

**FAIRNESS OPINION REPORT ON VALUATION
(NON -CONVERTIBLE DEBENTURES)
FOR THE PROPOSED SCHEME OF AMALGAMATION
OF
L&T FINANCE LIMITED, L&T INFRA CREDIT LIMITED, L&T MUTUAL FUND
TRUSTEE LIMITED WITH L&T FINANCE HOLDINGS LIMITED**

By



Navigant

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12th January, 2023

**SEBI Registered Category I Merchant Banker
SEBI Registration No. INM000012243**



Notice to Reader

Navigant Corporate Advisors Limited (“Navigant” / “NCAL” or “Authors of the Report”) is a SEBI registered ‘Category I’ Merchant banker in India and was engaged by Board of Directors of **L&T Finance Holdings Limited (“LTFH” or “Transferee Company”)** to prepare an Independent Fairness Opinion Report in terms of SEBI circular no. SEBI/HO/DDHS/DDHS Div I /P/CIR/2022/0000000103 dated July 29, 2022 (updated as on December 1, 2022), (**“Report”**) with respect to providing an independent Opinion and Assessment as to Fairness of valuation for Non Convertible Debentures (NCD) holders determined by CA Pawan Shivkumar Poddar, **Registered Valuer (SFA) (“Valuer” / “Independent Valuer”/ “Independent Registered Valuer”)** an Independent Valuer for the purpose of intended proposed amalgamation of **L&T Finance Limited (hereinafter referred to as ‘LTFL’)**, **L&T Infra Credit Limited (hereinafter referred to as ‘LTICL’)** and **L&T Finance Holdings Limited (hereinafter referred to as ‘LTFH’ or the ‘Company’)** by way of merger by absorption pursuant to a scheme of arrangement under section 230 to 232 read with Section 52 and other applicable provisions of the Companies Act, 2013 (“Scheme”).

As per the Scheme, Non-convertible debentures (**“NCDs”**) of LTFL and LTICL would be transferred to LTFH and NCD holders of LTFL and LTICL would become the NCD holders of LTFH. The NCDs of LTFH will be on exactly same terms and conditions as NCDs of LTFL and LTICL.

LTFL, LTFL and LTICL are collectively referred as “Companies”.

The Fairness Opinion Report (“Report”) has been prepared on the basis of the review of information provided to Navigant and specifically the Valuation Report prepared by independent registered Valuer. This Report does not give any valuation; however, this Report is limited to provide its Fairness Opinion on the valuation.

The information contained in this Report is selective and is subject to updations, expansions, revisions and amendments. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent.

This Report is based on data and explanations provided by the Management and certain other data culled out from various websites believed to be reliable. Navigant has not independently verified any of the information contained herein. Neither the Company nor Navigant, nor affiliated Bodies Corporate, nor the Directors, Shareholders, Managers, Employees or Agents of any of them, makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in the Report. All such Parties and Entities expressly disclaim any and all liability for or based on or relating to any such information contained in, or errors in or omissions from, this Report or based on or relating to the Recipients’ use of this Report.



Date: 12 January, 2023

To,
L&T Finance Holdings Limited
Brindavan, Plot No.177, CTS Road,
Kalina, Santacruz (East),
Mumbai – 400098

Dear Members of the Board,

Engagement Background

We understand that the Board of Directors of L&T Finance Limited (LTFL), L&T Infra Credit Limited (LTICL), L&T Mutual Fund Trustee Limited (LTMFTL) and L&T Finance Holdings Limited (LTFH) are considering a Scheme of Amalgamation between LTFL, LTICL, LTMFTL and LTFH (“the Scheme” or “Scheme of Amalgamation”) for Merger under the provisions of Sections 230 to 232 read with Section 52 other relevant provisions of the Companies Act, 2013, as may be applicable, and in compliance with circular no. SEBI/HO/DDHS/DDHS DivI /P/CIR/2022/0000000103 dated July 29, 2022 (updated as on December 1, 2022), issued by the Securities Exchange Board of India, as amended from time to time and also read with Section 2(1B) and other relevant provisions of the Income-tax Act, 1961, as may be applicable, for Merger of LTFL, LTICL, LTMFTL and vesting of the same in with LTFH on a going concern basis.

LTFL and LTICL have outstanding NCDs and pursuant to the Proposed Amalgamation, NCD holders of LTFL and LTICL, if any as on the record date, would hold NCDs in LTFH.

We understand that the Valuation of NCDs is based on the Valuation Report dated 12 January 2023 issued by CA Pawan Shivkumar Poddar, Registered Valuer (SFA) (“Valuer”/ “Independent Valuer”) (IBBI Registration No. IBBI/RV/06/2019/12475).

We, Navigant Corporate Advisors Limited, a SEBI registered Category-I Merchant Banker, have been engaged by LTFH to give a Fairness Opinion (“Opinion”) on Valuation Report dated 12 January 2023 issued by the Valuer for NCDs.



Background of the Companies

L&T FINANCE HOLDINGS LIMITED ('LTFH')

L&T FINANCE HOLDINGS LIMITED (CIN: L67120MH2008PLC181833) is a public company, incorporated on May 1, 2008 under the Companies Act, 1956. LTFH is a registered Systemically Important Non- Deposit Accepting Core Investment Company ("NBFC-CIC") in terms of certificate of registration issued by the RBI bearing registration no N-13.02052 dated September 11, 2013. As an NBFC-CIC, LTFH is a primary holding company, holding investments in its subsidiaries. The equity shares of LTFH are listed on National Stock Exchange of India Limited ("NSE") and BSE Limited ("BSE").

L&T INFRA CREDIT LIMITED ("LTICL")

L&T INFRA CREDIT LIMITED ("LTICL") (formerly known as L&T Infra Debt Fund Limited) (CIN: L67100MH2013PLC241104) is a public company, incorporated on March 19, 2013 under the Companies Act, 1956. LTICL is registered with the RBI as an NBFC – Investment and Credit Company ("NBFC – ICC") in terms of certificate of registration issued by the RBI bearing registration no. N-13.02055 dated June 22, 2022. LTICL is engaged in Infrastructure Finance.

LTICL is an indirect wholly-owned subsidiary of LTFH.

The NCDs issued by LTICL are listed at BSE and NSE.

The Non-convertible redeemable preference shares issued by LTICL are listed at BSE.

L&T FINANCE LIMITED ('LTFL')

L&T FINANCE LIMITED (CIN: U65910WB1993FLC060810) is a public company, incorporated on November 24, 1993 under the Companies Act, 1956. LTFL is registered with the RBI as a non-banking financial company investment and credit company ("NBFC-ICC") in terms of certificate of registration issued by the RBI bearing registration no B-05.06200 dated May 4, 2017.

LTFL is a wholly owned subsidiary of LTFH.

LTFL is engaged in rural finance business (comprising of farm equipment financing, two-wheeler financing, micro loans and consumer loans), housing finance business and infrastructure financing.

The non-convertible debentures of LTFL are listed on the NSE and BSE.



Transaction Overview and Rational

Overview

The Scheme provides for the amalgamation of LTFL, LTICL and LTMFTL (LTFL, LTICL and LTMFTL are collectively referred to as “**Amalgamating Companies**”) with LTFH by way of merger by absorption under the provisions of Sections 230 - 232 read with Section 52 of the Companies Act, 2013, including the rules thereunder and other relevant provisions, (“**Act**”) as applicable and in compliance with the provisions of the Income Tax Act, 1961, resulting in the transfer and vesting of the assets, liabilities and the entire undertaking of the Amalgamating Companies into LTFH, followed by the dissolution without winding up of each of the Amalgamating Companies, the consequent cancellation of the equity shares held by LTFH in the Amalgamating Companies, certain adjustments to the securities premium account of Amalgamated Company and various other matters consequential to or otherwise integrally connected with the above.

Rationale of the Scheme

LTFH, being a Core Investment Company (CIC) and the holding company for the financial services businesses of the L&T Group, namely L&T Financial Services (“LTFS”) which is currently undertaken through two lending entities (both having an NBFC – ICC registration pursuant to the corporate restructuring exercise undertaken within LTFS in FY 2021-2022 in accordance with its strategy of ‘Right Structure’). LTFH also holds a few other financial / non-financial services businesses /entities. With the objective of creation of a single large unified operational lending entity and mitigate potential operational and business inefficiencies of having two lending entities with the same NBFC-ICC registration, it is proposed to consolidate the businesses of the lending entities with the holding company. Further, it is also proposed to include a non-operating entity as part of this consolidation. This will help reduce the number of companies within the group (including NBFCs) to achieve optimal and efficient utilization of capital; enhance operational and management efficiencies and have a simplified organizational structure.

Thus, the Amalgamation pursuant to this Scheme would, inter alia, have the following benefits:

- i. Achieve simplification of the holding structure of entities forming part of the group, improve operational and management efficiencies, streamline business operations and decision-making process and enable greater economies of scale.
- ii. Creation of a single large lending entity with a wider and stronger capital and asset base, having greater capacity for conducting its operations more efficiently and competitively.
- iii. Achieve greater transparency, operational efficiency and better utilization of management bandwidth by having one operating Non-Banking Financial Company (NBFC) to house all lending businesses.



- iv. Enable access to business relationships and other intangible benefits that the Amalgamating Companies have built over decades.
- v. Companies have a proven track record in the respective businesses of credit consolidation which will lead to pooling of knowledge and expertise.
- vi. Ease of compliance with revised regulatory framework applicable to NBFC under Scale Based Regulations of RBI.

Information relied upon:

We have prepared the Fairness Opinion Report on the basis of the information provided to us and inter alia the following:

- Fair valuation report for NCDs prepared and issued by the Valuer dated 12 January 2023;
- Other information and explanations as provided by the Management.

Further, we had discussions on such matters which we believe are necessary or appropriate for the purpose of issuing the valuation.

We assume no responsibility for the legal, tax, accounting or structuring matters including, but not limited to, legal or title concerns. Title to all subject business assets is assumed to be good and marketable and we would urge the Company to carry out the independent assessment of the same prior to entering into any transaction, after giving due weightage to the results of such assessment.

We have been informed that all information relevant for the purpose of issuing the Fairness Opinion Report has been disclosed to us and we are not aware of any material information that has been omitted or that remains undisclosed.

Valuation Summary:

Basis of Valuation and Assumptions made by the valuer:

Upon the scheme becoming effective and necessary processes being carried out, the beneficial economic interest of the NCD holders of LTFL and LTICL in the NCDs of LTFH would be same. All the NCD holders of LTFL and LTICL would become the NCD holders of LTFH. The effect of amalgamation is that each NCD holder of LTFL and LTICL as on the relevant record date/effective date would become NCDs holders in LTFH in the same proportion and on same terms as in LTFL and LTICL.

In the current instance, the determination of fair value of NCD would not have any economic impact on the ultimate value of the NCD holders of LTFL and LTICL and the proposed restructuring will be value-neutral to the NCD holders of LTFL and LTICL.



Accordingly, fair valuation of NCDs has not been carried out.

CONCLUSION ON FAIR VALUE AND FAIR EXCHANGE RATIO FOR NCDs RECOMMENDED BY THE VALUER:

Given the above context, without any further act or deed and without any further payment, NCD holders of LTFL and LTICL (whose name is recorded in register of NCD holders as on record date / effective date) will hold NCDs of LTFH in the following proportion;

“1 (One) NCD of LTFH for every 1 (One) NCD of LTICL”; and

“1 (One) NCD of LTFH for every 1 (One) NCD of LTFL”

Based on above and considering that all the NCD holders of LTFL and LTICL are and will upon merger, become NCD holders of LTFH holding economic interest in the same proportion as they hold in LTFL and LTICL, the valuation done is fair to the NCD holders of LTFL and LTICL.

It is to be noted that valuation was arrived at assuming that LTFH will continue in operation in unhindered manner.

Exclusions and Limitations

Our Opinion and Analysis is limited to the extent of review of the valuation by the Valuer and the Draft Scheme Document. In connection with the opinion, we have

- A) Reviewed the Valuation Report by the Valuer dated 12 January 2023.
- B) Reviewed Audited financial statements of LTFH, LTFL and LTICL for the year ended 31 March 2022;
- C) Reviewed Unaudited Financial results of LTFH, LTFL and LTICL for the half year ended 30th September, 2022;
- D) Reviewed Unaudited Financial results of LTICL for the nine months ended 31st December, 2022;
- E) Reviewed Memorandum and Articles of Association of LTFH, LTFL and LTICL;
- F) Reviewed Draft Scheme of Amalgamation;
- G) Held discussions with the Valuer, in relation to the approach taken to Valuation and the details of various methodologies utilized by them in preparing the Valuation Report and recommendations;
- H) Reviewed such other information and explanations as we have required and which have been provided by the Management of LTFL, LTICL and LTFH.



This Opinion is intended only for the sole use and information of the Companies and in connection with the Scheme, including for the purpose of obtaining Judicial and Regulatory Approvals for the Scheme or the purpose of complying with the SEBI Regulations and requirement of Stock Exchanges on which the Company is listed, and for no other purpose. We are not responsible in any way to any Person/Party/Statutory Authority for any decision of such Person or Party or Authority based on this opinion. Any Person/Party intending to provide finance or invest in the Shares/Business of either LTFL and/or LTICL and/or LTFH or their Subsidiaries /Joint Ventures/Associates shall do so after seeking their own professional advice and after carrying out their own due diligence procedures to ensure that they are making an informed decision.

For the purpose of this Assignment, Navigant has relied on the Valuation Certificate for the proposed “Scheme of Amalgamation” of LTFL and LTICL and LTFH and their respective Shareholders and information and explanation provided to it, the accuracy whereof has not been evaluated by Navigant. Navigant’s work does not constitute certification or due diligence of any past working results and Navigant has relied upon the information provided to it as set out in working results of the aforesaid reports.

Navigant has not carried out any physical verification of the Assets and Liabilities of the Companies and takes no responsibility on the identification and availability of such Assets and Liabilities.

We hereby give our consent to present and disclose the Fairness Opinion in the Board /General Meetings of LTFL and LTICL and LTFH and to the Stock Exchanges and to the Registrar of Companies. Our opinion is not, nor should it be construed as our opining or certifying the compliance of the proposed scheme of Amalgamation with the provisions of any Law including Companies, Taxation and Capital Market related Laws or as regards any Legal implications or issues arising thereon.

The information contained in this Report is selective and is subject to updating, expansions, revisions and amendment, if any. It does not purport to contain all the information recipients may require. No obligation is accepted to provide recipients with access to any additional information or to correct any inaccuracies which might become apparent. Recipients are advised to independently conduct their own investigation and analysis of the business of the Companies. The Report has been prepared solely for the purpose of giving a Fairness Opinion on Valuation Certificate issued for the proposed Scheme of Amalgamation, and may not be applicable or referred to or quoted in any other context.

Our opinion is dependent on the information provided to us being complete and accurate in all material respects. Our scope of work does not enable us to accept responsibility for the accuracy and completeness of the information provided to us. The scope of our assignment does not involve performing Audit tests for the purpose of expressing an Opinion on the Fairness or Accuracy of any Financial or Analytical information used during the course of our work. As such we have not performed any audit, review or examinations of any of the historical or prospective information used and, therefore, do not express any Opinion with regard to the same. In addition, we do not take any responsibility for any changes in the information used for any reason, which may occur subsequent to this date.



We have assumed that the Final Scheme will not differ in any material respect from the Draft Scheme Document shared with us.

We do not express any Opinion as to any tax or other consequences that might arise from the Scheme on LTFL, LTICL and LTFH and their respective Shareholders, nor does our Opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the respective Companies have obtained such advice as they deemed necessary from qualified Professionals. We have undertaken no independent analysis of any potential or actual litigation, regulatory action, possible unasserted claims, government investigation or other contingent liabilities to which LTFL and/or LTICL and LTFH and/or their Associates/ Subsidiaries, are or may be Party.

The Company has been provided with an opportunity to review the Draft Opinion as part of our standard practice to make sure that factual inaccuracy/omissions are avoided in our Final Opinion.

Our Opinion is not intended to and does not constitute a recommendation to any Shareholder as to how such holder should vote or act in connection with the Scheme or any matter thereto.

Our Fairness Opinion:

Based upon Valuation Report issued out by the Valuer for the Scheme and the rationale for NCD Exchange Ratio as explained above **is fair and justified**.

This being of our best of professional understanding, we hereby sign the Fairness Opinion Report on Valuation.

For Navigant Corporate Advisors Limited



Sarthak Vijlani
Managing Director