

**REPORT ADOPTED BY THE BOARD OF DIRECTORS OF L&T FINANCE LIMITED IN ACCORDANCE WITH SECTION 232(2)(C) OF THE COMPANIES ACT, 2013 AND CIRCULAR NO. SEBI/HO/DDHS/DDHSDIV1/P/CIR/2022/0000000103 DATED JULY 29, 2022 AS AMENDED FROM TIME TO TIME, ISSUED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA (“SEBI SCHEME CIRCULAR – DEBT”), AT ITS MEETING HELD ON JANUARY 13, 2023**

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1. The Board of Directors of the Company (“**Board**”) considered the proposal involving amalgamation of L&T Finance Limited (“**Company**”/ “**LTF**”), L&T Infra Credit Limited (“**LTICL**”) and L&T Mutual Fund Trustee Limited (“**LTMFTL**”) (LTF, LTICL and LTMFTL are collectively referred to as “**Amalgamating Companies**”) with L&T Finance Holdings Limited (“**Amalgamated Company**”/“**LTFH**”), by way of merger by absorption pursuant to a scheme of arrangement, 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 other applicable regulatory requirements (the “**Scheme**”), resulting in the transfer and vesting of the assets, liabilities and the entire undertaking of the Amalgamating Companies into the Amalgamated Company, followed by the dissolution, without winding up, of each of the Amalgamating Companies, the consequent cancellation of the equity shares held by the Amalgamated Company 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. (*The Amalgamating Companies and the Amalgamated Company are collectively referred to as “**Companies**”*).
2. Words and expressions, used in capitalized form but not defined in this report, shall have the meaning ascribed to them in the Scheme.
3. LTF and LTMFTL are wholly owned subsidiaries of LTFH. LTICL is an indirect wholly owned subsidiary of LTFH, wherein 76.64% of the equity shareholding is held by LTF and 23.36% is directly held by LTFH.

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4. LTF has its registered office in Kolkata and LTFH, LTICL and LTMFTL have their registered office in Mumbai. Accordingly, the Scheme is proposed to be filed with the Mumbai and Kolkata benches of the National Company Law Tribunal.
5. The draft of the Scheme was approved by the Audit Committee and the Board at the meetings held on January 12, 2023 and January 13, 2023 respectively.
6. As per Section 232(2)(c) of the Companies Act, 2013, a report is required to be adopted by the Board explaining the effect of the Scheme on each class of shareholders, key managerial personnel, promoters and non-promoter shareholders of the Company laying out in particular the share exchange ratio, specifying any special valuation difficulties.

Further, pursuant to the requirements of the SEBI Scheme Circular - Debt, the Board is required to also comment on impact of the scheme on the holders of non-convertible debentures (“NCDs”) / non-convertible preference shares (“NCRPS”), safeguards for the protection of the holders of NCDs/NCRPS and exit offer to the dissenting shareholders of NCD/ NCRPS, if any.

Accordingly, this report is being prepared to comply with the requirements of the Companies Act, 2013 read with the SEBI Scheme Circular – Debt (“the **Report**”) and for adoption by the Board.

7. The following documents / draft documents were placed before /circulated to the Board at its Meeting held on January 13, 2023:
  - (a) Valuation reports issue by an independent registered valuer viz Mr. Pawan Shivkumar Poddar as:
    - (i) The valuation report dated January 12, 2023;
    - (ii) The valuation report dated January 12, 2023 for the purpose of SEBI Scheme Circular – Debt in respect of the listed non-convertible debentures;
  - (b) Fairness opinion issued by SEBI registered independent merchant banker viz. Navigant Corporate Advisors Limited for the purpose of SEBI Scheme Circular – Debt providing opinion in respect of the valuations of listed non-convertible debentures;
  - (c) A certificate issued by KKC & Associates LLP, the statutory auditors of LTFH, to the effect that the accounting treatment contained in the Scheme is in compliance with all the accounting

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standards prescribed under Section 133 of the Act and as required under SEBI's circular no. SEBI/HO/DDHS/DDHS\_Div1/P/CIR/2022/0000000103 dated July 29, 2022, as amended from time to time ("**SEBI Scheme Circular – Debt**");

- (d) Other presentations, reports, documents and information pertaining to the draft Scheme made available to/ circulated to the Board.

#### 8. **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 non-banking financial company - investment and credit company ("**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 Non-Banking Financial Company's ("**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 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 NBFC to house all businesses.
- (iv) Enable access to business relationships and other intangible benefits that the Amalgamating Companies have built over decades.

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- (v) Companies have a proven track record in the respective businesses of credit and 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 (SBR): A Revised Regulatory Framework for NBFCs, issued by RBI dated October 22, 2021 and as amended from time to time, including the circulars specified by RBI from time to time.

#### 9. Effect of Scheme on stakeholders:

Sr. No.	Category of stakeholder	Effect of the Scheme on the stakeholders
1.	Shareholders (Promoter and Non-Promoter Shareholders)	LTF is a wholly-owned subsidiary of LTFH. Hence, there will be no adverse effect on the shareholders of the Company.
2.	Key Managerial Personnel (“KMPs”)	The Scheme will not have any adverse effect on the KMPs of the Company.
3.	Impact of the scheme on the holder of the NCDs of the Company	Taking into consideration (i) the report submitted by the Audit Committee recommending the draft Scheme, (ii) the Valuation Reports issued by the independent registered valuer viz Mr. Pawan Shivkumar Poddar (“Registered Valuer”); and (iii) the Fairness Opinions issued by SEBI registered independent merchant banker viz. Navigant Corporate Advisors Limited (“Merchant Banker”), the proposed entitlement ratio as recommended by the Registered Valuer and certified as fair by the Merchant Banker was approved by the Board and the holders of NCDs whose names are recorded in the relevant registers of the Company on the Record Date shall continue holding the same number of NCDs in LTFH as held by such
4.	Safeguards for the protection of holder of NCDs	

		<p>NCD holder in the Company and on the same terms and conditions.</p> <p>Thus, the Scheme envisages that the holders of NCDs of LTF will become holders of NCDs of LTFH at exactly the same terms, including the coupon rate, tenure, redemption price, quantum, and nature of security, ISIN, respectively, as NCDs of LTF.</p> <p>Therefore, the Scheme will not have any adverse impact on the holders of the NCDs and thus adequately safeguards interests of the holders of the NCDs.</p>
5.	Exit offer to the dissenting holders of NCDs, if any.	<p>Since the Scheme is between the wholly-owned subsidiaries and the holding company and envisages that the holders of NCDs of LTF will become holders of NCDs of LTFH on the same terms and as such, no exit offer is required.</p>

Note: The Company has not issued any NCRPS

Basis the above, the Board confirmed that the Scheme would not be detrimental to the interests of the NCD holders of the Company.

## 10. Equity Share Exchange Ratio:

Since the Amalgamating Companies are direct and indirect wholly-owned subsidiaries of the Amalgamated Company, upon this Scheme becoming effective, the shares held by the Amalgamated Company in the Amalgamating Companies will stand cancelled and no consideration shall pass from the Amalgamated Company.

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## **11. Adoption of the Report by the Directors:**

The Board has adopted this Report after noting and considering the information set forth in this Report. The Board or any duly authorised committee/person by the Board is entitled to make relevant modifications to this Report, if required and such modifications or amendments shall be deemed to form part of this Report.

**For and on behalf of the Board of Directors  
of the Company**



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**Sachinn Joshi**  
**Whole-time Director**

**Date: January 13, 2023**

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