of security holders' queries and grievances, review of measures for effective exercise of voting rights, reviewing of adherence to the service standards adopted by our Company in respect of various services being rendered by the Registrar and share transfer agents, reviewing of the various measures and initiatives taken by our Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants, annual reports and statutory notices by the shareholders of our Company. We have been registered with the SEBI Complaints Redress System (SCORES) as required by the SEBI circular bearing reference number CIR/OIAE/2/2011 dated June 3, 2011. Consequently, investor grievances are tracked online by our Company.

The Investor complaints received by our Company are generally disposed of within 7 working days from the date of receipt of the complaint.

Investors may contact the Registrar or our Company Secretary and Compliance Officer for any pre Issue or post Issue related matter. All grievances relating to the ASBA process or the R-WAP process may be addressed to the Registrar, with a copy to the SCSBs(in case of ASBA process), giving full details such as name, address of the Applicant, contact number(s), e mail address of the sole/ first holder, folio number or demat account number, number of Equity Shares applied for, amount blocked (in case of ASBA process) or amount debited (in case of the R-WAP process), ASBA Account number and the Designated Branch of the SCSBs where the Application Form or the plain paper application, as the case may be, was submitted by the Investors along with a photocopy of the acknowledgement slip (in case of ASBA process) and copy of the e-acknowledgement (in case of the R-WAP process). For details on the ASBA process and R-WAP, see *"Terms of the Issue"* beginning on page 308. The contact details of Registrar to the Issue and our Company Secretary and Compliance Officer are as follows:

Registrar to the Issue

Link Intime India Private Limited
C-101, 247 Park
L B S Marg, Vikhroli (West)
Mumbai 400 083
Telephone: +91 (22) 4918 6200
E-mail Id: lntfinance.rights@linkintime.co.in
Investor grievance e-mail: lntfinance.rights@linkintime.co.in
Contact person: Sumeet Deshpande
Website: www.linkintime.co.in
SEBI registration number: INR000004058

Company Secretary and Compliance Officer

Apurva Rathod
Company Secretary and Compliance Officer
L&T Finance Holdings Limited
Brindavan, Plot No. 177, C.S.T Road
Kalina, Santacruz (East)
Mumbai 400 098
Telephone: +91 22 6212 5000
E-mail: igrc@ltfs.com

In accordance with SEBI Rights Issue Circulars, frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors will be available on the website of the Registrar (ww.linkintime.co.in). Further, helpline numbers provided by the Registrar for guidance on the Application process and resolution of difficulties is +91 (22) 4918 6200.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

This section is for the information of the Investors proposing to apply in this Issue. Investors should carefully read the provisions contained in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form, before submitting the Application Form. Our Company and the Lead Managers are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Investors are advised to make their independent investigation and ensure that the Application Form is accurately filled up in accordance with instructions provided therein and this Letter of Offer. Unless otherwise permitted under the SEBI ICDR Regulations read with the SEBI Relaxation Circulars, Investors proposing to apply in this Issue can apply only through ASBA or by mechanism as disclosed in this Letter of Offer.

Investors are requested to note that application in this issue can only be made through ASBA or by R-WAP facility. Further, this R-WAP facility in addition to ASBA and the relaxation on applications to be made by physical shareholders, are onetime relaxations made available by SEBI in view of the COVID 2019 and shall not be a replacement of the existing process under the SEBI ICDR regulations. For guidance on the application process through R-WAP and resolution of difficulties faced by investors, you are advised to read the frequently asked question (FAQ) on the website of the registrar at www.linkintime.co.in.

This Issue is proposed to be undertaken on a rights basis and is subject to the terms and conditions contained in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association of our Company, the provisions of the Companies Act, 2013, the FEMA, the FEMA Rules, the SEBI ICDR Regulations, the SEBI Listing Regulations and the guidelines, notifications, circulars and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, approvals, if any, from RBI or other regulatory authorities, the terms of the Listing Agreements entered into by our Company with Stock Exchanges and the terms and conditions as stipulated in the Allotment Advice.

I. DISPATCH AND AVAILABILITY OF ISSUE MATERIALS

In accordance with the SEBI ICDR Regulations, SEBI Relaxation Circulars and the MCA Circulars, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Further, this Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Investors can access this Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Equity Shares under applicable laws) on the websites of:

(i) our Company at www.ltfs.com;

(ii) the Registrar at www.linkintime.co.in;

(iii) the Lead Managers, *i.e.* (a) Axis Capital Limited at www.axiscapital.co.in (b) BOB Capital Markets Limited at www.bobcaps.in (c) Citigroup Global Markets India Private Limited at https://www.online.citibank.co.in (d) Credit Suisse Securities (India) Private Limited at www.credit-suisse.com (e) HSBC Securities and Capital Markets (India) Private Limited at https://www.business.hsbc.co.in/en-gb/in/generic/ipo-open-offer-and-buyback (f) ICICI Securities Limited at www.icicisecurities.com (g) Motilal Oswal Investment Advisors Limited at www.motilaloswalgroup.com (h) SBI Capital Markets Limited at www.sbicaps.com and (i) UBS Securities India Private Limited at www.ubs.com;

(iv) the Stock Exchanges at www.bseindia.com and www.nseindia.com; and

(iv) the Registrar's web-based application platform at www.linkintime.co.in ("**R-WAP**").

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e.*, www.linkintime.co.in) by entering their DP ID and Client ID or Folio Number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) and PAN. The link for the same shall also be available on the website of our Company (*i.e.*, www.ltfs.com).

Please note that neither our Company nor the Registrar nor the Lead Managers shall be responsible for non-dispatch of physical copies of Issue materials, including this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form or delay in the receipt of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form attributable to non-availability of the e-mail addresses of Eligible Equity Shareholders or electronic transmission delays or failures, or if the Application Forms or the Rights Entitlement Letters are delayed or misplaced in the transit.

The distribution of this Letter of Offer, Abridged Letter of Offer, the Rights Entitlement Letter and the issue of Equity Shares on a rights basis to persons in certain jurisdictions outside India is restricted by legal requirements prevailing in those jurisdictions. No action has been, or will be, taken to permit this Issue in any jurisdiction where action would be required for that purpose, except that this Letter of Offer is being filed with SEBI and the Stock Exchanges. Accordingly, the Rights Entitlements and Equity Shares may not be offered or sold, directly or indirectly, and this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form or any Issue related materials or advertisements in connection with this Issue may not be distributed, in any jurisdiction, except in accordance with and as permitted under the legal requirements applicable in such jurisdiction. Receipt of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form (including by way of electronic means) will not constitute an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such an offer, invitation or solicitation. In those circumstances, this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form must be treated as sent for information only and should not be acted upon for making an Application and should not be copied or re-distributed.

Accordingly, persons receiving a copy of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form should not, in connection with the issue of the Equity Shares or the Rights Entitlements, distribute or send this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form in or into any jurisdiction where to do so, would, or might, contravene local securities laws or regulations or would subject our Company or its affiliates or the Lead Managers or their respective affiliates to any filing or registration requirement (other than in India). If this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form is received by any person in any such jurisdiction, or by their agent or nominee, they must not seek to make an Application or acquire the Rights Entitlements referred to in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or the Application Form. Any person who makes an application to acquire Rights Entitlements and the Equity Shares offered in the Issue will be deemed to have declared, represented and warranted that such person is authorized to acquire the Rights Entitlements and the Equity Shares in compliance with all applicable laws and regulations prevailing in such person's jurisdiction and India, without requirement for our Company or our affiliates or the Lead Managers or their respective affiliates to make any filing or registration (other than in India).

II. PROCESS OF MAKING AN APPLICATION IN THE ISSUE

- **In accordance with Regulation 76 of the SEBI ICDR Regulations, the SEBI Rights Issue Circulars and the ASBA Circulars, all Investors desiring to make an Application in this Issue are mandatorily required to use either the ASBA process or the R-WAP (instituted only for resident Investors in this Issue, in the event the Investors are not able to utilize the ASBA facility for making an Application despite their best efforts). Investors should carefully read the provisions applicable to such Applications before making their Application through ASBA or using the R-WAP.**

  The Application Form can be used by the Eligible Equity Shareholders as well as the Renouncees, to make Applications in this Issue basis the Rights Entitlement credited in their respective demat accounts or demat suspense escrow account, as applicable. For further details on the Rights Entitlements and demat suspense escrow account, see "*Credit of Rights Entitlements in demat accounts of Eligible Equity Shareholders*" beginning on page 322.

  In accordance with the SEBI Relaxation Circulars, the Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date and who have not furnished the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, desirous of subscribing to Equity Shares may also apply in this Issue during the Issue Period.

  Please note that one single Application Form shall be used by Investors to make Applications for all Rights Entitlements available in a particular demat account or entire respective portion of the Rights Entitlements in the demat suspense escrow account in case of resident Eligible Equity Shareholders holding shares in physical form as on Record Date and applying in this Issue, as applicable. In case of Investors who have provided details of demat account in accordance with the SEBI ICDR Regulations, such Investors will have to apply for the Equity Shares from the same demat account in which they are holding the Rights Entitlements and in case of multiple demat accounts, the Investors are required to submit a separate Application Form for each demat account.

Investors may apply for the Equity Shares by:

(i) submitting the Application Form to the Designated Branch of the SCSB or online/electronic Application through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts, or

(ii) filling the online Application Form available on R-WAP and make online payment using the internet banking or UPI facility from their own bank account. Please note that Applications made with payment using third party bank accounts are liable to be rejected and our Company, Lead Managers and the Registrar shall rely on the self-certification in the Application Form in this regard.

Investors are also advised to ensure that the Application Form is correctly filled up stating therein:

(i) the ASBA Account (in case of Application through ASBA process) in which an amount equivalent to the amount payable on Application as stated in the Application Form will be blocked by the SCSB; or

(ii) the requisite internet banking or UPI details (in case of Application through R-WAP, which is available only for resident Investors).

Applicants should note that they should very carefully fill-in their depository account details and PAN in the Application Form or while submitting application through online/electronic Application through the website of the SCSBs (if made available by such SCSB) and R-WAP. Please note that incorrect depository account details or PAN or Application Forms without depository account details (except in case of Eligible Equity Shareholders who hold Equity Shares in physical form and are applying in this Issue in accordance with the SEBI Relaxation Circular through R-WAP) shall be treated as incomplete and shall be rejected. For details see "- *Grounds for Technical Rejection*" on pages 318-319. Our Company, the Lead Managers, the Registrar and the SCSBs shall not be liable for any incomplete or incorrect demat details provided by the Applicants.

Additionally, in terms of Regulation 78 of the SEBI ICDR Regulations, Investors may choose to accept the offer to participate in this Issue by making plain paper Applications. Please note that SCSBs shall accept such applications only if all details required for making the application as per the SEBI ICDR Regulations are specified in the plain paper application and that Eligible Equity Shareholders making an application in this Issue by way of plain paper applications shall not be permitted to renounce any portion of their Rights Entitlements. For details, see "- *Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process"* beginning on page 313.

- ***Options available to the Eligible Equity Shareholders***

The Rights Entitlement Letter will clearly indicate the number of Equity Shares that the Eligible Equity Shareholder is entitled to.

If the Eligible Equity Shareholder applies in this Issue, then such Eligible Equity Shareholder can:

(i) apply for its Equity Shares to the full extent of its Rights Entitlements; or

(ii) apply for its Equity Shares to the extent of part of its Rights Entitlements (without renouncing the other part); or

(iii) apply for Equity Shares to the extent of part of its Rights Entitlements and renounce the other part of its Rights Entitlements; or

(iv) apply for its Equity Shares to the full extent of its Rights Entitlements and apply for additional Equity Shares; or

(v) renounce its Rights Entitlements in full.

- ***Making of an Application through the ASBA process***

An Investor, wishing to participate in this Issue through the ASBA facility, is required to have an ASBA enabled bank account with an SCSB, prior to making the Application. Investors desiring to make an Application in this Issue through ASBA process, may submit the Application Form in physical mode to the Designated Branches of the SCSB or online/ electronic Application through the website of the SCSBs (if made available by such SCSB) for authorizing such SCSB to block Application Money payable on the Application in their respective ASBA Accounts.

Investors should ensure that they have correctly submitted the Application Form and have provided an authorisation to the SCSB, *via* the electronic mode, for blocking funds in the ASBA Account equivalent to the Application Money mentioned in the Application Form, as the case may be, at the time of submission of the Application.

For the list of banks which have been notified by SEBI to act as SCSBs for the ASBA process, please refer to https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34.

Please note that subject to SCSBs complying with the requirements of the SEBI circular bearing reference number CIR/CFD/DIL/13/2012 dated September 25, 2012, within the periods stipulated therein, Applications may be submitted at the Designated Branches of the SCSBs. Further, in terms of the SEBI circular bearing reference number CIR/CFD/DIL/1/2013 dated January 2, 2013, it is clarified that for making Applications by SCSBs on their own account using ASBA facility, each such SCSB should have a separate account in its own name with any other SEBI registered SCSB(s). Such account shall be used solely for the purpose of making an Application in this Issue and clear demarcated funds should be available in such account for such an Application.

The Lead Managers, our Company, its directors, its employees, affiliates, associates and their respective directors and officers and the Registrar shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc., in relation to Applications accepted by SCSBs, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts.

Do's for Investors applying through ASBA:

(a) Ensure that the details about your Depository Participant, PAN and beneficiary account are correct and the beneficiary account is activated as the Equity Shares will be Allotted in the dematerialized form only.

(b) Ensure that the Applications are submitted with the Designated Branch of the SCSBs and details of the correct bank account have been provided in the Application.

(c) Ensure that there are sufficient funds (equal to {number of Equity Shares (including additional Equity Shares) applied for} X {Application Money of Equity Shares}) available in ASBA Account mentioned in the Application Form before submitting the Application to the respective Designated Branch of the SCSB.

(d) Ensure that you have authorised the SCSB for blocking funds equivalent to the total amount payable on application mentioned in the Application Form, in the ASBA Account, of which details are provided in the Application Form and have signed the same.

(e) Ensure that you have a bank account with an SCSB providing ASBA facility in your location and the Application is made through that SCSB providing ASBA facility in such location.

(f) Ensure that you receive an acknowledgement from the Designated Branch of the SCSB for your submission of the Application Form in physical form or plain paper Application.

(g) Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form and the Rights Entitlement Letter.

Don'ts for Investors applying through ASBA:

(a) Do not submit the Application Form after you have submitted a plain paper Application to a Designated Branch of the SCSB or *vice versa*.

(b) Do not send your physical Application to the Lead Managers, the Registrar, the Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not an SCSB), a branch of the SCSB which is not a Designated Branch of the SCSB or our Company; instead submit the same to a Designated Branch of the SCSB only.

(c) Do not instruct the SCSBs to unblock the funds blocked under the ASBA process upon making the Application.

(d) Do not submit Application Form using third party ASBA account.

- ***Making of an Application through the Registrar's Web-based Application Platform ("R-WAP") process***

In accordance with the SEBI Relaxation Circulars, a separate web based application platform, i.e., the R-WAP facility (accessible at www.linkintime.co.in), has been instituted for making an Application in this Issue by resident Investors. Further, R-WAP is only an additional option and not a replacement of the ASBA process and R-WAP facility should be utilized only in the event that Investors are not able to utilize the ASBA facility for making an Application despite their best efforts.

At the R-WAP, resident Investors can access and submit the online Application Form in electronic mode using the R-WAP. Resident Investors, making an Application through R-WAP, shall make online payment using internet banking or UPI facility. Prior to making an Application, such Investors should enable the internet banking or UPI facility of their respective bank accounts and such Investors should ensure that the respective bank accounts have sufficient funds.

Set out below is the procedure followed using the R-WAP:

(a) Prior to making an Application using the R-WAP facility, the Investors should enable the internet banking or UPI facility of their respective bank accounts and the Investors should ensure that the respective bank accounts have sufficient funds. If the funds available in the relevant bank account is less than the total amount payable on submission of online Application Form, such Application shall be rejected. Please note that R-WAP is a non-cash payment mechanism in accordance with the SEBI Relaxation Circulars.

(b) Resident Investors should visit R-WAP (accessible at www.linkintime.co.in) and fill the online Application Form available on R-WAP in electronic mode. Please ensure that you provide correct DP ID, Client ID, PAN and Folio number (for resident Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) along with all other details sought for while submitting the online Application Form.

(c) Non-resident Investors are not eligible to apply in this Issue through R-WAP.

(d) Investors should ensure that Application process is verified through the e-mail / phone / mobile number or other means as applicable. Post due verification, Investors can obtain details of their respective Rights Entitlements and apply in this Issue by filling-up the online Application Form which, among others, will require details of total number of Equity Shares to be applied for in the Issue. Please note that the Application Money will be determined based on number of Equity Shares applied for.

(e) Investors who are Renouncees should select the category of 'Renouncee' at the application page of R-WAP and provide DP ID, Client ID, PAN and other required demographic details for validation. The Renouncees shall also be required to provide the required Application details, such as total number of Equity Shares applied for in the Issue.

(f) The Investors shall make online payment using internet banking or UPI facility from their own bank account only. Such Application Money will be adjusted for either Allotment or refund. Applications made using payment from third party bank accounts will be rejected.

(g) Verification, if any, in respect of Application through Investors' own bank account, shall be done through the latest beneficial position data of our Company containing Investor's bank account details, beneficiary account details provided to the depository, penny drop, cancelled cheque for joint holder verification and such other industry accepted and tested methods for online payment.

(h) The Application Money collected through Applications made on the R-WAP will be credited to the Escrow Account "L&T FINANCE HOLDINGS LIMITED-COLLECTION ACCOUNT" opened by our Company with the Escrow Collection Bank(s).

For guidance on the Application process through R-WAP and resolution of difficulties faced by the Investors, the Investors are advised to carefully read the frequently asked questions, visit the online/ electronic dedicated investor helpdesk (www.linkintime.co.in.) or call helpline number (+91 (22) 4918 6200)

PLEASE NOTE THAT ONLY RESIDENT INVESTORS CAN SUBMIT AN APPLICATION USING THE R-WAP. R-WAP FACILITY WILL BE OPERATIONAL FROM THE ISSUE OPENING DATE. OUR COMPANY, THE REGISTRAR AND THE LEAD MANAGERS SHALL NOT BE RESPONSIBLE IF THE APPLICATION IS NOT SUCCESSFULLY SUBMITTED OR REJECTED DURING THE BASIS OF ALLOTMENT ON ACCOUNT OF FAILURE TO BE IN COMPLIANCE WITH THE SAME. FOR RISKS ASSOCIATED WITH THE R-WAP PROCESS, SEE "*RISK*

***FACTORS - THE R-WAP FACILITY PROPOSED TO BE USED FOR THIS ISSUE MAY BE EXPOSED TO RISKS, INCLUDING RISKS ASSOCIATED WITH PAYMENT GATEWAYS*" ON PAGE 46.**

Do's for Investors applying through R-WAP:

(a) Ensure that the details of the correct bank account have been provided while making payment along with submission of the Application.

(b) Ensure that there are sufficient funds (equal to {number of Equity Shares (including additional Equity Shares) applied for} X {Application Money of Equity Shares}) available in the bank account through which payment is made using the R-WAP.

(c) Ensure that you make the payment towards your Application through your bank account only and not use any third-party bank account for making the payment.

(d) Ensure that you receive a confirmation e-mail or confirmation through other applicable means on successful transfer of funds.

(e) Ensure you have filled in correct details of PAN, Folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date), DP ID and Client ID, as applicable and all such other details as may be required.

(f) Ensure that you receive an acknowledgement from the R-WAP for your submission of the Application.

Don'ts for Investors applying through R-WAP:

(a) Do not apply from bank account of third parties.

(b) Do not apply if you are a non-resident Investor.

(c) Do not apply from non-resident account.

- ***Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process***

An Eligible Equity Shareholder in India who is eligible to apply under the ASBA process may make an Application to subscribe to this Issue on plain paper in case of non-receipt of Application Form as detailed above. In such cases of non-receipt of the Application Form through e-mail or physical delivery (where applicable) and the Eligible Equity Shareholder not being in a position to obtain it from any other source may make an Application to subscribe to this Issue on plain paper with the same details as per the Application Form that is available on the website of the Registrar, Stock Exchanges or the Lead Managers. An Eligible Equity Shareholder shall submit the plain paper Application to the Designated Branch of the SCSB for authorising such SCSB to block Application Money in the said bank account maintained with the same SCSB. Applications on plain paper will not be accepted from any Eligible Equity Shareholder who has not provided an Indian address or is a U.S. Person or in the United States.

Please note that the Eligible Equity Shareholders who are making the Application on plain paper shall not be entitled to renounce their Rights Entitlements and should not utilize the Application Form for any purpose including renunciation even if it is received subsequently.

PLEASE NOTE THAT THE APPLICATION ON PLAIN PAPER CANNOT BE SUBMITTED THROUGH R-WAP.

The Application on plain paper, duly signed by the Eligible Equity Shareholder including joint holders, in the same order and as per specimen recorded with his/her bank, must reach the office of the Designated Branch of the SCSB before the Issue Closing Date and should contain the following particulars:

1. Name of our Company, being L&T Finance Holdings Limited;

2. Name and address of the Eligible Equity Shareholder including joint holders (in the same order and as per specimen recorded with our Company or the Depository);

3. Folio Number (in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date)/DP and Client ID;

4. Except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts, PAN of the Eligible Equity Shareholder and for each Eligible Equity Shareholder in case of joint names, irrespective of the total value of the Equity Shares applied for pursuant to this Issue

5. Number of Equity Shares held as on Record Date;

6. Allotment option – only dematerialised form;

7. Number of Equity Shares entitled to;

8. Number of Equity Shares applied for within the Rights Entitlements;

9. Number of additional Equity Shares applied for, if any (applicable only if entire Rights Entitlements have been applied for);

10. Total number of Equity Shares applied for;

11. Total amount paid at the rate of ₹ [●] per Equity Share;

12. Details of the ASBA Account such as the SCSB account number, name, address and branch of the relevant SCSB;

13. In case of non-resident Eligible Equity Shareholders making an application with an Indian address, details of the NRE/FCNR/NRO account such as the account number, name, address and branch of the SCSB with which the account is maintained;

14. Authorisation to the Designated Branch of the SCSB to block an amount equivalent to the Application Money in the ASBA Account;

15. Signature of the Eligible Equity Shareholder (in case of joint holders, to appear in the same sequence and order as they appear in the records of the SCSB); and

16. All such Eligible Equity Shareholders are deemed to have accepted the following:

*"I/ We understand that neither the Rights Entitlements nor the Equity Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any United States state securities laws, and may not be offered, sold, resold or otherwise transferred within the United States or to the territories or possessions thereof (the "**United States**"), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. I/ we understand the Equity Shares referred to in this application are being offered and sold (i) in offshore transactions outside the United States in compliance with Regulation S under the U.S. Securities Act ("**Regulation S**") to existing shareholders who are non-U.S. Persons and located in jurisdictions where such offer and sale of the Equity Shares is permitted under laws of such jurisdictions and (ii) within the United States or to U.S. Persons that are "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) ("**U.S. QIB**") pursuant to the private placement exemption set out in Section 4(a)(2) of the U.S. Securities Act, that are also "qualified purchasers" (as defined under the United States* Investment Company Act *of 1940, as amended) ("**QPs**") in reliance upon section 3(c)(7) of the U.S. Investment Company Act. I/ we understand that the Issue is not, and under no circumstances is to be construed as, an offering of any Equity Shares or Rights Entitlements for sale in the United States, or as a solicitation therein of an offer to buy any of the said Equity Shares or Rights Entitlements in the United States. I/ we confirm that I am/ we are (a) not in the United States and a non-U.S. Person and eligible to subscribe for the Equity Shares under applicable securities laws, (b) complying with laws of jurisdictions applicable to such person in connection with the Issue, and (c) understand that neither the Company, nor the Registrar, the Lead Managers or any other person acting on behalf of the Company will accept subscriptions from any person, or the agent of any person, who appears to be, or who the Company, the Registrar, the Lead Managers or any other person acting on behalf of the Company have reason to believe is in the United States or is outside of India and ineligible to participate in this Issue under the securities laws of their jurisdiction.*

I/ We will not offer, sell or otherwise transfer any of the Equity Shares which may be acquired by us in any jurisdiction or under any circumstances in which such offer or sale is not authorized or to any person to whom it is unlawful to make such offer, sale or invitation. I/ We satisfy, and each account for which I/ we are acting satisfies, (a) all suitability standards for investors in investments of the type subscribed for herein imposed by the jurisdiction of my/our residence, and (b) is eligible to subscribe and is subscribing for the Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of our jurisdiction of residence.

I/we hereby make the representations, warranties, acknowledgments and agreements set forth in the section of the Letter of Offer titled "Restrictions on Purchases and Resales" beginning on page 337.

I/ We understand and agree that the Rights Entitlements and Equity Shares may not be reoffered, resold, pledged or otherwise except in an offshore transaction in accordance with Regulation S to a person outside the United States and not reasonably known by the transferor to be a U.S. Person by pre-arrangement or otherwise (including, for the avoidance of doubt, a bona fide sale on the NSE or the BSE).

I/ We acknowledge that we, the Lead Managers, its affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements."

In cases where Multiple Application Forms are submitted for Applications pertaining to Rights Entitlements credited to the same demat account or in demat suspense escrow account, as applicable, including cases where an Investor submits Application Forms along with a plain paper Application, such Applications shall be liable to be rejected.

Investors are requested to strictly adhere to these instructions. Failure to do so could result in an Application being rejected, with our Company, the Lead Managers and the Registrar not having any liability to the Investor. The plain paper Application format will be available on the website of the Registrar at www.linkintime.co.in.

Our Company, the Lead Managers and the Registrar shall not be responsible if the Applications are not uploaded by the SCSB or funds are not blocked in the Investors' ASBA Accounts on or before the Issue Closing Date.

- ***Making of an Application by Eligible Equity Shareholders holding Equity Shares in physical form***

Please note that in accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI Rights Issue Circulars, the credit of Rights Entitlements and Allotment of Equity Shares shall be made in dematerialised form only. Accordingly, Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date and desirous of subscribing to Equity Shares in this Issue are advised to furnish the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, to enable the credit of their Rights Entitlements in their respective demat accounts at least one day before the Issue Closing Date.

In accordance with the SEBI Relaxation Circulars, the Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date and who have not furnished the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, desirous of subscribing to Equity Shares may also apply in this Issue during the Issue Period. Application by such Eligible Equity Shareholders is subject to following conditions:

(i) the Eligible Equity Shareholders apply only through R-WAP;

(ii) the Eligible Equity Shareholders are residents;

(iii) the Eligible Equity Shareholders are not making payment from non-resident account;

(iv) the Eligible Equity Shareholders shall not be able to renounce their Rights Entitlements; and

(v) the Eligible Equity Shareholders shall receive Equity Shares, in respect of their Application, only in demat mode.

Accordingly, such resident Eligible Equity Shareholders are required to send a communication to our Company or the Registrar containing the name(s), Indian address, e-mail address, contact details and the details of their demat account along with copy of self- attested PAN and self-attested client master sheet of their demat account either by post, speed post, courier, electronic mail or hand delivery, to enable process of credit of Equity Shares in such demat account.

Prior to the Issue Opening Date, the Rights Entitlements of those resident Eligible Equity Shareholders, among others, who hold Equity Shares in physical form, and whose demat account details are not available with our Company or the Registrar, shall be credited in a demat suspense escrow account opened by our Company.

Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date and who have opened their demat accounts after the Record Date, shall adhere to following procedure for participating in this Issue:

(a) The Eligible Equity Shareholders shall send a letter to the Registrar containing the name(s), address, e-mail address, contact details and the details of their demat account along with copy of self-attested PAN and self-attested client master sheet of their demat account either by e-mail, post, speed post, courier, or hand delivery so as to reach to the Registrar no later than two Working Days prior to the Issue Closing Date. The Eligible Equity Shareholders are encouraged to send the details by e-mail due to lockdown and restrictions imposed due to current pandemic COVID-19;

(b) The Registrar shall, after verifying the details of such demat account, transfer the Rights Entitlements of such Eligible Equity Shareholders to their demat accounts at least one day before the Issue Closing Date;

(c) The remaining procedure for Application shall be same as set out in "**-** *Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process*" beginning on page 313.

Resident Eligible Equity Shareholders who hold Equity Shares in physical form as on the Record Date will not be allowed renounce their Rights Entitlements in the Issue. However, such Eligible Equity Shareholders, where the dematerialized Rights Entitlements are transferred from the suspense escrow demat account to the respective demat accounts within prescribed timelines, can apply for additional Equity Shares while submitting the Application through ASBA process or using the R-WAP.

Application for Additional Equity Shares

Investors are eligible to apply for additional Equity Shares over and above their Rights Entitlements, provided that they are eligible to apply for Equity Shares under applicable law and they have applied for all the Equity Shares forming part of their Rights Entitlements without renouncing them in whole or in part. Where the number of additional Equity Shares applied for exceeds the number available for Allotment, the Allotment would be made as per the Basis of Allotment finalised in consultation with the Designated Stock Exchange. Applications for additional Equity Shares shall be considered and Allotment shall be made in accordance with the SEBI ICDR Regulations and in the manner as set out in "**-** *Basis of Allotment*" beginning on page 329.

Eligible Equity Shareholders who renounce their Rights Entitlements cannot apply for additional Equity Shares. Non-resident Renouncees who are not Eligible Equity Shareholders cannot apply for additional Equity Shares.

Additional general instructions for Investors in relation to making of an Application

(a) Please read this Letter of Offer carefully to understand the Application process and applicable settlement process.

(b) Please read the instructions on the Application Form sent to you. Application should be complete in all respects. The Application Form found incomplete with regard to any of the particulars required to be given therein, and/or which are not completed in conformity with the terms of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter and the Application Form are liable to be rejected. The Application Form must be filled in English.

(c) In case of non-receipt of Application Form, Application can be made on plain paper mentioning all necessary details as mentioned under the section "*Making of an Application by Eligible Equity Shareholders on Plain Paper under ASBA process"* on page 313.

(d) Applications should be (i) submitted to the Designated Branch of the SCSB or made online/electronic through the website of the SCSBs (if made available by such SCSB) for authorising such SCSB to block Application Money payable on the Application in their respective ASBA Accounts, or (ii) filled on the R-WAP. Please note that on the Issue Closing Date, (i) Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges, and (ii) the R-WAP facility will be available until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.

(e) Applications should not be submitted to the Banker(s) to the Issue or Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not an SCSB), our Company or the Registrar or the Lead Managers.

(f) All Applicants, and in the case of Application in joint names, each of the joint Applicants, should mention their PAN allotted under the Income-tax Act, irrespective of the amount of the Application. Except for Applications on behalf of the Central or the State Government, the residents of Sikkim and the officials appointed by the courts, Applications without PAN will be considered incomplete and are liable to be rejected. With effect from August 16, 2010, the demat accounts for Investors for which PAN details have not been verified shall be "suspended for credit" and no Allotment and credit of Equity Shares pursuant to this Issue shall be made into the accounts of such Investors.

(g) Ensure that the demographic details such as address, PAN, DP ID, Client ID, bank account details and occupation ("**Demographic Details**") are updated, true and correct, in all respects. Investors applying under this Issue should note that on the basis of name of the Investors, DP ID and Client ID provided by them in the Application Form or the plain paper Applications, as the case may be, the Registrar will obtain Demographic Details from the Depository. Therefore, Investors applying under this Issue should carefully fill in their Depository Account details in the Application. These Demographic Details would be used for all correspondence with such Investors including mailing of the letters intimating unblocking of bank account of the respective Investor and/or refund. The Demographic Details given by the Investors in the Application Form would not be used for any other purposes by the Registrar. Hence, Investors are advised to update their Demographic Details as provided to their Depository Participants. **The Allotment Advice and the e-mail intimating unblocking of ASBA Account or refund (if any) would be e-mailed to the address of the Investor as per the e-mail address provided to our Company or the Registrar or Demographic Details received from the Depositories. The Registrar will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent Equity Shares are not Allotted to such Investor. Please note that any such delay shall be at the sole risk of the Investors and none of our Company, the SCSBs, Registrar or the Lead Managers shall be liable to compensate the Investor for any losses caused due to any such delay or be liable to pay any interest for such delay. In case no corresponding record is available with the Depositories that match three parameters, (a) names of the Investors (including the order of names of joint holders), (b) DP ID, and (c) Client ID, then such Application Forms are liable to be rejected.**

(h) By signing the Application Forms, Investors would be deemed to have authorised the Depositories to provide, upon request, to the Registrar, the required Demographic Details as available on its records.

(i) For physical Applications through ASBA at Designated Branches of SCSB, signatures should be either in English or Hindi or in any other language specified in the Eighth Schedule to the Constitution of India. Signatures other than in any such language or thumb impression must be attested by a Notary Public or a Special Executive Magistrate under his/her official seal. The Investors must sign the Application as per the specimen signature recorded with the SCSB.

(j) Investors should provide correct DP ID and Client ID/ Folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) while submitting the Application. Such DP ID and Client ID/ Folio number should match the demat account details in the records available with Company and/or Registrar, failing which such Application is liable to be rejected. Investor will be solely responsible for any error or inaccurate detail provided in the Application. Our Company, the Lead Managers, SCSBs or the Registrar will not be liable for any such rejections.

(k) In case of joint holders and physical Applications through ASBA process, all joint holders must sign the relevant part of the Application Form in the same order and as per the specimen signature(s) recorded with the SCSB. In case of joint Applicants, reference, if any, will be made in the first Applicant's name and all communication will be addressed to the first Applicant.

(l) All communication in connection with Application for the Equity Shares, including any change in contact details of the Eligible Equity Shareholders should be addressed to the Registrar prior to the date of Allotment in this Issue quoting the name of the first/sole Applicant, Folio number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date)/DP ID and Client ID and Application Form number, as applicable. In case of any change in contact details of the Eligible Equity Shareholders, the Eligible Equity Shareholders should also send the intimation for such change to the respective depository participant, or to our Company or the Registrar in case of Eligible Equity Shareholders holding Equity Shares in physical form.

(m) Investors are required to ensure that the number of Equity Shares applied for by them do not exceed the prescribed limits under the applicable law.

(n) Do not apply if you are ineligible to participate in this Issue under the securities laws applicable to your jurisdiction.

(o) Do not submit the GIR number instead of the PAN as the application is liable to be rejected on this ground.

(p) Avoid applying on the Issue Closing Date due to risk of delay/ restrictions in making any physical Application.

(q) Do not pay the Application Money in cash, by money order, pay order or postal order.

(r) Do not submit multiple Applications.

(s) No investment under the FDI route (i.e any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of the Company or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid in order to make any investment in the Issue. The Lead Managers and our Company will not be responsible for any allotments made by relying on such approvals.

(t) An Applicant being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as a incorporated non-resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019. .

- ***Grounds for Technical Rejection***

Applications made in this Issue are liable to be rejected on the following grounds:

(a) DP ID and Client ID mentioned in Application does not match with the DP ID and Client ID records available with the Registrar.

(b) Details of PAN mentioned in the Application does not match with the PAN records available with the Registrar.

(c) Sending an Application to our Company, the Lead Managers, Registrar, Escrow Collection Bank(s) (assuming that such Escrow Collection Bank is not a SCSB), to a branch of a SCSB which is not a Designated Branch of the SCSB.

(d) Insufficient funds are available in the ASBA Account with the SCSB for blocking the Application Money.

(e) Funds in the ASBA Account whose details are mentioned in the Application Form having been frozen pursuant to regulatory orders.

(f) Account holder not signing the Application or declaration mentioned therein.

(g) Submission of more than one Application Form for Rights Entitlements available in a particular demat account.

(h) Multiple Application Forms, including cases where an Investor submits Application Forms along with a plain paper Application.

(i) Submitting the GIR number instead of the PAN (except for Applications on behalf of the Central or State Government, the residents of Sikkim and the officials appointed by the courts).

(j) Applications by persons not competent to contract under the Indian Contract Act, 1872, except Applications by minors having valid demat accounts as per the Demographic Details provided by the Depositories.

(k) Applications by SCSB on own account, other than through an ASBA Account in its own name with any other SCSB.

(l) Application Forms which are not submitted by the Investors within the time periods prescribed in the Application Form and this Letter of Offer.

(m) Physical Application Forms not duly signed by the sole or joint Investors, as applicable.

(n) Application Forms accompanied by stock invest, outstation cheques, post-dated cheques, money order, postal order or outstation demand drafts.

(o) If an Investor is (a) debarred by SEBI; or (b) if SEBI has revoked the order or has provided any interim relief then failure to attach a copy of such SEBI order allowing the Investor to subscribe to their Rights Entitlements.

(p) Applications which: (i) appears to our Company or its agents to have been executed in, electronically transmitted from or dispatched from the United States (other than from persons in the United States who are U.S. QIBs and QPs) or other jurisdictions where the offer and sale of the Equity Shares is not permitted under laws of such jurisdictions; (ii) does not include the relevant certifications set out in the Application Form, including to the effect that the person submitting and/or renouncing the Application Form is (a) both a U.S. QIB and a QP, if in the United States or a U.S. Person or (b) outside the United States and is a non-U.S. Person, and in each case such person is eligible to subscribe for the Equity Shares under applicable securities laws and is complying with laws of jurisdictions applicable to such person in connection with this Issue; and our Company shall not be bound to issue or allot any Equity Shares in respect of any such Application Form.

(q) Applications which have evidence of being executed or made in contravention of applicable securities laws.

(r) Application from Investors that are residing in U.S. address as per the depository records (other than from persons in the United States who are U.S. QIBs and QPs).

Applications under the R-WAP process are liable to be rejected on the following grounds (in addition to above applicable grounds including in relation to insufficient funds available in the opted bank account):

(a) Applications by non-resident Investors.

(b) Payment from third party bank accounts.

- ***Multiple Applications***

In case where multiple Applications are made using same demat account, such Applications shall be liable to be rejected. A separate Application can be made in respect of Rights Entitlements in each demat account of the Investors and such Applications shall not be treated as multiple applications. Similarly, a separate Application can be made against Equity Shares held in dematerialized form and Equity Shares held in physical form, and such Applications shall not be treated as multiple applications. Further supplementary Applications in relation to further Equity Shares with/without using additional Rights Entitlement will not be treated as multiple application. A separate Application can be made in respect of each scheme of a mutual fund registered with SEBI and such Applications shall not be treated as multiple applications. For details, see "- *Procedure for Applications by Mutual Funds*" on page 321.

In cases where Multiple Application Forms are submitted, including cases where (a) an Investor submits Application Forms along with a plain paper Application or (b) multiple plain paper Applications (c) or multiple applications on RWAP as well as through ASBA, such Applications shall be treated as multiple applications and are liable to be rejected, other than multiple applications submitted by any of our Promoter or members of the Promoter Group to meet the minimum subscription requirements applicable to this Issue as described in "*Capital Structure - Intention and extent of participation by our Promoter*" on page 62.

- ***Procedure for Applications by certain categories of Investors***

Procedure for Applications by FPIs

In terms of applicable FEMA Rules and the SEBI FPI Regulations, investments by FPIs in the Equity Shares is subject to certain limits, *i.e.*, the individual holding of an FPI (including its investor group (which means multiple entities registered as foreign portfolio investors and directly and indirectly having common ownership of more than 50% of common control)) shall be below 10% of our post-Issue Equity Share capital. In case the total holding of an FPI or investor group increases beyond 10% of the total paid-up Equity Share capital of our Company, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants that may be issued by our Company, the total investment made by the FPI or investor group will be re-classified as FDI subject to the conditions as specified by SEBI and RBI in this regard and our Company and the investor will also be required to comply with applicable reporting requirements.

FPIs are permitted to participate in this Issue subject to compliance with conditions and restrictions which may be specified by the Government from time to time. FPIs who wish to participate in the Issue are advised to use the Application Form for non-residents. Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 21 of the SEBI FPI Regulations, an FPI may issue, subscribe to or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by an FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons registered as Category I FPI under the SEBI FPI Regulations; (ii) such offshore derivative instruments are issued only to persons who are eligible for registration as Category I FPIs (where an entity has an investment manager who is from the Financial Action Task Force member country, the investment manager shall not be required to be registered as a Category I FPI); (iii) such offshore derivative instruments are issued after compliance with 'know your client' norms; and (iii) compliance with other conditions as may be prescribed by SEBI.

An FPI issuing offshore derivative instruments is also required to ensure that any transfer of offshore derivative instruments issued by or on its behalf, is carried out subject to inter alia the following conditions:

(a) such offshore derivative instruments are transferred only to persons in accordance with the SEBI FPI Regulations; and

(b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred to are pre – approved by the FPI.

No investment under the FDI route will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval.

Procedure for Applications by AIFs, FVCIs, VCFs and FDI route

The SEBI VCF Regulations and the SEBI FVCI Regulations prescribe, among other things, the investment restrictions on VCFs and FVCIs registered with SEBI. Further, the SEBI AIF Regulations prescribe, among other things, the investment restrictions on AIFs.

As per the SEBI VCF Regulations and SEBI FVCI Regulations, VCFs and FVCIs are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by VCFs or FVCIs will not be accepted in this Issue. Further, venture capital funds registered as Category I AIFs, as defined in the SEBI AIF Regulations, are not permitted to invest in listed companies pursuant to rights issues. Accordingly, applications by venture capital funds registered as category I AIFs, as defined in the SEBI AIF Regulations, will not be accepted in this Issue. Other categories of AIFs are permitted to apply in this Issue subject to compliance with the SEBI AIF Regulations. Such AIFs having bank accounts with SCSBs that are providing ASBA in cities / centres where such AIFs are located are mandatorily required to make use of the ASBA facility or using R-WAP (available only for residents). Otherwise, applications of such AIFs are liable for rejection.

No investment under the FDI route (i.e any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of the Company or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid in order to make any investment in the Issue. The Lead Managers and our Company will not be responsible for any allotments made by relying on such approvals.

Procedure for Applications by NRIs

Investments by NRIs are governed by the FEMA Rules. Applications will not be accepted from NRIs that are ineligible to participate in this Issue under applicable securities laws.

As per the FEMA Rules, an NRI or Overseas Citizen of India ("**OCI**") may purchase or sell capital instruments of a listed Indian company on repatriation basis, on a recognised stock exchange in India, subject to the conditions, *inter alia*, that the total holding by any individual NRI or OCI will not exceed 5% of the total paid- up equity capital on a fully diluted basis or should not exceed 5% of the paid-up value of each series of debentures or preference shares or share warrants issued by an Indian company and the total holdings of all NRIs and OCIs put together will not exceed 10% of the total paid-up equity capital on a fully diluted basis or shall not exceed 10% of the paid-up value of each series of debentures or preference shares or share warrants. The aggregate ceiling of 10% may be raised to 24%, if a special resolution to that effect is passed by the general body of the Indian company.

Further, in accordance with press note 3 of 2020, the FDI Policy has been recently amended to state that all investments by entities incorporate in a country which shares land border with India or where beneficial owner of an investment into India is situated in or is a citizen of any such country ("**Restricted Investors**"), will require prior approval of the Government of India. It is not clear from the press note whether or not an issue of the Rights Equity Shares to Restricted Investors will also require prior approval of the Government of India and each Investor should seek independent legal advice about its ability to participate in the Issue. In the event such prior approval has been obtained, the Investor shall intimate our Company and the Registrar about such approval within the Issue Period.

Procedure for Applications by Mutual Funds

A separate application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such applications shall not be treated as multiple applications. The applications made by asset management companies or custodians of a mutual fund should clearly indicate the name of the concerned scheme for which the application is being made.

*Procedure for Applications by Systemically Important Non-Banking Financial Companies ("**NBFC-SI**")*

In case of an application made by NBFC-SI registered with RBI, (a) the certificate of registration issued by RBI under Section 45IA of RBI Act, 1934 and (b) net worth certificate from its statutory auditors or any independent chartered accountant based on the last audited financial statements is required to be attached to the application.

Last date for Application

The last date for submission of the duly filled in the Application Form or a plain paper Application is [●], *i.e.*, Issue Closing Date. Our Board or any committee thereof may extend the said date for such period as it may determine from time to time, subject to the Issue Period not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date).

If the Application Form is not submitted with an SCSB, uploaded with the Stock Exchanges and the Application Money is not blocked with the SCSB or if the Application Form is not accepted at the R-WAP, on or before the Issue Closing Date or such date as may be extended by our Board or any committee thereof, the invitation to offer contained in this Letter of Offer shall be deemed to have been declined and our Board or any committee thereof shall be at liberty to dispose of the Equity Shares hereby offered, as set out in "- *Basis of Allotment*" on page 329.

Please note that on the Issue Closing Date, (i) Applications through ASBA process will be uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges, and (ii) the R-WAP facility will be available until 5.00 p.m. (Indian Standard Time) or such extended time as permitted by the Stock Exchanges.

Please ensure that the Application Form and necessary details are filled in. In place of Application number, Investors can mention the reference number of the e-mail received from Registrar informing about their Rights Entitlement or last eight digits of the demat account. Alternatively, SCSBs may mention their internal reference number in place of application number.

Withdrawal of Application

An Investor who has applied in this Issue may withdraw their Application at any time during Issue Period by approaching the SCSB where application is submitted or sending the e-mail withdrawal request to lntfinance.rights@linkintime.co.in in case of Application through R-WAP facility. However, no Investor, whether applying through ASBA facility or R-WAP facility, may withdraw their Application post the Issue Closing Date.

Disposal of Application and Application Money

No acknowledgment will be issued for the Application Money received by our Company. However, the Designated Branches of the SCSBs receiving the Application Form will acknowledge its receipt by stamping and returning the acknowledgment slip at the bottom of each Application Form and the R-WAP platform would generate an electronic acknowledgment to the Eligible Equity Shareholders upon submission of the Application.

Our Board reserves its full, unqualified and absolute right to accept or reject any Application, in whole or in part, and in either case without assigning any reason thereto.

In case an Application is rejected in full, the whole of the Application Money will be unblocked in the respective ASBA Accounts, in case of Applications through ASBA or refunded to the Investors in the same bank account through which Application Money was received, in case of an application using the R-WAP facility. Wherever an Application is rejected in part, the balance of Application Money, if any, after adjusting any money due on Equity Shares Allotted, will be refunded / unblocked in the respective bank accounts from which Application Money was received / ASBA Accounts of the Investor within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company shall pay interest at such rate and within such time as specified under applicable law.

For further instructions, please read the Application Form carefully.

III. CREDIT OF RIGHTS ENTITLEMENTS IN DEMAT ACCOUNTS OF ELIGIBLE EQUITY SHAREHOLDERS

- ***Rights Entitlements***

As your name appears as a beneficial owner in respect of the issued and paid-up Equity Shares held in dematerialised form or appears in the register of members of our Company as an Eligible Equity Shareholder in respect of our Equity Shares held in physical form, as on the Record Date, you may be entitled to subscribe to the number of Equity Shares as set out in the Rights Entitlement Letter.

Eligible Equity Shareholders can also obtain the details of their respective Rights Entitlements from the website of the Registrar (*i.e.*, www.linkintime.co.in) by entering their DP ID and Client ID or Folio Number (for Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date) and PAN. The link for the same shall also be available on the website of our Company (*i.e.*, www.ltfs.com).

In this regard, our Company has made necessary arrangements with NSDL and CDSL for crediting of the Rights Entitlements to the demat accounts of the Eligible Equity Shareholders in a dematerialized form. A separate ISIN for the Rights Entitlements has also been generated which is [●]. The said ISIN shall remain frozen (for debit) until the Issue Opening Date. The said ISIN shall be suspended for transfer by the Depositories post the Issue Closing Date.

Additionally, our Company will submit the details of the total Rights Entitlements credited to the demat accounts of the Eligible Equity Shareholders and the demat suspense escrow account to the Stock Exchanges after completing the corporate action. The details of the Rights Entitlements with respect to each Eligible Equity Shareholders can be accessed by such respective Eligible Equity Shareholders on the website of the Registrar after keying in their respective details along with other security control measures implemented thereat.

Rights Entitlements shall be credited to the respective demat accounts of Eligible Equity Shareholders before the Issue Opening Date only in dematerialised form. If Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar not later than two Working Days prior to the Issue Closing Date, to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date. Such Eligible Equity Shareholders holding shares in physical form can update the details of their respective demat accounts on the website of the Registrar (*i.e.* https://linkintime.co.in/EmailReg/Email_Register.html,). Such Eligible Equity Shareholders can make an Application only after the Rights Entitlements is credited to their respective demat accounts, except in case of resident Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date and applying through R-WAP (an additional optional facility).

In accordance with Regulation 77A of the SEBI ICDR Regulations read with the SEBI Rights Issue Circulars, the credit of Rights Entitlements and Allotment of Equity Shares shall be made in dematerialized form only. Prior to the Issue Opening Date, our Company shall credit the Rights Entitlements to (i) the demat accounts of the Eligible Equity Shareholders holding the Equity Shares in dematerialised form; and (ii) a demat suspense escrow account (namely, “LTFHL Rights 2021 Demat Escrow Account”) opened by our Company, for the Eligible Equity Shareholders which would comprise Rights Entitlements relating to (a) Equity Shares held in the account of the IEPF authority; or (b) the demat accounts of the Eligible Equity Shareholder which are frozen or the Equity Shares which are lying in the unclaimed suspense account (including those pursuant to Regulation 39 of the SEBI Listing Regulations) or details of which are unavailable with our Company or with the Registrar on the Record Date; or (c) Equity Shares held by Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date where details of demat accounts are not provided by Eligible Equity Shareholders to our Company or Registrar; or (e) the ownership of the Equity Shares currently under dispute, including any court proceedings, if any; or (f) non-institutional equity shareholders in the United States.

Eligible Equity Shareholders are requested to provide relevant details (such as copies of self-attested PAN and client master sheet of demat account etc., details/ records confirming the legal and beneficial ownership of their respective Equity Shares) to our Company or the Registrar not later than two Working Days prior to the Issue Closing Date, i.e., by [●] to enable the credit of their Rights Entitlements by way of transfer from the demat suspense escrow account to their demat account at least one day before the Issue Closing Date, to enable such Eligible Equity Shareholders to make an application in this Issue, and this communication shall serve as an intimation to such Eligible Equity Shareholders in this regard. Such Eligible Equity Shareholders are also requested to ensure that their demat account, details of which have been provided to our Company or the Registrar account is active to facilitate the aforementioned transfer.

IV. RENUNCIATION AND TRADING OF RIGHTS ENTITLEMENT

- ***Renouncees***

All rights and obligations of the Eligible Equity Shareholders in relation to Applications and refunds pertaining to this Issue shall apply to the Renouncee(s) as well.

- ***Renunciation of Rights Entitlements***

This Issue includes a right exercisable by Eligible Equity Shareholders to renounce the Rights Entitlements credited to their respective demat account either in full or in part.

The renunciation from non-resident Eligible Equity Shareholder(s) to resident Indian(s) and *vice versa* shall be subject to provisions of FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time. However, the facility of renunciation shall not be available to or operate in favour of an Eligible Equity Shareholders being an erstwhile OCB unless the same is in compliance with the FEMA Rules and other circular, directions, or guidelines issued by RBI or the Ministry of Finance from time to time.

The renunciation of Rights Entitlements credited in your demat account can be made either by sale of such Rights Entitlements, using the secondary market platform of the Stock Exchanges or through an off-market transfer.

In accordance with SEBI Relaxation Circulars, the Eligible Equity Shareholders, who hold Equity Shares in physical form as on Record Date and who have not furnished the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, will not be able to renounce their Rights Entitlements.

- ***Procedure for Renunciation of Rights Entitlements***

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts, either in full or in part (a) by using the secondary market platform of the Stock Exchanges (the "**On Market Renunciation**"); or (b) through an off-market transfer (the "**Off Market Renunciation**"), during the Renunciation Period. The Investors should have the demat Rights Entitlements credited/lying in his/her own demat account prior to the renunciation. The trades through On Market Renunciation and Off Market Renunciation will be settled by transferring the Rights Entitlements through the depository mechanism.

Investors may be subject to adverse foreign, state or local tax or legal consequences as a result of trading in the Rights Entitlements. Investors who intend to trade in the Rights Entitlements should consult their tax advisor or stock-broker regarding any cost, applicable taxes, charges and expenses (including brokerage) that may be levied for trading in Rights Entitlements.

Please note that the Rights Entitlements which are neither renounced nor subscribed by the Investors on or before the Issue Closing Date shall lapse and shall be extinguished after the Issue Closing Date.

The Lead Managers and our Company accept no responsibility to bear or pay any cost, applicable taxes, charges and expenses (including brokerage), and such costs will be incurred solely by the Investors.

(a) On Market Renunciation

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by trading/selling them on the secondary market platform of the Stock Exchanges through a registered stock-broker in the same manner as the existing Equity Shares of our Company.

In this regard, in terms of provisions of the SEBI ICDR Regulations and the SEBI Rights Issue Circulars, the Rights Entitlements credited to the respective demat accounts of the Eligible Equity Shareholders shall be admitted for trading on the Stock Exchanges under ISIN [●] subject to requisite approvals. Prior to the Issue Opening Date, our Company will obtain the approval from the Stock Exchanges for trading of Rights Entitlements. No assurance can be given regarding the active or sustained On Market Renunciation or the price at which the Rights Entitlements will trade. The details for trading in Rights Entitlements will be as specified by the Stock Exchanges from time to time.

The Rights Entitlements are tradable in dematerialized form only. The market lot for trading of Rights Entitlements is one Rights Entitlements.

The On Market Renunciation shall take place only during the Renunciation Period for On Market Renunciation, *i.e.*, from [●], [●], 2021 to [●], [●], 2021 (both days inclusive)..

The Investors holding the Rights Entitlements who desire to sell their Rights Entitlements will have to do so through their registered stock-brokers by quoting the ISIN [●]and indicating the details of the Rights Entitlements they intend to trade. The Investors can place order for sale of Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The On Market Renunciation shall take place electronically on secondary market platform of BSE and NSE under automatic order matching mechanism and on 'T+2 rolling settlement basis', where 'T' refers to the date of trading. The transactions will be settled on trade-for-trade basis. Upon execution of the order, the stock-broker will issue a contract note in accordance with the requirements of the Stock Exchanges and the SEBI.

(b) *Off Market Renunciation*

The Eligible Equity Shareholders may renounce the Rights Entitlements, credited to their respective demat accounts by way of an off-market transfer through a depository participant. The Rights Entitlements can be transferred in dematerialised form only.

Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date to enable Renouncees to subscribe to the Equity Shares in the Issue.

The Investors holding the Rights Entitlements who desire to transfer their Rights Entitlements will have to do so through their depository participant by issuing a delivery instruction slip quoting the ISIN [●], the details of the buyer and the details of the Rights Entitlements they intend to transfer. The buyer of the Rights Entitlements (unless already having given a standing receipt instruction) has to issue a receipt instruction slip to their depository participant. The Investors can transfer Rights Entitlements only to the extent of Rights Entitlements available in their demat account.

The instructions for transfer of Rights Entitlements can be issued during the working hours of the depository participants.

The detailed rules for transfer of Rights Entitlements through off-market transfer shall be as specified by the NSDL and CDSL from time to time.

V. MODE OF PAYMENT

All payments against the Application Forms shall be made only through (i) ASBA facility; or (ii) internet banking or UPI facility if applying through R-WAP. The Registrar will not accept any payments against the Application Forms, if such payments are not made through ASBA facility or internet banking or UPI facility if applying through R-WAP.

In case of Application through the ASBA facility, the Investor agrees to block the entire amount payable on Application with the submission of the Application Form, by authorizing the SCSB to block an amount, equivalent to the amount payable on Application, in the Investor's ASBA Account. The SCSB may reject the application at the time of acceptance of Application Form if the ASBA Account, details of which have been provided by the Investor in the Application Form does not have sufficient funds equivalent to the amount payable on Application mentioned in the Application Form. Subsequent to the acceptance of the Application by the SCSB, our Company would have a right to reject the Application on technical grounds as set forth in this Letter of Offer.

After verifying that sufficient funds are available in the ASBA Account details of which are provided in the Application Form, the SCSB shall block an amount equivalent to the Application Money mentioned in the Application Form until the Transfer Date. On the Transfer Date, upon receipt of intimation from the Registrar, of the receipt of minimum subscription and pursuant to the finalization of the Basis of Allotment as approved by the Designated Stock Exchange, the SCSBs shall transfer such amount as per the Registrar's instruction from the ASBA Account into the Allotment

Account(s) which shall be a separate bank account maintained by our Company, other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act, 2013. The balance amount remaining after the finalisation of the Basis of Allotment on the Transfer Date shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the respective SCSB.

In terms of RBI Circular DBOD No. FSC BC 42/24.47.00/2003- 04 dated November 5, 2003, the stockinvest scheme has been withdrawn. Hence, payment through stockinvest would not be accepted in this Issue.

Mode of payment for Resident Investors

All payments on the Application Forms shall be made only through ASBA facility or internet banking or UPI facility if applying through R-WAP. Applicants are requested to strictly adhere to these instructions.

Mode of payment for Non-Resident Investors

As regards the Application by non-resident Investors, payment must be made only through ASBA facility and using permissible accounts in accordance with FEMA, FEMA Rules and requirements prescribed by RBI and subject to the following:

1. In case where repatriation benefit is available, interest, dividend, sales proceeds derived from the investment in Equity Shares can be remitted outside India, subject to tax, as applicable according to the Income-tax Act. However, please note that conditions applicable at the time of original investment in our Company by the Eligible Equity Shareholder including repatriation shall not change and remain the same for subscription in the Issue or subscription pursuant to renunciation in the Issue.

2. Subject to the above, in case Equity Shares are Allotted on a non-repatriation basis, the dividend and sale proceeds of the Equity Shares cannot be remitted outside India.

3. In case of an Application Form received from non-residents, Allotment, refunds and other distribution, if any, will be made in accordance with the guidelines and rules prescribed by RBI as applicable at the time of making such Allotment, remittance and subject to necessary approvals.

4. Application Forms received from non-residents/ NRIs, or persons of Indian origin residing abroad for Allotment of Equity Shares shall, amongst other things, be subject to conditions, as may be imposed from time to time by RBI under FEMA, in respect of matters including Refund of Application Money and Allotment.

5. In the case of NRIs who remit their Application Money from funds held in FCNR/NRE Accounts, refunds and other disbursements, if any shall be credited to such account.

6. Non-resident Renouncees who are not Eligible Equity Shareholders must submit regulatory approval for applying for additional Equity Shares.

For details of mode of payment in case of Application through R-WAP, see "*- Making of an Application through the Registrar's Web-based Application Platform ("R-WAP") process*" on pages 312-313.

VI. BASIS FOR THIS ISSUE AND TERMS OF THIS ISSUE

The Equity Shares are being offered for subscription to the Eligible Equity Shareholders whose names appear as beneficial owners as per the list to be furnished by the Depositories in respect of our Equity Shares held in dematerialised form and on the register of members of our Company in respect of our Equity Shares held in physical form at the close of business hours on the Record Date.

For principal terms of Issue such as face value, Issue Price, Rights Entitlement ratio, see "*The Issue*" beginning on page 50.

- ***Fractional Entitlements***

  The Equity Shares are being offered on a rights basis to existing Eligible Equity Shareholders in the ratio of [●] ([●]) Equity Shares for every [●] Equity Shares held as on the Record Date. As per SEBI Rights Issue Circulars, the fractional entitlements are to be ignored. Accordingly, if the shareholding of any of the Eligible Equity Shareholders is less than [●] Equity Shares or is not in the multiple of [●] Equity Shares, the fractional entitlements of such Eligible Equity Shareholders shall be ignored by rounding down of their Rights Entitlements. However, the Eligible Equity Shareholders whose fractional entitlements are being ignored, will be given preferential consideration for the Allotment of one additional Equity Share if they apply for additional Equity Shares over and above their Rights Entitlements, if any, subject to availability of Equity Shares in this Issue post allocation towards Rights Entitlements applied for.

For example, if an Eligible Equity Shareholder holds [●] Equity Shares, such Equity Shareholder will be entitled to 1 (one) Equity Share and will also be given a preferential consideration for the Allotment of one additional Equity Share if such Eligible Equity Shareholder has applied for additional Equity Shares, over and above his/her Rights Entitlements, subject to availability of Equity Shares in this Issue post allocation towards Rights Entitlements applied for.

Further, the Eligible Equity Shareholders holding less than [●] Equity Shares shall have 'zero' entitlement for the Equity Shares. Such Eligible Equity Shareholders are entitled to apply for additional Equity Shares and will be given preference in the Allotment of one Equity Share, if such Eligible Equity Shareholders apply for additional Equity Shares, subject to availability of Equity Shares in this Issue post allocation towards Rights Entitlements applied for. However, they cannot renounce the same in favour of third parties.

- ***Ranking***

The Equity Shares to be issued and Allotted pursuant to this Issue shall be subject to the provisions of this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, and the Memorandum of Association and the Articles of Association, the provisions of the Companies Act, 2013, FEMA, the SEBI ICDR Regulations, the SEBI Listing Regulations, and the guidelines, notifications and regulations issued by SEBI, the Government of India and other statutory and regulatory authorities from time to time, the terms of the Listing Agreements entered into by our Company with the Stock Exchanges and the terms and conditions as stipulated in the Allotment advice. The Equity Shares to be issued and Allotted under this Issue shall rank *pari passu* with the existing Equity Shares, in all respects including dividends.

- ***Listing and trading of the Equity Shares to be issued pursuant to this Issue***

Subject to receipt of the listing and trading approvals, the Equity Shares proposed to be issued on a rights basis shall be listed and admitted for trading on the Stock Exchanges. Unless otherwise permitted by the SEBI ICDR Regulations, the Equity Shares Allotted pursuant to this Issue will be listed as soon as practicable and all steps for completion of necessary formalities for listing and commencement of trading in the Equity Shares will be taken within such period prescribed under the SEBI ICDR Regulations. Our Company has received in-principle approval from the BSE through letter bearing reference number [●] dated [●], 2021 and from the NSE through letter bearing reference number [●] dated [●], 2021. Our Company will apply to the Stock Exchanges for final approvals for the listing and trading of the Equity Shares subsequent to their Allotment. No assurance can be given regarding the active or sustained trading in the Equity Shares or the price at which the Equity Shares offered under this Issue will trade after the listing thereof.

The existing Equity Shares are listed and traded on BSE (Scrip Code:533519) and NSE (Scrip Code: L&TFH) under the ISIN: INE498L01015. The Equity Shares shall be credited to a temporary ISIN which will be frozen until the receipt of the final listing/ trading approvals from the Stock Exchanges. Upon receipt of such listing and trading approvals, the Equity Shares shall be debited from such temporary ISIN and credited to the new ISIN for the Equity Shares and thereafter be available for trading and the temporary ISIN shall be permanently deactivated in the depository system of CDSL and NSDL.

The listing and trading of the Equity Shares issued pursuant to this Issue shall be based on the current regulatory framework then applicable. Accordingly, any change in the regulatory regime would affect the listing and trading schedule.

In case our Company fails to obtain listing or trading permission from the Stock Exchanges, our Company shall refund through verifiable means/unblock the respective ASBA Accounts, the entire monies received/blocked within seven days of receipt of intimation from the Stock Exchanges, rejecting the application for listing of the Equity Shares, and if any such money is not refunded/ unblocked within eight days after our Company becomes liable to repay it, our Company and every director of our Company who is an officer-in-default shall, on and from the expiry of the eighth day, be jointly and severally liable to repay that money with interest at rates prescribed under applicable law.

- ***Subscription to this Issue by our Promoter and members of the Promoter Group***

For details of the intent and extent of subscription by our Promoter and members of the Promoter Group, see "*Capital Structure - Intention and extent of participation by our Promoter*" on page 62.

- ***Rights of Holders of Equity Shares of our Company***

Subject to applicable laws, Shareholders who have been Allotted Equity Shares pursuant to the Issue shall have the following rights:

(a) The right to receive dividend, if declared;

(b) The right to vote in person, or by proxy, except in case of Equity Shares credited to the demat suspense account for resident Eligible Equity Shareholders holding Equity Shares in physical form;

(c) The right to receive surplus on liquidation;

(d) The right to receive offers for rights shares and be allotted bonus shares, if announced;

(e) The right to free transferability of Equity Shares;

(f) The right to attend general meetings of our Company and exercise voting powers in accordance with law, unless prohibited / restricted by law and as disclosed in this Letter of Offer; and

(g) Such other rights as may be available to a shareholder of a listed public company under the Companies Act, 2013, the Memorandum of Association and the Articles of Association.

VII. GENERAL TERMS OF THE ISSUE

- ***Market Lot***

The Equity Shares of our Company shall be tradable only in dematerialized form. The market lot for Equity Shares in dematerialised mode is one Equity Share.

- ***Joint Holders***

Where two or more persons are registered as the holders of any Equity Shares, they shall be deemed to hold the same as the joint holders with the benefit of survivorship subject to the provisions contained in our Articles of Association. In case of Equity Shares held by joint holders, the Application submitted in physical mode to the Designated Branch of the SCSBs would be required to be signed by all the joint holders (in the same order as appearing in the records of the Depository) to be considered as valid for allotment of Equity Shares offered in this Issue.

- ***Nomination***

Nomination facility is available in respect of the Equity Shares in accordance with the provisions of the Section 72 of the Companies Act, 2013 read with Rule 19 of the Companies (Share Capital and Debenture) Rules, 2014.

Since the Allotment is in dematerialised form, there is no need to make a separate nomination for the Equity Shares to be Allotted in this Issue. Nominations registered with the respective DPs of the Investors would prevail. Any Investor holding Equity Shares in dematerialised form and desirous of changing the existing nomination is requested to inform its Depository Participant.

- ***Arrangements for Disposal of Odd Lots***

The Equity Shares shall be traded in dematerialised form only and, therefore, the marketable lot shall be one Equity Share and hence, no arrangements for disposal of odd lots are required.

- ***Notices***

In accordance with the SEBI ICDR Regulations, SEBI Relaxation Circulars and the MCA Circulars, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent/ dispatched only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Abridged Letter of Offer, the Application Form, the Rights Entitlement Letter and other Issue material will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

Further, this Letter of Offer will be sent/ dispatched to the Eligible Equity Shareholders who have provided Indian address and who have made a request in this regard. In case such Eligible Equity Shareholders have provided their valid e-mail address, the Letter of Offer will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Letter of Offer will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them.

All notices to the Eligible Equity Shareholders required to be given by our Company shall be published in one English language national daily newspaper with wide circulation, one Hindi language national daily

newspaper with wide circulation and one Marathi language daily newspaper with wide circulation (Marathi being the regional language of Mumbai, where our Registered and Corporate Office is situated).
This Letter of Offer, the Abridged Letter of Offer and the Application Form shall also be submitted with the Stock Exchanges for making the same available on their websites.

- ***Offer to Non-Resident Eligible Equity Shareholders/Investors***

As per Rule 7 of the FEMA Rules, RBI has given general permission to Indian companies to issue Equity Shares to non-resident Equity Shareholders including additional Equity Shares. Further, as per the Master Direction on Foreign Investment in India dated January 4, 2018 issued by RBI, non-residents may, amongst other things, (i) subscribe for additional shares over and above their Rights Entitlements; (ii) renounce the shares offered to them either in full or part thereof in favour of a person named by them; or (iii) apply for the shares renounced in their favour. Applications received from NRIs and non-residents for allotment of Equity Shares shall be, amongst other things, subject to the conditions imposed from time to time by RBI under FEMA in the matter of Application, refund of Application Money, Allotment of Equity Shares and issue of Rights Entitlement Letters/ letters of Allotment/Allotment advice. If a non-resident or NRI Investor has specific approval from RBI or any other governmental authority, in connection with his shareholding in our Company, such person should enclose a copy of such approval with the Application details and send it to the Registrar at lntfinance.rights@linkintime.co.in. It will be the sole responsibility of the investors to ensure that the necessary approval from the RBI or the governmental authority is valid in order to make any investment in the Issue and the Lead Managers and our Company will not be responsible for any such allotments made by relying on such approvals.

The Abridged Letter of Offer, the Rights Entitlement Letter and Application Form shall be sent only to the Indian addresses of the non-resident Eligible Equity Shareholders on a reasonable efforts basis, who have provided an Indian address to our Company and located in jurisdictions where the offer and sale of the Equity Shares may be permitted under laws of such jurisdictions, Eligible Equity Shareholders can access this Letter of Offer, the Abridged Letter of Offer and the Application Form (provided that the Eligible Equity Shareholder is eligible to subscribe for the Equity Shares under applicable securities laws) from the websites of the Registrar, our Company, the Lead Managers and the Stock Exchanges. Our Board may at its absolute discretion, agree to such terms and conditions as may be stipulated by RBI while approving the Allotment. The Equity Shares purchased by non-residents shall be subject to the same conditions including restrictions in regard to the repatriation as are applicable to the original Equity Shares against which Equity Shares are issued on rights basis.

In case of change of status of holders, *i.e.*, from resident to non-resident, a new demat account must be opened. Any Application from a demat account which does not reflect the accurate status of the Applicant is liable to be rejected at the sole discretion of our Company and the Lead Managers.

Please note that only resident Investors can submit an Application using the R-WAP.

Please also note that pursuant to Circular No. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies ("**OCBs**") have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as a incorporated non-resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

The non-resident Eligible Equity Shareholders can update their Indian address in the records maintained by the Registrar and our Company by submitting their respective copies of self-attested proof of address, passport, etc. at lntfinance.rights@linkintime.co.in.

ALLOTMENT OF THE EQUITY SHARES IN DEMATERIALIZED FORM

PLEASE NOTE THAT THE EQUITY SHARES APPLIED FOR IN THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO THE SAME DEPOSITORY ACCOUNT IN WHICH OUR EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE. FOR DETAILS, SEE "ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS" ON PAGES 330-331.

VIII. ISSUE SCHEDULE

LAST DATE FOR CREDIT OF RIGHTS ENTITLEMENTS	**[●], [●],**
ISSUE OPENING DATE	**[●], [●],**
LAST DATE FOR ON MARKET RENUNCIATION OF RIGHTS ENTITLEMENTS #	**[●], [●],**
ISSUE CLOSING DATE*	**[●], [●],**

FINALISATION OF BASIS OF ALLOTMENT (ON OR ABOUT)	**[●], [●],**
DATE OF ALLOTMENT (ON OR ABOUT)	**[●], [●],**
DATE OF CREDIT (ON OR ABOUT)	**[●], [●],**
DATE OF LISTING (ON OR ABOUT)	**[●], [●],**

\# *Eligible Equity Shareholders are requested to ensure that renunciation through off-market transfer is completed in such a manner that the Rights Entitlements are credited to the demat account of the Renouncees on or prior to the Issue Closing Date.*

* *Our Board or a duly authorized committee thereof will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Opening Date). Further, no withdrawal of Application shall be permitted by any Applicant after the Issue Closing Date.*

Please note that if Eligible Equity Shareholders holding Equity Shares in physical form as on Record Date, have not provided the details of their demat accounts to our Company or to the Registrar, they are required to provide their demat account details to our Company or the Registrar not later than two Working Days prior to the Issue Closing Date, *i.e.*, [●], [●], to enable the credit of the Rights Entitlements by way of transfer from the demat suspense escrow account to their respective demat accounts, at least one day before the Issue Closing Date.

IX. BASIS OF ALLOTMENT

Subject to the provisions contained in this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter, the Application Form, the Articles of Association and the approval of the Designated Stock Exchange, our Board will proceed to Allot the Equity Shares in the following order of priority:

(a) Full Allotment to those Eligible Equity Shareholders who have applied for their Rights Entitlements of Equity Shares either in full or in part and also to the Renouncee(s) who has or have applied for Equity Shares renounced in their favour, in full or in part.

(b) Eligible Equity Shareholders whose fractional entitlements are being ignored and Eligible Equity Shareholders with zero entitlement, would be given preference in allotment of one additional Equity Share each if they apply for additional Equity Shares. Allotment under this head shall be considered if there are any unsubscribed Equity Shares after allotment under (a) above. If number of Equity Shares required for Allotment under this head are more than the number of Equity Shares available after Allotment under (a) above, the Allotment would be made on a fair and equitable basis in consultation with the Designated Stock Exchange and will not be a preferential allotment.

(c) Allotment to the Eligible Equity Shareholders who having applied for all the Equity Shares offered to them as part of this Issue, have also applied for additional Equity Shares. The Allotment of such additional Equity Shares will be made as far as possible on an equitable basis having due regard to the number of Equity Shares held by them on the Record Date, provided there are any unsubscribed Equity Shares after making full Allotment in (a) and (b) above. The Allotment of such Equity Shares will be at the sole discretion of our Board in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.

(d) Allotment to Renouncees who having applied for all the Equity Shares renounced in their favour, have applied for additional Equity Shares provided there is surplus available after making full Allotment under (a), (b) and (c) above. The Allotment of such Equity Shares will be made on a proportionate basis in consultation with the Designated Stock Exchange, as a part of this Issue and will not be a preferential allotment.

(e) Allotment to any other person, subject to applicable laws, that our Board may deem fit, provided there is surplus available after making Allotment under (a), (b), (c) and (d) above, and the decision of our Board in this regard shall be final and binding.

After taking into account Allotment to be made under (a) to (d) above, if there is any unsubscribed portion, the same shall be deemed to be 'unsubscribed'.

Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall send to the Controlling Branches, a list of the Investors who have been allocated Equity Shares in this Issue, along with:

1. The amount to be transferred from the ASBA Account to the separate bank account opened by our Company for this Issue, for each successful Application;

2. The date by which the funds referred to above, shall be transferred to the aforesaid bank account; and

3. The details of rejected ASBA applications, if any, to enable the SCSBs to unblock the respective ASBA Accounts.

For Applications through R-WAP, instruction will be sent to Escrow Collection Bank(s) with list of Allottees and corresponding amount to be transferred to the Allotment Account(s). Further, the list of Applicants eligible for refund with corresponding amount will also be shared with Escrow Collection Bank(s) to refund such Applicants.

X. ALLOTMENT ADVICE OR REFUND/ UNBLOCKING OF ASBA ACCOUNTS

Our Company will send/ dispatch Allotment advice, refund intimations (including in respect of Applications made through R-WAP facility) or demat credit of securities and/or letters of regret, only to the Eligible Equity Shareholders who have provided Indian address. In case such Eligible Equity Shareholders have provided their valid e-mail address, Allotment advice, refund intimations (including in respect of Applications made through R-WAP facility) or demat credit of securities and/or letters of regret will be sent only to their valid e-mail address and in case such Eligible Equity Shareholders have not provided their e-mail address, then the Allotment advice, refund intimations (including in respect of Applications made through R-WAP facility) or demat credit of securities and/or letters of regret will be dispatched, on a reasonable effort basis, to the Indian addresses provided by them; along with crediting the Allotted Equity Shares to the respective beneficiary accounts (only in dematerialised mode) or in a demat suspense account (in respect of Eligible Equity Shareholders holding Equity Shares in physical form on the Allotment Date) or issue instructions for unblocking the funds in the respective ASBA Accounts, if any, within a period of 15 days from the Issue Closing Date. In case of failure to do so, our Company and our Directors who are "officers in default" shall pay interest at 15% p.a. and such other rate as specified under applicable law from the expiry of such 15 days' period.

In case of Applications through R-WAP, refunds, if any, will be made to the same bank account from which Application Money was received. Therefore, the Investors should ensure that such bank accounts remain valid and active.

The Rights Entitlements will be credited in the dematerialized form using electronic credit under the depository system and the Allotment advice shall be sent, through e-mail, to the e-mail address provided to our Company or at the address recorded with the Depository.

In the case of non-resident Investors who remit their Application Money from funds held in the NRE or the FCNR Accounts, unblocking and/or payment of interest or dividend and other disbursements, if any, shall be credited to such accounts.

Where an Applicant has applied for additional Equity Shares in the Issue and is Allotted a lesser number of Equity Shares than applied for, the excess Application Money paid/blocked shall be refunded/unblocked. The unblocking of ASBA funds / refund of monies shall be completed be within such period as prescribed under the SEBI ICDR Regulations. In the event that there is a delay in making refunds beyond such period as prescribed under applicable law, our Company shall pay the requisite interest at such rate as prescribed under applicable law.

Credit and Transfer of Equity Shares in case of Shareholders holding Equity Shares in Physical Form and disposal of Equity Shares for non-receipt of demat account details

In case of Allotment to resident Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date, have paid the Application Money and have not provided the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, the following procedure shall be adhered to:

(a) the Registrar shall send Allotment advice and credit the Equity Shares to a demat suspense account to be opened by our Company;

(b) such Eligible Equity Shareholders shall be required to send a communication to our Company or the Registrar containing the name(s), Indian address, e-mail address, contact details and the details of their demat account along with copy of self-attested PAN and self-attested client master sheet of their demat account either by post, speed post, courier, electronic mail or hand delivery;

(c) Our Company (with the assistance of the Registrar) shall, after verification of the details of such demat account by the Registrar, transfer the Equity Shares from the demat suspense account to the demat accounts of such Eligible Equity Shareholders;

(d) Our Company shall send reminder notices seeking the requisite details of demat account, in due course, to such resident Eligible Equity Shareholders who have not provided the requisite details; and

(e) In case the details of demat account provided by the Eligible Equity Shareholders are not of his/ her own demat account, the Equity Shares shall remain in the demat suspense account.

- ***Notes:***

1. Our Company will open a separate demat suspense account to credit the Equity Shares in respect of such Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date and have not provided details of their demat accounts to our Company or the Registrar, at least two Working Days prior to the Issue Closing Date. Our Company, with the assistance of the Registrar, will initiate transfer of such Equity Shares from the demat suspense account to the demat account of such Eligible Equity Shareholders, upon receipt of details of demat accounts from the Eligible Equity Shareholders.

2. The Eligible Equity Shareholders cannot trade in such Equity Shares until the receipt of demat account details and transfer to such Eligible Equity Shareholders' respective account.

3. There will be no voting rights against such Equity Shares kept in the demat suspense account. However, the respective Eligible Equity Shareholders will be eligible to receive dividends, if declared, in respect of such Equity Shares in proportion to amount paid-up on the Equity Shares, as permitted under applicable laws.

4. Investors may be subject to adverse foreign, state or local tax or legal consequences as a result of buying or selling of Equity Shares or Rights Entitlements. The Eligible Equity Shareholders should obtain their own independent tax and legal advice and may not rely on our Company or any of their affiliates including any of their respective Equity Shareholders, directors, officers, employees, counsels, representatives, agents or affiliates when evaluating the tax consequences in relation to the Equity Shares (including but not limited to any applicable short-term capital gains tax, or any other applicable taxes or charges in case of any gains made by such Eligible Equity Shareholders from the sale of such Equity Shares).

5. The Lead Managers, our Company, its directors, its employees, affiliates, associates and their respective directors and officers and the Registrar shall not be liable in any manner and not be responsible for acts, mistakes, errors, omissions and commissions, *etc.*, in relation to any delay in furnishing details of demat account by such Eligible Equity Shareholders, any resultant loss to the Eligible Equity Shareholders due to sale of the Equity Shares, if such details are not correct, demat account is frozen or not active or in case of non-availability of details of bank account of such Eligible Equity Shareholders, profit or loss to such Eligible Equity Shareholders due to aforesaid process, tax deductions or other costs charged by our Company, or on account of aforesaid process in any manner.

XI. PAYMENT OF REFUND

- ***Mode of making refunds***

The payment of refund, if any, including in the event of oversubscription or failure to list or otherwise would be done through any of the following modes. Please note that payment of refund in case of Applications made through R-WAP, shall be through modes under (b) to (g) below.

(a) Unblocking amounts blocked using ASBA facility.

(b) **NACH** – National Automated Clearing House is a consolidated system of electronic clearing service. Payment of refund would be done through NACH for Applicants having an account at one of the centres specified by RBI, where such facility has been made available. This would be subject to availability of complete bank account details including MICR code wherever applicable from the depository. The payment of refund through NACH is mandatory for Applicants having a bank account at any of the centres where NACH facility has been made available by RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where Applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.

(c) **National Electronic Fund Transfer** ("**NEFT**") – Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code ("**IFSC Code**"), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Investors have registered their nine digit MICR number and their bank account number with the Registrar to our Company or with the Depository Participant while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.

(d) **Direct Credit** – Investors having bank accounts with the Banker(s) to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by our Company.

(e) **RTGS** – If the refund amount exceeds ₹ 2,00,000, the Investors have the option to receive refund through RTGS. Such eligible Investors who indicate their preference to receive refund through RTGS are required to provide the IFSC Code in the Application Form. In the event the same is not provided, refund shall be made through NACH or any other eligible mode. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the Investor's bank receiving the credit would be borne by the Investor.

(f) For all other Investors, the refund orders will be dispatched through speed post or registered post subject to applicable laws. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/first Investor and payable at par.

(g) Credit of refunds to Investors in any other electronic manner, permissible by SEBI from time to time.

In case of Application through R-WAP, refunds, if any, will be made to the same bank account from which Application Money was received. Therefore, the Investors should ensure that such bank accounts remain valid and active.

- ***Refund payment to non-residents***

The Application Money will be unblocked in the ASBA Account of the non-resident Applicants, details of which were provided in the Application Form.

XII. ALLOTMENT ADVICE OR DEMAT CREDIT OF SECURITIES

The demat credit of securities to the respective beneficiary accounts or the demat suspense account (pending receipt of demat account details for Eligible Equity Shareholders holding Equity Shares in physical form/ with IEPF authority/ in suspense, *etc.*) will be credited within 15 days from the Issue Closing Date or such other timeline in accordance with applicable laws.

- ***Receipt of the Equity Shares in Dematerialized Form***

PLEASE NOTE THAT THE EQUITY SHARES APPLIED FOR UNDER THIS ISSUE CAN BE ALLOTTED ONLY IN DEMATERIALIZED FORM AND TO (A) THE SAME DEPOSITORY ACCOUNT/ CORRESPONDING PAN IN WHICH THE EQUITY SHARES ARE HELD BY SUCH INVESTOR ON THE RECORD DATE, OR (B) THE DEPOSITORY ACCOUNT, DETAILS OF WHICH HAVE BEEN PROVIDED TO OUR COMPANY OR THE REGISTRAR AT LEAST TWO WORKING DAYS PRIOR TO THE ISSUE CLOSING DATE BY THE ELIGIBLE EQUITY SHAREHOLDER HOLDING EQUITY SHARES IN PHYSICAL FORM AS ON THE RECORD DATE, OR (C) DEMAT SUSPENSE ACCOUNT PENDING RECEIPT OF DEMAT ACCOUNT DETAILS FOR RESIDENT ELIGIBLE EQUITY SHAREHOLDERS HOLDING EQUITY SHARES IN PHYSICAL FORM/ WHERE THE CREDIT OF THE RIGHTS ENTITLEMENTS RETURNED/REVERSED/FAILED.

Investors shall be Allotted the Equity Shares in dematerialized (electronic) form. Our Company has signed an agreement dated June 6, 2016 with NSDL and an agreement dated June 27, 2016with CDSL which enables the Investors to hold and trade in the securities issued by our Company in a dematerialized form, instead of holding the Equity Shares in the form of physical certificates.

INVESTORS MAY PLEASE NOTE THAT THE EQUITY SHARES CAN BE TRADED ON THE STOCK EXCHANGES ONLY IN DEMATERIALIZED FORM.

The procedure for availing the facility for Allotment of Equity Shares in this Issue in the dematerialised form is as under:

1. Open a beneficiary account with any depository participant (care should be taken that the beneficiary account should carry the name of the holder in the same manner as is registered in the records of our Company. In the case of joint holding, the beneficiary account should be opened carrying the names of the holders in the same order as registered in the records of our Company). In case of Investors having various folios in our Company with different joint holders, the Investors will have to open separate accounts for such holdings. Those Investors who have already opened such beneficiary account(s) need not adhere to this step.

2. It should be ensured that the depository account is in the name(s) of the Investors and the names are in the same order as in the records of our Company or the Depositories.

3. The responsibility for correctness of information filled in the Application Form *vis-a-vis* such information with the Investor's depository participant, would rest with the Investor. Investors should ensure that the names of the Investors and the order in which they appear in Application Form should be the same as registered with the Investor's depository participant.

4. If incomplete or incorrect beneficiary account details are given in the Application Form, the Investor will not get any Equity Shares and the Application Form will be rejected.

5. The Equity Shares will be allotted to Applicants only in dematerialized form and would be directly credited to the beneficiary account as given in the Application Form after verification or demat suspense account (pending receipt of demat account details for resident Eligible Equity Shareholders holding Equity Shares in physical form/ with IEPF authority/ in suspense, *etc.*). Allotment advice, refund order (if any) would be sent directly to the Applicant by e-mail and, if the printing is feasible, through physical dispatch, by the Registrar but the Applicant's depository participant will provide to him the confirmation of the credit of such Equity Shares to the Applicant's depository account.

6. Non-transferable Allotment advice/ refund intimation will be directly sent to the Investors by the Registrar, by e-mail and, if the printing is feasible, through physical dispatch.

7. Renouncees will also have to provide the necessary details about their beneficiary account for Allotment of Equity Shares in this Issue. In case these details are incomplete or incorrect, the Application is liable to be rejected.

Resident Eligible Equity Shareholders, who hold Equity Shares in physical form and who have not furnished the details of their demat account to the Registrar or our Company at least two Working Days prior to the Issue Closing Date, desirous of subscribing to Equity Shares in this Issue must check the procedure for application by and credit of Equity Shares to such Eligible Equity Shareholders in "*- Making of an Application by Eligible Equity Shareholders holding Equity Shares in physical form*" and "*- Credit and Transfer of Equity Shares in case of Shareholders holding Equity Shares in Physical Form and disposal of Equity Shares for non-receipt of demat account details*" on pages 315-318 and 330-331, respectively.

XIII. IMPERSONATION

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of Section 38 of the Companies Act, 2013 which is reproduced below:

"Any person who makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under Section 447."

The liability prescribed under Section 447 of the Companies Act, 2013 for fraud involving an amount of at least ₹ 0.1 crore or 1% of the turnover of the company, whichever is lower, includes imprisonment for a term of not less than six months extending up to 10 years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount. In case the fraud involves (i) an amount which is less than ₹ 0.1 crore or 1% of the turnover of the company, whichever is lower; and (ii) does not involve public interest, then such fraud is punishable with an imprisonment for a term extending up to five years or a fine of an amount extending up to ₹ 0.5 crore or with both.

XIV. UTILISATION OF ISSUE PROCEEDS

Our Board declares that:

A. All monies received out of this Issue shall be transferred to a separate bank account;

B. Details of all monies utilized out of this Issue referred to under (A) above shall be disclosed, and continue to be disclosed till the time any part of the Issue Proceeds remains unutilised, under an appropriate separate head in the balance sheet of our Company indicating the purpose for which such monies have been utilised; and

C. Details of all unutilized monies out of this Issue referred to under (A) above, if any, shall be disclosed under an appropriate separate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested.

XV. UNDERTAKINGS BY OUR COMPANY

Our Company undertakes the following:

1) The complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.

2) All steps for completion of the necessary formalities for listing and commencement of trading at all Stock Exchanges where the Equity Shares are to be listed will be taken by our Board within seven Working Days of finalization of Basis of Allotment.

3) The funds required for making refunds / unblocking to unsuccessful Applicants as per the mode(s) disclosed shall be made available to the Registrar by our Company.

4) Where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the Investor within 15 days of the Issue Closing Date, giving details of the banks where refunds shall be credited along with amount and expected date of electronic credit of refund.

5) In case of refund / unblocking of the Application Money for unsuccessful Applicants or part of the Application Money in case of proportionate Allotment, a suitable communication shall be sent to the Applicants.

6) Adequate arrangements shall be made to collect all ASBA Applications and record all Applications made under the R-WAP process.

7) Our Company shall comply with such disclosure and accounting norms specified by SEBI from time to time.

XVI. INVESTOR GRIEVANCES, COMMUNICATION AND IMPORTANT LINKS

1. Please read this Letter of Offer carefully before taking any action. The instructions contained in the Application Form, Abridged Letter of Offer and the Rights Entitlement Letter are an integral part of the conditions of this Letter of Offer and must be carefully followed; otherwise the Application is liable to be rejected.

2. All enquiries in connection with this Letter of Offer, the Abridged Letter of Offer, the Rights Entitlement Letter or Application Form must be addressed (quoting the Registered Folio Number in case of Eligible Equity Shareholders who hold Equity Shares in physical form as on Record Date or the DP ID and Client ID number, the Application Form number and the name of the first Eligible Equity Shareholder as mentioned on the Application Form and super scribed "**L&T Finance Holdings Limited – Rights Issue**" on the envelope and postmarked in India or in the e-mail) to the Registrar at the following address:

   Link Intime India Private Limited
   C-101, 247 Park
   L B S Marg Vikhroli (West)
   Mumbai 400 083
   Telephone: +91 (22) 4918 6200
   E-mail id: lntfinance.rights@linkintime.co.in
   Investor grievance e-mail id: lntfinance.rights@linkintime.co.in
   Contact person: Sumeet Deshpande
   Website: www.linkintime.co.in
   SEBI registration number: INR000004058

3. In accordance with SEBI Rights Issue Circulars, frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors will be available on the website of the Registrar (www.linkintime.co.in). Further, helpline number provided by the Registrar for guidance on the Application process and resolution of difficulties is +91(22) 4918 6200).

4. The Investors can visit following links for the below-mentioned purposes:

   a) Frequently asked questions and online/ electronic dedicated investor helpdesk for guidance on the Application process and resolution of difficulties faced by the Investors: https://www.linkintime.co.in

b) Updation of Indian address/ e-mail address/ phone or mobile number in the records maintained by the Registrar or our Company: https://linkintime.co.in/EmailReg/Email_Register.html

c) Updation of demat account details by Eligible Equity Shareholders holding shares in physical form: https://www.linkintime.co.in

d) Submission of self-attested PAN, client master sheet and demat account details by non- resident Eligible Equity Shareholders: lntfinance.rights@linkintime.co.in

This Issue will remain open for a minimum 15 days. However, our Board will have the right to extend the Issue Period as it may determine from time to time but not exceeding 30 days from the Issue Opening Date (inclusive of the Issue Closing Date).

XVII. RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991, of the Government of India and FEMA. While the Industrial Policy, 1991, of the Government of India, prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. The Union Cabinet, as provided in the Cabinet Press Release dated May 24, 2017, has given its approval for phasing out the FIPB. Under the Industrial Policy, 1991, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Accordingly, the process for foreign direct investment ("**FDI**") and approval from the Government of India will now be handled by the concerned ministries or departments, in consultation with the Department for Promotion of Industry and Internal Trade, Ministry of Commerce and Industry, Government of India (formerly known as the Department of Industrial Policy and Promotion) ("**DPIIT**"), Ministry of Finance, Department of Economic Affairs, FIPB section, through a memorandum dated June 5, 2017, has notified the specific ministries handling relevant sectors.

The Government has, from time to time, made policy pronouncements on FDI through press notes and press releases. The DPIIT issued the Consolidated FDI Policy Circular of 2020 ("**FDI Circular 2020**"), which, with effect from October 15, 2020, consolidated and superseded all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020. The Government proposes to update the consolidated circular on FDI policy once every year and therefore, FDI Circular 2020 will be valid until the DPIIT issues an updated circular.

The Government of India has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendments to FEMA. In case of any conflict, the relevant notification under Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 will prevail. The payment of inward remittance and reporting requirements are stipulated under the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 issued by RBI The FDI Circular 2020, issued by the DPIIT, consolidates the policy framework in place as on October 15, 2020, and supersedes all previous press notes, press releases and clarifications on FDI issued by the DPIIT that were in force and effect as on October 15, 2020.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of RBI, provided that (i) the activities of the investee company falls under the automatic route as provided in the FDI Policy and FEMA and transfer does not attract the provisions of the Takeover Regulations; (ii) the non- resident shareholding is within the sectoral limits under the FDI Policy; and (iii) the pricing is in accordance with the guidelines prescribed by SEBI and RBI.

No investment under the FDI route (i.e any investment which would result in the investor holding 10% or more of the fully diluted paid-up equity share capital of the Company or any FDI investment for which an approval from the government was taken in the past) will be allowed in the Issue unless such application is accompanied with necessary approval or covered under a pre-existing approval from the government. It will be the sole responsibility of the investors to ensure that the necessary approval or the pre-existing approval from the government is valid in order to make any investment in the Issue. The Lead Managers and our Company will not be responsible for any allotments made by relying on such approvals.

Please also note that pursuant to Circular no. 14 dated September 16, 2003 issued by RBI, Overseas Corporate Bodies ("**OCBs**") have been derecognized as an eligible class of investors and RBI has subsequently issued the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCBs)) Regulations, 2003. Any Investor being an OCB is required not to be under the adverse notice of RBI and in order to apply for this issue as a incorporated non-resident must do so in accordance with the FDI Circular 2020 and Foreign Exchange Management (Non-Debt Instrument) Rules, 2019. Further, while investing in the Issue, the Investors are deemed to have obtained the necessary approvals, as required, under applicable laws and the obligation to obtain such approvals shall be upon the Investors. Our Company shall not be under an obligation to obtain any approval under any of the applicable laws on behalf of the Investors and shall not be liable in case of failure on part of the Investors to obtain such approvals.

The above information is given for the benefit of the Applicants / Investors. Our Company and the Lead Managers are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Letter of Offer. Investors are advised to make their independent investigations and ensure that the number of Equity Shares applied for do not exceed the applicable limits under laws or regulations.

RESTRICTIONS ON PURCHASES AND RESALES

General Eligibility and Restrictions

No action has been taken or will be taken to permit a public offering of the Rights Entitlements or the Equity Shares to occur in any jurisdiction, or the possession, circulation, or distribution of this Letter of Offer, its accompanying documents or any other material relating to our Company, the Rights Entitlements or the Equity Shares in any jurisdiction where action for such purpose is required, except that this Letter of Offer will be filed with SEBI and the Stock Exchanges.

The Rights Entitlements and Equity Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States (other than to persons in the United States who are U.S. QIBs and QPs).

The Rights Entitlements or the Equity Shares may not be offered or sold, directly or indirectly, and none of this Letter of Offer, its accompanying documents or any offering materials or advertisements in connection with the Rights Entitlements or the Equity Shares may be distributed or published in or from any country or jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

Investors are advised to consult their legal counsel prior to accepting any provisional allotment of Equity Shares, applying for excess Equity Shares or making any offer, sale, resale, pledge or other transfer of the Rights Entitlements or the Equity Shares.

This Letter of Offer and its accompanying documents will be supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose.

Each person who exercises the Rights Entitlements and subscribes for the Equity Shares, or who purchases the Rights Entitlements or the Equity Shares shall do so in accordance with the restrictions set out below.

United States

The Rights Entitlements and the Equity Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S, except for these purposes, U.S. persons include Persons who would otherwise have been excluded from such term solely by virtue of Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, the Rights Entitlements (including their credit) and the Equity Shares are only being offered and sold (i) within the United States or to U.S. Persons that are U.S. QIBs pursuant to the private placement exemption set out in Section 4(a)(2) of the U.S. Securities Act, that are also QPs in reliance upon section 3(c)(7) of the U.S. Investment Company Act and (ii) outside the United States to non-U.S. Persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. Our Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act. The Rights Entitlements and the Equity Shares may not be re-offered, re-sold, pledged or otherwise transferred except in an offshore transaction in accordance with Regulation S to a person outside the United States and not reasonably known by the transferor to be a U.S. Person by pre-arrangement or otherwise (including, for the avoidance of doubt, a bona fide sale on the NSE or the BSE).

Neither receipt of this Letter of Offer, nor any of its accompanying documents constitutes an offer of the Rights Entitlements or the Equity Shares to any Eligible Equity Shareholder other than the Eligible Equity Shareholder who has received this Letter of Offer and its accompanying documents directly from our Company or the Registrar.

For Investors in the United States and U.S. Persons

The Rights Entitlements (including their credit) and the Equity Shares may only be acquired by persons in the United States and U.S. Persons who are U.S. QIBs and QPs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. If you are in the United States or a U.S. Person, you may not exercise any Rights Entitlements and/or acquire any Equity Shares offered hereby unless you are a U.S. QIB and a QP and have been invited to participate directly by our Company.

All offers and sales in the United States of the Rights Entitlements and the Equity Shares have been, or will be, made solely by our Company. The Lead Managers are not making, will not make, and will not participate or otherwise be involved in any offers or sales of the Rights Entitlements, the Equity Shares or any other security with respect to this Issue in the United States.

Each person in the United States and each U.S. Person by accepting the delivery of this Letter of Offer and its accompanying documents, submitting an Application Form for the exercise of any Rights Entitlements and subscription for any Equity Shares and accepting delivery of any Rights Entitlements or any Equity Shares, will be deemed to have represented, warranted and agreed as follows on behalf of itself and, if it is acquiring the Rights Entitlements or the Equity Shares as a fiduciary or agent for one or more investor accounts, on behalf of each owner of such account (such person being the "purchaser", which term shall include the owners of the investor accounts on whose behalf the person acts as fiduciary or agent):

1. The purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Equity Shares, and, if the purchaser is exercising the Rights Entitlements and acquiring the Equity Shares as a fiduciary or agent for one or more investor accounts, the purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Equity Shares on behalf of each owner of such account.

2. The purchaser is aware and understands (and each account for which it is acting has been advised and understands) that an investment in the Rights Entitlements and the Equity Shares involves a considerable degree of risk and that the Rights Entitlements and the Equity Shares are a speculative investment, and further, that no U.S. federal or state or other agency has made any finding or determination as to the fairness of any such investment or any recommendation or endorsement of any such investment.

3. The purchaser understands (and each account for which it is acting has been advised and understands) that no action has been or will be taken to permit an offering of the Rights Entitlements or the Equity Shares in any jurisdiction (other than the filing of this Letter of Offer with SEBI and the Stock Exchanges); and it will not offer, resell, pledge or otherwise transfer any of the Rights Entitlements or the Equity Shares which it may acquire, or any beneficial interests therein, in any jurisdiction or in any circumstances in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer, sale, solicitation or invitation except under circumstances that will result in compliance with any applicable laws and/or regulations. The purchaser agrees to notify any transferee to whom it subsequently reoffers, resells, pledges or otherwise transfers the Rights Entitlements and the Equity Shares of the restrictions set forth in the Letter of Offer under the heading "Restrictions on Purchases and Resales".

4. Without limiting the generality of the foregoing, the purchaser is aware and understands (and each account for which it is acting has been advised and understands) that (i) the Rights Entitlements and the Equity Shares have not been and will not be registered under the U.S. Securities Act or under any securities laws of any state or other jurisdiction of the United States; (ii) any offer and sale of the Rights Entitlements or the Equity Shares in the United States is being made pursuant to the private placement exemption set out in Section 4(a)(2) under the U.S. Securities Act; and (iii) the Rights Entitlements and the Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act; and it agrees, on its own behalf and on behalf of any accounts for which it is acting, that for so long as the Rights Entitlements or the Equity Shares are "restricted securities", it will not reoffer, resell, pledge or otherwise transfer any Rights Entitlements or the Equity Shares which it may acquire, or any beneficial interest therein, except in an offshore transaction complying with Rule 904 of Regulation S.

5. The purchaser (or any account for which it is acting) is an Eligible Equity Shareholder and has received an invitation from our Company, addressed to it and inviting it to participate in this Issue.

6. The purchaser is a U.S. QIB and a QP, and if it is acquiring the Rights Entitlements or the Equity Shares as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB and a QP. To the extent the purchaser exercises the Rights Entitlements and subscribes for the Equity Shares, it will exercise such Rights Entitlements and acquire such Equity Shares for its own account, or for the account of one or more U.S. QIB(s) and QPs as to which the purchaser has full investment discretion, in each case for investment purposes, and not with a view to any resale, distribution or other disposition (within the meaning of U.S. securities laws) of the Rights Entitlements or the Equity Shares.

7. The purchaser understands and acknowledges that all offers and sales in the United States of the Rights Entitlements and the Equity Shares have been, or will be, made solely by our Company. The Lead Managers are not making, will not make, and will not participate or otherwise be involved in any offers or sales of the Rights Entitlements, the Equity Shares or any other security with respect to this Issue in the United States.

8. The purchaser understands that the Lead Managers have not performed diligence with respect to our Company or this Issue that they would have performed if this Issue was being registered pursuant to the U.S. Securities Act.

9. Neither the purchaser nor any of its affiliates or any person acting on its or their behalf has taken or will take, directly or indirectly, any action designed to, or which might be expected to, cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Rights Entitlements or the Equity Shares pursuant to the Issue.

10. To the extent the purchaser exercises the Rights Entitlements and subscribes for the Equity Shares, it agrees not to deposit any Equity Shares into any unrestricted depository facility maintained by any depository bank unless and until such time as the Rights Entitlements or the Equity Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

11. Prior to making any investment decision to exercise the Rights Entitlements and subscribe for the Equity Shares, the purchaser (i) will have consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in each jurisdiction in connection herewith to the extent it has deemed necessary; (ii) will have carefully read and reviewed a copy of this Letter of Offer and its accompanying documents; (iii) will have possessed and carefully read and reviewed all information relating to our Company and our group and the Rights Entitlements and the Equity Shares which it believes is necessary or appropriate for the purpose of making its investment decision, including, without limitation, the Exchange Information (as defined below), and will have had a reasonable opportunity to ask questions of and receive answers from officers and representatives of our Company concerning the financial condition and results of operations of our Company and the purchase of the Rights Entitlements or the Equity Shares, and any such questions have been answered to its satisfaction; (iv) will have possessed and reviewed all information that it believes is necessary or appropriate in connection with an investment in the Rights Entitlements and the Equity Shares; (v) will have conducted its own due diligence on our Company and this Issue, and will have made its own investment decisions based upon its own judgement, due diligence and advice from such advisers as it has deemed necessary and will not have relied upon any recommendation, promise, representation or warranty of or view expressed by or on behalf of our Company, the Lead Managers or its affiliates (including any research reports) (other than, with respect to our Company and any information contained in this Letter of Offer); and (vi) will have made its own determination that any investment decision to exercise the Rights Entitlements and subscribe for the Equity Shares is suitable and appropriate, both in the nature and number of Equity Shares being subscribed.

12. Without limiting the generality of the foregoing, the purchaser acknowledges that (i) the Equity Shares are listed on BSE Limited and the National Stock Exchange of India Limited and our Company is therefore required to publish certain business, financial and other information in accordance with the rules and practices of BSE Limited and the National Stock Exchange of India Limited (which includes, but is not limited to, a description of the nature of our Company's business and our Company's most recent balance sheet and profit and loss account, and similar statements for preceding years together with the information on its website and its press releases, announcements, investor education presentations, annual reports, collectively constitutes "**Exchange Information**"), and that it has had access to such information without undue difficulty and has reviewed such Exchange Information as it has deemed necessary; (ii) our Company does not expect or intend to become subject to the periodic reporting and other information requirements of the Securities and Exchange Commission; and (iii) neither our Company nor any of its affiliates, nor the Lead Managers or any of their affiliates has made any representations or recommendations to it, express or implied, with respect to our Company, the Rights Entitlements or the Equity Shares or the accuracy, completeness or adequacy of the Exchange Information.

13. The purchaser understands that the Exchange Information and this Letter of Offer have been prepared in accordance with content, format and style which is either prescribed by SEBI, the Stock Exchanges or under Indian laws, which differs from the content, format and style customary for similar offerings in the United States. In particular, the purchaser understands that (i) our Company's financial information contained in the Exchange Information and this Letter of Offer have been prepared in accordance with Ind AS, Companies Act, and other applicable statutory and/or regulatory requirements and not in a manner suitable for an offering registered with the US SEC, and (ii) this Letter of Offer does not include all of the information that would be required if our Company were registering the Issue of the Rights Entitlements and the Equity Shares with the U.S. SEC, such as a description of our business and industry, detailed operational data, our management's discussion and analysis of our financial condition and results of operations and audited financial statements for prior years.

14. The purchaser acknowledges that (i) any information that it has received or will receive relating to or in connection with this Issue, and the Rights Entitlements or the Equity Shares, including this Letter of Offer and the Exchange Information (collectively, the "**Information**"), has been prepared solely by our Company; and (ii) none of the Lead Managers or any of its affiliates has verified such Information, and no recommendation, promise, representation or warranty (express or implied) is or has been made or given by the Lead Managers or its affiliates as to the accuracy, completeness or sufficiency of the Information, and nothing contained in the Information is, or shall be relied upon as, a promise, representation or warranty by any of them or their affiliates.

15. The purchaser will not hold our Company, the Lead Managers or its affiliates responsible for any misstatements in or omissions to the Information or in any other written or oral information provided by our Company to it. It acknowledges that no written or oral information relating to this Issue, and the Rights Entitlements or the Equity Shares has been or will be provided by the Lead Managers or its affiliates to it.

16. The purchaser is a highly sophisticated investor and has such knowledge and experience in financial, business and international investment matters and is capable of independently evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of an investment in the Rights Entitlements and the Equity Shares. It, or any account for which it is acting, has the financial ability to bear the economic risk of investment in the Rights Entitlements and the Equity Shares, has adequate means of providing for its current and contingent needs, has no need for liquidity with respect to any investment it (or such account for which it is acting) may make in the Rights Entitlements and the Equity Shares, and is able to sustain a complete loss in connection therewith and it will not look to our Company, or to the Lead Managers, for all or part of any such loss or losses it may suffer.

17. The purchaser understands and acknowledges that the Lead Managers are assisting our Company in respect of this Issue and that the Lead Managers are acting solely for our Company and no one else in connection with this Issue and, in particular, are not providing any service to it, making any recommendations to it, advising it regarding the suitability of any transactions it may enter into to subscribe or purchase any Rights Entitlements or Equity Shares nor providing advice to it in relation to our Company, this Issue or the Rights Entitlements or the Equity Shares. Further, to the extent permitted by law, it waives any and all claims, actions, liabilities, damages or demands it may have against the Lead Manager arising from its engagement with our Company and in connection with this Issue.

18. The purchaser understands that our Company cannot determine with certainty, and has not determined, whether our Company may be treated as a "passive foreign investment company" (a "**PFIC**") for U.S. federal income tax purposes for the current taxable year, and may not be able to make such a determination in future years and, in the event our Company is treated as a PFIC, will not provide information required for it to make a "qualified electing fund" election, and that there may be certain adverse consequences under United States tax laws if our Company were to be a PFIC in the current or any future taxable year in which it may hold Equity Shares. In addition, in the event our Company is treated as a PFIC, it will be subject to certain U.S. Internal Revenue Service information reporting obligations. It understands that a separate determination must be made each year as to our Company's PFIC status. The purchaser acknowledges and confirms that it has made and relied entirely upon its own assessment as to whether, and the consequences to it if, the Company has been, is, continues to be, may be, or becomes a PFIC for United States federal income tax purposes.

19. The purchaser's exercise of the Rights Entitlements and subscription for the Equity Shares and consummation of the transactions contemplated by this Letter of Offer, does not and will not constitute or result in a prohibited transaction under the U.S. Employee Retirement Income Securities Act of 1974 or Section 4975 of the U.S. Internal Revenue Code of 1986 for which an exemption is not available.

20. The purchaser understands that its receipt of the Rights Entitlements and any subscription it may make for the Equity Shares will be subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this Letter of Offer and the Application Form. The purchaser understands that neither our Company, nor the Registrar, the Lead Managers or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Managers or any other person acting on behalf of us have reason to believe is in the United States (other than U.S. QIBs and QPs), or is ineligible to participate in this Issue under applicable securities laws.

21. The purchaser acknowledges that the Company has not registered, and does not intend to register, as an "investment company" (as such term is defined under the U.S. Investment Company Act) and that the Company has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described in this Letter of Offer so that the Company will be able to rely on the exception provided by Section 3(c)(7) of the U.S. Investment Company Act and will have no obligation to register as an investment company. The purchaser, and each person for which it is acting, also understands and agrees that the Company and the Lead Managers shall have the right to request and receive such additional documents, certifications, representations and undertakings, from time to time, as they may deem necessary in order to comply with applicable legal requirements.

22. The purchaser is not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of issuers unaffiliated with such broker-dealer.

23. The purchaser is not an affiliate (as defined in Rule 405 of the U.S. Securities Act) of the Company or a person acting on behalf of an affiliate (as defined in Rule 405 of the U.S. Securities Act).

24. The purchaser is not a participant-directed employee plan, such as a 401 (k) plan or an entity described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A, or a trust holding the assets of such plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan.

25. The purchaser is not managed as a device for facilitating individual investment decisions of beneficial owners, but rather is managed as a collective investment vehicle.

26. The purchaser, and each account for which it is purchasing or otherwise acquiring Equity Shares, holds at least US$250,000 (or its equivalent in another currency) of the Equity Shares.

27. It, and each person for which it is acting, was not formed, reformed, operated or recapitalized for the purpose of investing in the Equity Shares and/or other securities of the Company.

28. If the purchaser, or any person for which it is acting, is an investment company excepted from the U.S. Investment Company Act pursuant to section 3(c)(l) or section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on section 3(c)(l) or 3(c)(7) with respect to its holders that are U.S. persons) and was formed on or before April 30, 1996, it has received the consent of its beneficial owners who acquired their interests on or before

April 30, 1996, with respect to its treatment as a QP in the manner required by Section 2(a)(51)(C) of the U.S. Investment Company Act and the rules promulgated thereunder.

29. The purchaser, and each person for which it is acting, is not a partnership, common trust fund, or corporation, special trust, pension fund or retirement plan, or other entity, in which the partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners, as the case may be, may designate the particular investments to be made, or the allocation thereof unless all such partners, beneficiaries, beneficial owners, participants, shareholders or other equity owners are both QIBs and QPs.

30. The purchaser, and each person for which it is acting, has not invested and will not invest more than 40.0% of its assets in the Equity Shares (or beneficial interests therein) and/or other securities of the Company after giving effect to the purchase of the Equity Shares (or beneficial interests therein) (unless all of the beneficial owners of such entity's securities are both QIBs and QPs).

31. If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act to a person outside the United States and not reasonably known by the transferor to be a U.S. Person by pre-arrangement or otherwise (including, for the avoidance of doubt, by means of a bona fide sale on the floor of any Indian stock exchange). The purchaser agrees not to effect any sale, pledge or other transfer unless the purchaser first executes (x) in the case of a sale, pledge or other transfer that takes place on the floor of any Indian stock exchange, a letter certifying as such or (y) for all other sales, pledges or other transfers, a US Resale Letter in the form of Annexure A, which shall be delivered to the Company prior to the settlement if any, of the sale, pledge or other transfer of the Equity Shares. The purchaser understands that the transfer restrictions will remain in effect until the Company determines, in its sole discretion, to remove them.

32. Is not subscribing to, or purchasing, the Equity Shares with a view to, or for the offer or sale in connection with, any distribution thereof (within the meaning of the U.S. Securities Act) that would be in violation of the securities laws of the United States or any state thereof.

33. The Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Equity Shares.

34. The purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares or any "general solicitation" or "general advertising" (as defined in Regulation D under the U.S. Securities Act) in the United States in connection with any offer or sale of the Equity Shares.

35. The purchaser agrees, upon a proposed transfer of the Equity Shares, to notify any purchaser of such Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Equity Shares being sold and agrees not to act as a swap counterparty or other type of intermediary whereby any other party will acquire an economic interest or beneficial interest in the Equity Shares acquired or reoffer, resell, pledge or otherwise transfer the Equity Shares or any beneficial interest therein, to any person except to a person that meets all of the requirements above and who agrees not to subsequently transfer the Equity Shares or any beneficial interest therein except in accordance with these transfer restrictions.

36. The purchaser understands and acknowledges that (i) subject to applicable law, the Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares made other than in compliance with the above-stated restrictions; (ii) any acquisition of a beneficial interest in the Equity Shares by any U.S. Person or any person within the United States who is required under these restrictions to be a QIB-QP but is not a QIB-QP at the time it acquires a beneficial interest in the Equity Shares or in non-compliance with any of the above stated restrictions, shall be null and void ab initio and will not be honored by the Company and in no event will the Company, its directors, officers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act or failure to act by any person authorized by the Company in connection with the foregoing.

37. The purchaser understands and acknowledges that the Company may be a "covered fund" as defined in Section 13 of the Bank Holding Company Act of 1956, commonly referred to as the "Volcker Rule" (the "**Volcker Rule**"). The definition of "covered fund" in the Volcker Rule includes (subject to specified exclusions) any entity that would be an investment company under the U.S. Investment Company Act but for the exception from the definition of "investment company" in Section 3(c)(1) or 3(c)(7) thereof. The Company intends to qualify under Section 3(c)(7). The Company may be otherwise excepted from the definition of "investment company", but it makes no assurances in that regard. Thus, the Company may be a "covered fund" for purposes of the Volcker Rule. Accordingly, banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining our Equity Shares, absent any applicable exclusion or exemption. Each purchaser must make its own determination as

to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to acquire or retain our Equity Shares.

38. The purchaser is knowledgeable, sophisticated and experienced in business and financial matters, fully understands the limitations on ownership and transfer and the restrictions on sales of the Equity Shares and is aware that there are substantial risks incidental to the purchase of the Equity Shares and is able to bear the economic risk of such purchase.

39. The purchaser acknowledges that the Company, the Managers, their respective affiliates and others will rely upon the truth and accuracy of, and compliance with, the foregoing acknowledgements, representations and agreements, including as a basis for exemption of the offer and sale of the Shares under the U.S. Securities Act, the U.S. Investment Company Act, and other securities laws of all applicable states and for other purposes, and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

40. Upon a proposed sale, transfer, assignment, pledge or other disposition of the Equity Shares, we will notify any purchaser of such Equity Shares, the executing broker and any other agent of the transferor involved in selling the Equity Shares, as applicable, of the transfer restrictions set forth in this Application Form that are applicable to the Equity Shares being sold and will require the broker and such other agent, as applicable, to comply with such restrictions.

Any person in the United States who obtains a copy of this Letter of Offer, or its accompanying documents and who has not been specifically invited by our Company to participate or who is not a U.S. QIB and a QP is required to disregard it.

For Investors Outside of the United States who are non-U.S. Persons

The Rights Entitlements and the Equity Shares offered outside the United States are being offered to non-U.S. Persons in offshore transactions in reliance on Regulation S.

Each purchaser that is a non-U.S. Person and outside of the United States by accepting the delivery of this Letter of Offer and its accompanying documents, submitting an Application Form for the exercise of any Rights Entitlements and subscription for any Equity Shares and accepting delivery of any Rights Entitlements or any Equity Shares, will be deemed to have represented, warranted and agreed as follows on behalf of itself and, if it is acquiring the Rights Entitlements or the Equity Shares as a fiduciary or agent for one or more investor accounts, on behalf of each owner of such account (such person being the "purchaser", which term shall include the owners of the investor accounts on whose behalf the person acts as fiduciary or agent):

1. The purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Equity Shares, and, if the purchaser is exercising the Rights Entitlements and acquiring the Equity Shares as a fiduciary or agent for one or more investor accounts, the purchaser has the full power and authority to make the acknowledgements, representations, warranties and agreements contained herein and to exercise the Rights Entitlements and subscribe for the Equity Shares on behalf of each owner of such account.

2. The purchaser is aware and understands (and each account for which it is acting has been advised and understands) that an investment in the Rights Entitlements and the Equity Shares involves a considerable degree of risk and that the Rights Entitlements and the Equity Shares are a speculative investment, and further, that no U.S. federal or state or other agency has made any finding or determination as to the fairness of any such investment or any recommendation or endorsement of any such investment.

3. The purchaser understands (and each account for which it is acting has been advised and understands) that no action has been or will be taken to permit an offering of the Rights Entitlements or the Equity Shares in any jurisdiction (other than the filing of this Letter of Offer with SEBI and the Stock Exchanges); and it will not offer, resell, pledge or otherwise transfer any of the Rights Entitlements or the Equity Shares which it may acquire, or any beneficial interests therein, in any jurisdiction or in any circumstances in which such offer or sale is not authorised or to any person to whom it is unlawful to make such offer, sale, solicitation or invitation except under circumstances that will result in compliance with any applicable laws and/or regulations. The purchaser agrees to notify any transferee to whom it subsequently reoffers, resells, pledges or otherwise transfers the Rights Entitlements and the Equity Shares of the restrictions set forth in the Letter of Offer under the heading "Restrictions on Purchases and Resales".

4. Without limiting the generality of the foregoing, the purchaser is aware and understands (and each account for which it is acting has been advised and understands) that (i) the Rights Entitlements and the Equity Shares have not been and will not be registered under the U.S. Securities Act or under any securities laws of any state or other jurisdiction of the United States; (ii) any offer and sale of the Rights Entitlements or the Equity Shares in the United States is being made pursuant to the private placement exemption set out in Section 4(a)(2) under the U.S. Securities Act; and (iii) the

Rights Entitlements and the Equity Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act; and it agrees, on its own behalf and on behalf of any accounts for which it is acting, that for so long as the Rights Entitlements or the Equity Shares are “restricted securities”, it will not reoffer, resell, pledge or otherwise transfer any Rights Entitlements or the Equity Shares which it may acquire, or any beneficial interest therein, except in an offshore transaction complying with Rule 904 of Regulation S.

5. The purchaser (or any account for which it is acting) is an Eligible Equity Shareholder and has received an invitation from our Company, addressed to it and inviting it to participate in this Issue.

6. Neither the purchaser nor any of its affiliates or any person acting on its or their behalf has taken or will take, directly or indirectly, any action designed to, or which might be expected to, cause or result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Rights Entitlements or the Equity Shares pursuant to the Issue.

7. To the extent the purchaser exercises the Rights Entitlements and subscribes for the Equity Shares, it agrees not to deposit any Equity Shares into any unrestricted depository facility maintained by any depository bank unless and until such time as the Rights Entitlements or the Equity Shares are no longer “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

8. Prior to making any investment decision to exercise the Rights Entitlements and subscribe for the Equity Shares, the purchaser (i) will have consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in each jurisdiction in connection herewith to the extent it has deemed necessary; (ii) will have carefully read and reviewed a copy of this Letter of Offer and its accompanying documents; (iii) will have possessed and carefully read and reviewed all information relating to our Company and our group and the Rights Entitlements and the Equity Shares which it believes is necessary or appropriate for the purpose of making its investment decision, including, without limitation, the Exchange Information (as defined below), and will have had a reasonable opportunity to ask questions of and receive answers from officers and representatives of our Company concerning the financial condition and results of operations of our Company and the purchase of the Rights Entitlements or the Equity Shares, and any such questions have been answered to its satisfaction; (iv) will have possessed and reviewed all information that it believes is necessary or appropriate in connection with an investment in the Rights Entitlements and the Equity Shares; (v) will have conducted its own due diligence on our Company and this Issue, and will have made its own investment decisions based upon its own judgement, due diligence and advice from such advisers as it has deemed necessary and will not have relied upon any recommendation, promise, representation or warranty of or view expressed by or on behalf of our Company, the Lead Managers or its affiliates (including any research reports) (other than, with respect to our Company and any information contained in this Letter of Offer); and (vi) will have made its own determination that any investment decision to exercise the Rights Entitlements and subscribe for the Equity Shares is suitable and appropriate, both in the nature and number of Equity Shares being subscribed.

9. Without limiting the generality of the foregoing, the purchaser acknowledges that (i) the Equity Shares are listed on BSE Limited and the National Stock Exchange of India Limited and our Company is therefore required to publish certain business, financial and other information in accordance with the rules and practices of BSE Limited and the National Stock Exchange of India Limited (which includes, but is not limited to, a description of the nature of our Company’s business and our Company’s most recent balance sheet and profit and loss account, and similar statements for preceding years together with the information on its website and its press releases, announcements, investor education presentations, annual reports, collectively constitutes “**Exchange Information**”), and that it has had access to such information without undue difficulty and has reviewed such Exchange Information as it has deemed necessary; (ii) our Company does not expect or intend to become subject to the periodic reporting and other information requirements of the Securities and Exchange Commission; and (iii) neither our Company nor any of its affiliates, nor the Lead Managers or any of their affiliates has made any representations or recommendations to it, express or implied, with respect to our Company, the Rights Entitlements or the Equity Shares or the accuracy, completeness or adequacy of the Exchange Information.

10. The purchaser understands that the Exchange Information and this Letter of Offer have been prepared in accordance with content, format and style which is either prescribed by SEBI, the Stock Exchanges or under Indian laws, which differs from the content, format and style customary for similar offerings in the United States. In particular, the purchaser understands that (i) our Company’s financial information contained in the Exchange Information and this Letter of Offer have been prepared in accordance with Ind AS, Companies Act, and other applicable statutory and/or regulatory requirements and not in a manner suitable for an offering registered with the US SEC, and (ii) this Letter of Offer does not include all of the information that would be required if our Company were registering the Issue of the Rights Entitlements and the Equity Shares with the U.S. SEC, such as a description of our business and industry, detailed operational data, our management’s discussion and analysis of our financial condition and results of operations and audited financial statements for prior years.

11. The purchaser acknowledges that (i) any information that it has received or will receive relating to or in connection with this Issue, and the Rights Entitlements or the Equity Shares, including this Letter of Offer and the Exchange

Information (collectively, the "**Information**"), has been prepared solely by our Company; and (ii) none of the Lead Managers or any of its affiliates has verified such Information, and no recommendation, promise, representation or warranty (express or implied) is or has been made or given by the Lead Managers or its affiliates as to the accuracy, completeness or sufficiency of the Information, and nothing contained in the Information is, or shall be relied upon as, a promise, representation or warranty by any of them or their affiliates.

12. The purchaser will not hold our Company, the Lead Managers or its affiliates responsible for any misstatements in or omissions to the Information or in any other written or oral information provided by our Company to it. It acknowledges that no written or oral information relating to this Issue, and the Rights Entitlements or the Equity Shares has been or will be provided by the Lead Managers or its affiliates to it.

13. The purchaser is a highly sophisticated investor and has such knowledge and experience in financial, business and international investment matters and is capable of independently evaluating the merits and risks (including for tax, legal, regulatory, accounting and other financial purposes) of an investment in the Rights Entitlements and the Equity Shares. It, or any account for which it is acting, has the financial ability to bear the economic risk of investment in the Rights Entitlements and the Equity Shares, has adequate means of providing for its current and contingent needs, has no need for liquidity with respect to any investment it (or such account for which it is acting) may make in the Rights Entitlements and the Equity Shares, and is able to sustain a complete loss in connection therewith and it will not look to our Company, or to the Lead Managers, for all or part of any such loss or losses it may suffer.

14. The purchaser understands and acknowledges that the Lead Managers are assisting our Company in respect of this Issue and that the Lead Managers are acting solely for our Company and no one else in connection with this Issue and, in particular, are not providing any service to it, making any recommendations to it, advising it regarding the suitability of any transactions it may enter into to subscribe or purchase any Rights Entitlements or Equity Shares nor providing advice to it in relation to our Company, this Issue or the Rights Entitlements or the Equity Shares. Further, to the extent permitted by law, it waives any and all claims, actions, liabilities, damages or demands it may have against the Lead Manager arising from its engagement with our Company and in connection with this Issue.

15. The purchaser understands that its receipt of the Rights Entitlements and any subscription it may make for the Equity Shares will be subject to and based upon all the terms, conditions, representations, warranties, acknowledgements, agreements and undertakings and other information contained in this Letter of Offer and the Application Form. The purchaser understands that neither our Company, nor the Registrar, the Lead Managers or any other person acting on behalf of us will accept subscriptions from any person, or the agent of any person, who appears to be, or who we, the Registrar, the Lead Managers or any other person acting on behalf of us have reason to believe is in the United States (other than U.S. QIBs and QPs), or is ineligible to participate in this Issue under applicable securities laws.

16. The purchaser (i) is aware that the Rights Entitlements and the Equity Shares have not been and will not be registered under the U.S. Securities Act and are being distributed and offered outside the United States in reliance on Regulation S, (ii) is, and the persons, if any, for whose account it is acquiring such Rights Entitlements and/or the Equity Shares are, non-U.S. Persons located outside the United States and eligible to subscribe for Rights Entitlements and Equity Shares in compliance with applicable securities laws, and (iii) is acquiring the Rights Entitlements and/or the Equity Shares in an offshore transaction meeting the requirements of Rule 903 of Regulation S under the U.S. Securities Act.

17. The purchaser is, and the persons, if any, for whose account it is acquiring the Rights Entitlements and the Equity Shares are, entitled to subscribe for the Equity Shares, and the sale of the Equity Shares to it will not require any filing or registration by, or qualification of, our Company with any court or administrative, governmental or regulatory agency or body, under the laws of any jurisdiction which apply to the purchaser or such persons.

18. The purchaser, and each account for which it is acting, satisfies (i) all suitability standards for investors in investments in the Rights Entitlements and the Equity Shares imposed by the jurisdiction of its residence, and (ii) is eligible to subscribe and is subscribing for the Equity Shares and Rights Entitlements in compliance with applicable securities and other laws of our jurisdiction of residence.

19. The purchaser is authorized to consummate the purchase of the Equity Shares sold pursuant to this Issue in compliance with all applicable laws and regulations.

20. The purchaser acknowledges that the Equity Shares issued pursuant to this Issue have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States and accordingly may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (not relying on Rule 902(k)(1)(viii)(B) or Rule 902(k)(2)(i)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

21. The purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Equity Shares issued pursuant to this Issue, is a non-U.S. Person and was located outside the United States at each time (i) the offer was made to it and (ii) when the buy order for such Equity Shares was originated, and continues to be a non-U.S. Person and located outside the United States and has not purchased such Equity Shares for the account or benefit of any U.S.

Person or any person in the United States or entered into any arrangement for the transfer of such Equity Shares or any economic interest therein to any U.S. Person or any person in the United States.

22. The purchaser is not an affiliate of the Company or a person acting on behalf of an affiliate.

23. If, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Equity Shares, or any economic interest therein, such Equity Shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only outside the United States in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act to a person not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise (including, for the avoidance of doubt, by means of a bona fide sale on the floor of any Indian stock exchange). The purchaser understands that the transfer restrictions will remain in effect until the Company determines, in its sole discretion, to remove them, and confirms that the proposed transfer of the Equity Shares is not part of a plan or scheme to evade the registration requirements of the U.S. Securities Act or the U.S. Investment Company Act.

24. The purchaser agrees that neither the purchaser, nor any of its affiliates, nor any person acting on behalf of the purchaser or any of its affiliates, will make any "directed selling efforts" as defined in Regulation S under the U.S. Securities Act in the United States with respect to the Equity Shares.

25. The purchaser agrees, upon a proposed transfer of the Equity Shares, to notify any purchaser of such Equity Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Equity Shares being sold.

26. The purchaser understands and acknowledges that (i) subject to applicable law, the Company will not recognize any offer, sale, pledge or other transfer of such Equity Shares under other than in compliance with the above-stated restrictions; (ii) any acquisition of a beneficial interest in the Equity Shares by any U.S. Person or any person within the United States who is required under these restrictions to be a QIB-QP but is not a QIB-QP at the time it acquires a beneficial interest in the Equity Shares, shall be null and void ab initio and will not be honored by the Company and in no event will the Company, its directors, officers, employees or agents, including any broker or dealer, have any liability whatsoever to the purchaser by reason of any act of failure to act by any person authorized by the Company in connection with the foregoing.

27. The purchaser understands and acknowledges that the Company may be a “covered fund” as defined in the Volcker Rule. The definition of “covered fund” in the Volcker Rule includes (subject to specified exclusions) any entity that would be an investment company under the U.S. Investment Company Act but for the exception from the definition of “investment company” in Section 3(c)(1) or 3(c)(7) thereof. The Company intends to qualify under Section 3(c)(7). The Company may be otherwise excepted from the definition of “investment company”, but it makes no assurances in that regard. Thus, the Company may be a “covered fund” for purposes of the Volcker Rule. Accordingly, banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining our Equity Shares, absent any applicable exclusion or exemption. Each purchaser must make its own determination as to whether it is a banking entity subject to the Volcker Rule and, if applicable, the potential impact of the Volcker Rule on its ability to acquire or retain our Equity Shares.

28. The purchaser acknowledges that the Company, the Managers, their respective affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations and agreements deemed to have been made by virtue of its purchase of such Equity Shares are no longer accurate, it will promptly notify the Company, and if it is acquiring any of such Equity Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of such account.

29. Upon a proposed sale, transfer, assignment, pledge or other disposition of the Equity Shares, we will notify any purchaser of such Equity Shares, the executing broker and any other agent of the transferor involved in selling the Equity Shares, as applicable, of the transfer restrictions set forth in this Application Form that are applicable to the Equity Shares being sold and will require the broker and such other agent, as applicable, to comply with such restrictions.

Australia

This Letter of Offer does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (Cth) (“**Australian Corporations Act**”) and does not purport to include the information required of a disclosure document under the Australian Corporations Act. This Letter of Offer has not been lodged with the Australian Securities and Investments Commission (“**ASIC**”) and no steps have been taken to lodge it as such with ASIC. Any offer in Australia of the Rights Entitlements and Equity Shares under this Letter of Offer may only be made to persons who are “sophisticated investors” (within the meaning of section 708(8) of the Australian Corporations Act), to “professional investors” (within the meaning of section 708(11) of the Australian Corporations Act) or otherwise pursuant to one or more exemptions under section 708 of the

Australian Corporations Act so that it is lawful to offer the Rights Entitlements and Equity Shares in Australia without disclosure to investors under Part 6D.2 of the Australian Corporations Act.

If you are acting on behalf of, or acting as agent or nominee for, an Australian resident and you are a recipient of this Letter of Offer, and any offers made under this Letter of Offer, you represent to the Issuer and the Lead Managers that you will not provide this Letter of Offer or communicate any offers made under this Letter of Offer to, or make any applications or receive any offers for Rights Entitlements or the Equity Shares for, any Australian residents unless they are a "sophisticated investor" or a "professional investor" as defined by section 708 of the Australian Corporations Act.

Any offer of the Rights Entitlements or the Equity Shares for on-sale that is received in Australia within 12 months after their issue by our Company, or within 12 months after their sale by a selling security holder (or the Lead Managers) under the Issue, as applicable, is likely to need prospectus disclosure to investors under Part 6D.2 of the Australian Corporations Act, unless such offer for on-sale in Australia is conducted in reliance on a prospectus disclosure exemption under section 708 of the Australian Corporations Act or otherwise. Any persons acquiring the Rights Entitlements and the Equity Shares should observe such Australian on-sale restrictions.

Belgium

The Issue does not constitute a public offer in Belgium. This Letter of Offer relating to the Issue has not been, and will not be, notified to the Financial Services and Markets Authority in Belgium in accordance with the Belgian Law of 11 July 2018 on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets (as amended or replaced from time to time, the "Prospectus Law") and Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Accordingly, the Equity Shares and Rights Entitlements may not be distributed, offered, sold or resold, transferred or delivered in Belgium except (i) to "qualified investors" as referred to in article 2, (e) of the Prospectus Regulation, (ii) to fewer than 150 natural or legal persons who hold shares in our Company (other than qualified investors as defined in the Prospectus Regulation) or (iii) in any other circumstances in which the Issue does not qualify as an offer to the public in Belgium in accordance with the Prospectus Regulation and the Prospectus Law.

Canada

The Equity Shares and the Rights Entitlements, this Letter of Offer and any other offering material may be offered to and distributed to shareholders resident in Canada in accordance with the exemption from prospectus requirements in National Instrument 45-106, section 2.1.2 "Rights Offering-Issuer With Minimal Connection to Canada".

Cayman Islands

No offer or invitation to subscribe for the Rights Entitlements and the Equity Shares may be made to the public in the Cayman Islands.

China

This Letter of Offer may not be circulated or distributed in the People's Republic of China ("**PRC**") and the Rights Entitlements and the Equity Shares may not be offered or sold, and will not be offered or sold to any person for re-offering or resale directly or indirectly to, or for the benefit of, legal or natural persons of the PRC except pursuant to applicable laws and regulations of the PRC. Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the Rights Entitlements and the Equity Shares or any beneficial interest therein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this Letter of Offer are required by the Issuer and its representatives to observe these restrictions. For the purpose of this paragraph, PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

Denmark

This Letter of Offer has not been and will not be filed with, registered with or approved by the Danish Financial Supervisory Authority (*Finanstilsynet*) or any other Danish regulatory authority.

European Economic Area (EEA)

In relation to each member State of the European Economic Area (each, a "**Relevant State**"), no Rights Entitlement or Equity Shares have been offered or will be offered pursuant to the Issue to the public in that Relevant State prior to the publication of a prospectus in relation to the Rights Entitlement and the Equity Shares which has been approved by the competent authority in that Relevant State or, where appropriate, approved in another Relevant State and notified to the competent authority in that Relevant State, all in accordance with the Prospectus Regulation, except that offers of the Rights Entitlement and the Equity Shares may be made to the public in that Relevant State at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons per Relevant State (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Lead Managers for any such offer; or

(c) in any other circumstances falling within article 1(4) of the Prospectus Regulation,

provided that no such offer of the Rights Entitlements or the Equity Shares requires the Issuer to publish a prospectus pursuant to article 3 of the Prospectus Regulation or supplement of a prospectus pursuant to article 23 of the Prospectus Regulation. This Letter of Offer is not a prospectus for the purposes of the Prospectus Regulation.

For the purposes of this provision, the expression "offer to the public" in relation to any Rights Entitlement and the Equity Shares in any Relevant State means the communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the Rights Entitlement and the Equity Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Rights Entitlement and the Equity Shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended from time to time.

France

This Letter of Offer has not been and will not be submitted for clearance procedures or otherwise reviewed or approved by the French *Autorité des Marchés Financiers*.

Germany

None of the Issue, this Letter of Offer or any other prospectus within the meaning of the Prospectus Regulation has been submitted to, or approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin*).

Hong Kong

The Rights Entitlements and the Equity Shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Rights Entitlements and the Equity Shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Rights Entitlements and the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Ireland

The Rights Entitlements and the Equity Shares have not been offered or sold, and will not be offered, sold, underwritten, in Ireland other than in conformity with:

a. Regulation (EU) 2017/1129 (the Prospectus Regulation), the European Union (Prospectus) Regulations 2019 of Ireland and any rules issued by the Central Bank pursuant to section 1363 of the Companies Act 2014 of Ireland;

b. the provisions of the Irish Companies Act 2014;

c. the provisions of the Central Bank Acts 1942 to 2018 of Ireland (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 (as amended) of Ireland;

d. the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (S.I. no. 375 of 2017) (as amended) and the provisions of the Investor Compensation Act 1998; and

e. the provisions of the Market Abuse Regulation (EU 596/2014), the Market Abuse Directive on Criminal Sanctions for market abuse (Directive 2014/57/EU) (as amended), the European Union (Market Abuse) Regulations 2016 of Ireland and any rules issued by the Central Bank of Ireland pursuant to section 1370 of the Companies Act 2014 of Ireland.

Italy

This Letter of Offer has not been submitted to the Italian *Commissione Nazionale per le Società e la Borsa* ("**Consob**") for clearance and will not be subject to formal review, clearance or approval by Consob. The Rights Entitlement and the Equity Shares may not be offered, sold or delivered, directly or indirectly in the Republic of Italy or to a resident of the Republic of

Italy, unless such offer, sale or delivery of the Rights Entitlement and the Equity Shares or distribution of copies of this Letter of Offer takes place:

(i) pursuant to the Prospectus Regulation and Italian legislative decree no. 58 of February 24, 1998, as amended from time to time (the "**TUF**"), made only to "qualified investors" (*investitori qualificati*), as defined pursuant to article 34-*ter*, first paragraph, letter (b), of Consob Regulation no. 11971 of May 14, 1999 as amended from time to time ("**Consob Issuers Regulation**") by reference to article 35, paragraph 1, letter (d) of Consob Regulation no. 20307 of February 15, 2018, as amended from time to time ("**Consob Regulation no. 20307**"); or

(ii) in any other circumstances which are exempt from the rules on public offers pursuant to the Prospectus Regulation, article 100 of the TUF and its second-level Consob regulations, including Consob Issuers Regulation.

Any such offer, sale or delivery of the Rights Entitlement and the Equity Shares or any distribution of copies of this Letter of Offer in the Republic of Italy must comply with the selling restrictions under (i) and (ii) above and be:

(1) made by authorized persons (*soggetti abilitati*) (including, without limitation, investment firms, banks or financial intermediaries, as defined by article 1, first paragraph, letter (r), of the TUF), to the extent duly authorized to engage in the placement and/or underwriting and/or purchase of financial instruments in the Republic of Italy in accordance with the relevant provisions of the TUF, Consob Regulation no. 20307, Italian legislative decree no. 385 of September 1, 1993, as amended, and any other applicable laws and regulations; and

(2) in compliance with any other applicable Italian securities and tax and exchange laws and regulations as well as in compliance with other applicable requirements or limitations which may be imposed by Consob or the Bank of Italy or any other Italian regulatory authority from time to time.

Any investor purchasing the Rights Entitlement and the Equity Shares is solely responsible for ensuring that any offer or resale of the rights it purchases occurs in compliance with applicable laws and regulations.

In accordance with article 100-*bis* of the TUF,

(A) the subsequent resale on the secondary market in the Republic of Italy of financial instruments, which were part of an offer made pursuant to an exemption from the obligation to publish a prospectus; or

(B) the systematic resale to investors different from qualified investors of financial instruments which were purchased by qualified investors in the previous 12 months in the context of a placement reserved to qualified investors only,

constitutes a distinct and autonomous offer that must be made in compliance with the public offer and prospectus requirement rules provided under the Prospectus Regulation, the TUF and Consob Issuers Regulation, unless an exemption applies.

Failure to comply with such rules may also result in the subsequent resale of such financial instruments being declared null and void and in the liability of the intermediary transferring the financial instruments for any damage suffered by the investors.

Japan

The Rights Entitlements and the Equity Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law. No. 25 of 1948 as amended) (the "**FIEA**") and disclosure under the FIEA has not been and will not be made with respect to the Rights Entitlements and the Equity Shares. No Rights Entitlements or Equity Shares have, directly or indirectly, been offered or sold, and may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan as defined in the first sentence of Article 6, Paragraph 1, Item 5 of the Foreign Exchange and Foreign Trade Contract Act of Japan (Law No. 228 of 1949, as amended) ("**Japanese Resident**") or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any Japanese Resident except (i) pursuant to an exemption from the registration requirements of the FIEA and (ii) in compliance with any other relevant laws, regulations and governmental guidelines of Japan.

If an offeree does not fall under a "qualified institutional investor" (tekikaku kikan toshika), as defined in Article 10, Paragraph 1 of the Cabinet Office Ordinance Concerning Definition Provided in Article 2 of the Financial Instruments and Exchange Act (Ordinance of the Ministry of Finance No. 14 of 1993, as amended) (the "**Qualified Institutional Investor**"), the Rights Entitlements and Equity Shares will be offered in Japan by a private placement to small number of investors (shoninzu muke kanyu), as provided under Article 23- 13, Paragraph 4 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made.

If an offeree falls under the Qualified Institutional Investor, the Rights Entitlements and the Equity Shares will be offered in Japan by a private placement to the Qualified Institutional Investors (tekikaku kikan toshikamuke kanyu), as provided under Article 23-13, Paragraph 1 of the FIEA, and accordingly, the filing of a securities registration statement for a public offering pursuant to Article 4, Paragraph 1 of the FIEA has not been made. To receive the Rights Entitlements and subscribe the Equity

Shares (the "**QII Rights Entitlements and the QII Rights Equity Shares**") such offeree will be required to agree that it will be prohibited from selling, assigning, pledging or otherwise transferring the QII Rights Entitlements and the QII Rights Equity Shares other than to another Qualified Institutional Investor.

Kuwait

This Letter of Offer and does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, the Rights Entitlements or the Equity Shares in the State of Kuwait. The Rights Entitlements and the Equity Shares have not been licensed for offering, promotion, marketing, advertisement or sale in the State of Kuwait by the Capital Markets Authority or any other relevant Kuwaiti government agency. The offering, promotion, marketing, advertisement or sale of the Rights Entitlements and the Equity Shares in State of Kuwait on the basis of a private placement or public offering is, therefore, prohibited in accordance with Law No. 7 of 2010 and the Executive Bylaws for Law No. 7 of 2010, as amended, which govern the issue, offer, marketing and sale of financial services/products in the State of Kuwait. No private or public offering of the Rights Entitlements or the Equity Shares is or will be made in the State of Kuwait, and no agreement relating to the sale of the Rights Entitlements or the Equity Shares will be concluded in the State of Kuwait and no marketing or solicitation or inducement activities are being used to offer or market the Rights Entitlements or the Equity Shares in the State of Kuwait.

Luxembourg

The Rights Entitlements and the Equity Shares offered in this Letter of Offer may not be offered, sold or delivered to the public within the Grand Duchy of Luxembourg. This Letter of Offer is only intended for institutional investors. It is personal to each offeree and does not constitute an offer to any other person or to the public generally in Luxembourg to subscribe for or otherwise acquire the Rights Entitlements and the Equity Shares. Distribution of this Letter of Offer to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized and any disclosure of any of its contents, without prior written consent of the Issuer, is prohibited.

Mauritius

The Rights Entitlements and the Equity Shares may not be offered or sold, directly or indirectly, to the public in Mauritius. Neither this Letter of Offer nor any offering material or information contained herein relating to the offer of the Rights Entitlements and the Equity Shares may be released or issued to the public in Mauritius or used in connection with any such offer. This Letter of Offer does not constitute an offer to sell the Rights Entitlements and the Equity Shares to the public in Mauritius and is not a prospectus as defined under the Companies Act 2001.

Netherlands

This Letter of Offer has not been and will not be approved by the Authority for the Financial Markets of The Netherlands (*Autoriteit Financiële Markten*) pursuant to the Prospectus Regulation.

Norway

This Letter of Offer has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this Letter of Offer shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007. The Rights Entitlements and the Equity Shares may not be offered or sold, directly or indirectly, in Norway except to professional clients (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

Each Lead Manager has acknowledged that this Letter of Offer has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Lead Manager has represented and agreed that it has not offered or sold any Rights Entitlement or Equity Shares or caused the Rights Entitlement and Equity Shares to be made the subject of an invitation for subscription or purchase and will not offer or sell any Rights Entitlement or Equity Shares or cause the Rights Entitlement or Equity Shares to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Letter of Offer or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Rights Entitlement and the Equity Shares, whether directly or indirectly, to any person in Singapore other than:

(a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA;

(b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or

(c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Rights Entitlement and the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Rights Entitlement and the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

South Korea

We are not making any representation with respect to the eligibility of any recipients of this Letter of Offer to acquire the Rights Entitlements and the Equity Shares therein under the laws of Korea, including, but without limitation, the Foreign Exchange Transaction Law and Regulations thereunder. The Rights Entitlements and the Equity Shares have not been and will not be registered under the Financial Investment Services and Capital Markets Act of Korea (the "**FSCMA**"). Accordingly, the Rights Entitlements and the Equity Shares may not be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as such term is defined under the Foreign Exchange Transaction Law of Korea and its Enforcement Decree), for a period of one year from the date of issuance of the Rights Entitlements and the Equity Shares, except (i) where relevant requirements are satisfied, the Rights Entitlements and the Equity Shares may be offered, sold or delivered to or for the account or benefit of a Korean resident which falls within certain categories of qualified professional investors as specified in the FSCMA, its Enforcement Decree and the Regulation on Securities Issuance and Disclosure promulgated thereunder, or (ii) as otherwise permitted under applicable Korean laws and regulations.

Furthermore, the Rights Entitlements and the Equity Shares may not be re-sold to Korea residents unless the purchaser of the Rights Entitlements and the Equity Shares complies with all applicable regulatory requirements (including, but not limited to, governmental approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with purchase of the Rights Entitlements and the Equity Shares.

Sweden

This Letter of Offer has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this Letter of Offer may not be made available, nor may the Rights Entitlements and the Equity Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of the Rights Entitlements and the Equity Shares in Sweden is limited to persons who are qualified investors (as defined in the Financial Instruments Trading Act). Only such investors may receive this Letter of Offer and they may not distribute it or the information contained in it to any other person.

Switzerland

This Letter of Offer is not intended to constitute an offer or solicitation to purchase or invest in the Rights Entitlements and the Equity Shares described herein. The Rights Entitlements and the Equity Shares may not be publicly offered, directly or indirectly, in Switzerland within the meaning of the Swiss Financial Services Act ("**FinSA**") and no application has or will be made to admit the Rights Entitlements and the Equity Shares to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this Letter of Offer nor any other offering or marketing material relating to the Rights Entitlements and the Equity Shares or the Issue constitutes a prospectus pursuant to the FinSA or pursuant to Articles 652a and

1156 of the Swiss Code of Obligations (as in effect immediately prior to the entry into force of the FinSA) or pursuant to Articles 27 ff. of the listing rules of SIX Exchange Regulation or any other trading venue in Switzerland, and neither this Letter of Offer nor any other offering or marketing material relating to the Rights Entitlements and the Equity Shares or the Issue may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Letter of Offer nor any other offering or marketing material relating to the Rights Entitlements and the Equity Shares or the Issue or our Company have been or will be filed with or approved by any Swiss regulatory authority. In particular, this Letter of Offer will not be filed with, and the Issue will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA ("**FINMA**"), and the Issue has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes ("**CISA**"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Rights Entitlements and the Equity Shares.

This Letter of Offer, as well as any other offering or marketing material relating to the Rights Entitlements and the Equity Shares or the Issuer, is confidential and it is exclusively for the use of the individually addressed investors in connection with the offer of the Rights Entitlements and the Equity Shares in Switzerland and it does not constitute an offer to any other person. This Letter of Offer may only be used by those investors to whom it has been handed out in connection with the Issue described herein and may neither directly nor indirectly be distributed or made available to other persons without our express consent. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in or from Switzerland.

Taiwan

The Rights Entitlements and the Equity Shares have not and will not be registered with the Financial Supervisory Commission of Taiwan or any other governmental authorities of Taiwan, and are not being offered or sold and may not be offered or sold, directly or indirectly, in Taiwan or otherwise, to, or for the benefit of, any resident or entity of Taiwan, except (i) pursuant to the requirements of the securities related laws and regulations in Taiwan; and (ii) in compliance with any other applicable requirements of Taiwan laws.

United Kingdom

In the United Kingdom, this Letter of Offer and any investment or investment activity to which this Letter of Offer relates is directed only at, being distributed and made available only to, and will be engaged in only with, persons who are qualified investors within the meaning of Article 2(e) of the Prospectus Regulation and who (i) fall within the definition of "investment professionals" contained in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (ii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Order or (iii) to whom it can otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). Persons who are not relevant persons should not take any action on the basis of this Letter of Offer and should not act or rely on it or any of its contents.

SECTION VIII: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be entered into by our Company (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of this Letter of Offer) which are or may be deemed material have been entered or are to be entered into by our Company. Copies of the documents for inspection referred to hereunder, may be inspected at the Registered and Corporate Office between 10 a.m. and 5 p.m. on all working days from the date of this Letter of Offer until the Issue Closing Date. Additionally, any person intending to inspect the abovementioned contracts and documents electronically, may do so, by writing an email to igrc@ltfs.com.

A. Material Contracts for the Issue

1. Issue Agreement dated [●] between our Company and the Lead Managers.
2. Registrar Agreement dated [●] between our Company and the Registrar to the Issue.
3. Banker to the Issue Agreement dated [●] amongst our Company, the Lead Managers, the Registrar to the Issue and the Banker(s) to the Issue.
4. Monitoring Agency Agreement dated [●] between our Company and the Monitoring Agency.

B. Material Documents

1. Certified copies of the Memorandum of Association and Articles of Association of our Company.
2. Certificate of incorporation of our Company dated May 1, 2008 and certificate of incorporation dated September 6, 2010 consequent upon change in name of our Company and certificate of commencement of business dated May 15, 2008.
3. Prospectus dated August 11, 2011, in respect of the initial public offer of equity shares of face value of ₹ 10 each by our Company.
4. Resolution of our Board dated November 9, 2020 in relation to approval of the Issue and other related matters.
5. Resolution passed by our Board dated [●] finalizing the terms of the Issue including Record Date and the Rights Entitlement ratio.
6. Consents of our Directors, Company Secretary and Compliance Officer, the Lead Managers, Joint Statutory Auditors, Banker(s) to the Issue, Legal Advisor to our Company as to Indian law, Legal Advisor to the Lead Managers as to Indian law, Special Purpose International Legal Advisor to the Lead Managers, the Registrar to the Issue and the Monitoring Agency for inclusion of their names in this Letter of Offer to act in their respective capacities.
7. The Audited Consolidated Financial Statements and the Unaudited Consolidated September Financial Results and Unaudited Consolidated December Financial Results and the review reports thereon, dated May 29, 2020, October 22, 2020 and [●], 2021, respectively.
8. Report titled "Industry Report on various asset classes" dated January, 2021 issued by CRISIL and consent letter dated [●] issued by CRISIL in respect of such report.
9. Annual Reports of our Company for Fiscal 2020, 2019, 2018, 2017 and 2016.
10. Statement of Possible Special Tax Benefits available to our Company and its shareholders and its Material Subsidiaries under the applicable laws in India issued by our Joint Statutory Auditors, Deloitte Haskins and Sells LLP, Mumbai and B.K. Khare & Co., Mumbai dated [●] and [●], respectively.
11. Due diligence certificate dated [●] addressed to SEBI from the Lead Managers.
12. In principle listing approvals dated [●] and [●] issued by BSE and NSE respectively under Regulation 28(1) of the SEBI Listing Regulations.
13. Tripartite Agreement dated June 6, 2016 between our Company, Registrar to the Issue and NSDL.
14. Tripartite Agreement dated June 27, 2016 between our Company, Registrar to the Issue and CDSL.

Any of the contracts or documents mentioned in this Letter of Offer may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the Eligible Equity Shareholders, subject to compliance with applicable law.

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Shailesh Vishnubhai Haribhakti
Non-Executive Chairman and Independent Director

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Dinanath Mohandas Dubhashi
Managing Director and Chief Executive Officer

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Ramamurthi Shankar Raman
Non-Executive Director

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Pradeep Vasudeo Bhide
Independent Director

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Thomas Mathew Thumpeparambil
Independent Director

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Nishi Vasudeva
Independent Director

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Rajani Rajiv Gupte
Independent Director

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Pavninder Singh
Nominee Director

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE DIRECTOR OF THE COMPANY

____

Prabhakar Banavar Anantharamaiah
Non-Executive Director

Date: _________

Place: _________

DECLARATION

I hereby certify that no statement made in this Letter of Offer contravenes any of the provisions of the Companies Act, 2013 and the rules made thereunder. I further certify that all the legal requirements connected with the Issue as also the regulations, guidelines, instructions, etc., issued by SEBI, Government of India and any other competent authority in this behalf, have been duly complied with.

I further certify that all disclosures made in this Letter of Offer are true and correct.

SIGNED BY THE CHIEF FINANCIAL OFFICER

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Sachinn Roopnarayan Joshi
Chief Financial Officer

Date: _________
Place: _________