

## L&T Finance Ltd NCD Issue

### Summary:

L&T Finance Ltd is coming up with the 1st tranche of public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each for an amount of Rs 500 Crore ("Base Issue Size") with an option to retain oversubscription up to Rs 1,000 Crore (totaling Rs.1,500 Crore) within the Shelf limit of Rs. 5,000 Crore.

The issue will open for subscription from **March 06, 2019 to March 20, 2019** (The Issue shall remain open for subscription during the period indicated above except that the Issue may close on such earlier date or extended date as may be decided by an Authorised person authorized by the Board of Directors of the Company ("Board")). The company will be paying an interest ranging between **9.00% and 9.35 % p.a.** on these bonds.

The NCDs proposed to be issued under this Issue have been rated **"[ICRA] AAA (stable), CARE AAA / Stable and IND AAA / Stable"**. Instruments with this rating are considered to have highest degree of safety regarding timely servicing of financial obligations. Such instruments carry very lowest credit risk.

**Objects of the Issue:** The Company proposes to utilise the funds which are being raised through the Issue, after deducting the Issue related expenses to the extent payable by the Company ("Net Proceeds), towards funding the following objects.

1. For the purpose of onward lending, financing, refinancing the existing indebtedness of Company (payment of interest and/or repayment/prepayment of principal of borrowings); and
2. General Corporate Purposes (upto 25%)

### Issue Details

Series Details

Series	I	II	III*	IV	V	VI
Frequency of Interest Payment	Annual	Cumulative	Annual	Monthly	Annual	Monthly
Tenor	37 months	37 months	60 months	60 months	120 months	120 months
Coupon (% per annum) for NCD Holders in Category I and II	9.00%	NA	9.10%	8.75%	9.20%	8.84%
Coupon (% per annum) for NCD Holders in Category III and IV	9.10%	NA	9.25%	8.89%	9.35%	8.98%
Effective Yield (% per annum) for NCD holders in Category I & II	9.00%	9.00%	9.09%	9.10%	9.19%	9.20%
Effective Yield (% per annum) for NCD holders in Category III & IV	9.10%	9.10%	9.24%	9.25%	9.34%	9.35%
Call and Put Option	NA					
Amount (Rs / NCD) on Maturity for NCD Holders in Category I & II	1000	1304.93	1000	1000	1000	1000
Amount (Rs / NCD) on Maturity for NCD Holders in Category III & IV	1000	1308.64	1000	1000	1000	1000
Redemption Date(Years from the Deemed Date of Allotment)	37 months	37 months	60 months	60 months	120 months	120 months
Minimum Application	Rs 10,000 (10 NCDs) across all Series collectively					
In Multiples of thereafter	Rs 1,000 (1 NCD)					
Face Value / Issue Price (Rs Per NCD)	Rs 1,000					
Mode of Interest Payment	Through various options available					
L&T Finance would allot the Series III NCDs, to all valid Applications, wherein the Applicants have not indicated their choice of the relevant Series of NCDs.						

<b>Issuer</b>	L&T Finance Limited
<b>Type of instrument/ Name of the security/ Seniority</b>	Secured Redeemable Non-Convertible Debentures
<b>Issue Size</b>	Public issue of secured, redeemable non-convertible debentures of face value of Rs 1,000 each for an amount of Rs 500 Crore ("Base Issue Size") with an option to retain oversubscription up to Rs 1,000 Crore (totaling Rs.1,500 Crore) within the Shelf limit of Rs. 5,000 Crore.
<b>Issue opens</b>	<b>Wednesday , 06<sup>th</sup> March 2019</b>
<b>Issue closes</b>	<b>Wednesday, 20<sup>th</sup> March 2019</b>
<b>Allotment</b>	First Come First Serve Basis, Compulsory in demat form
<b>Face Value</b>	Rs 1000 per NCD
<b>Issue Price</b>	Rs 1000 per NCD
<b>Nature of Instrument</b>	Secured Redeemable Non-Convertible Debenture
<b>Minimum Application</b>	Rs 10,000 (10 NCDs) collectively across all Series and in multiple of Rs 1,000 (1 NCD) thereafter across all Series
<b>Listing</b>	NCDs are proposed to be listed on BSE and NSE
<b>Rating</b>	[ICRA] AAA (stable) by ICRA Limited ("ICRA"), CARE AAA / Stable by CARE Ratings Ltd. ("CARE") and IND AAA / Stable by India Ratings and Research Private Limited ("India Ratings")
<b>Security and Asset Cover</b>	The principal amount of the Secured NCDs to be issued in terms of this Tranche 1 Prospectus together with all interest due on the NCDs in respect thereof shall be secured by way of exclusive and/or pari passu charge in favour of the Debenture Trustee on specific present and/or future receivables/assets of the Company as may be decided mutually by L&T Finance and the Debenture Trustee. L&T Finance will create appropriate security in favour of the Debenture Trustee for the Secured NCD Holders on the assets adequate to ensure 100% asset cover for the Secured NCDs (along with the interest due thereon).

\*Although L&T Finance will create appropriate security in favour of the Debenture Trustee for the NCD holders on the assets adequate to ensure 100.00% asset cover for the NCDs, the realisable value of the assets charged as security, when liquidated, may be lower than the outstanding principal and/or interest accrued thereon in connection with the NCDs. A failure or delay to recover the expected value from a sale or disposition of the assets charged as security in connection with the NCDs could expose investors to a potential loss.

### Who Can Apply?

<b>Category I (Institutional Investors)</b>	<b>Category II (Non Institutional Investors)</b>	<b>Category III (High Net-worth Individual, ("HNIs"), Investors)</b>	<b>Category IV (Retail Individual Investors)</b>
<ol style="list-style-type: none"> <li>Public financial institutions scheduled commercial banks, Indian multilateral and bilateral development financial institution which are authorized to invest in the NCDs;</li> <li>Provident funds, pension funds with a minimum corpus of Rs2,500 lakh, superannuation funds and gratuity funds, which are authorized to invest in the NCDs;</li> <li>Mutual Funds registered with SEBI;</li> <li>Venture Capital Funds/ Alternative Investment Fund registered with SEBI subject to investment conditions applicable to them under Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012;</li> </ol>	<ol style="list-style-type: none"> <li>Companies within the meaning of section 2(20) of the Companies Act, 2013;</li> <li>Statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in the NCDs;</li> <li>Co-operative banks and regional rural banks;</li> <li>Public/private charitable/ religious trusts which are authorised to invest in the NCDs;</li> <li>Scientific and/or industrial research</li> </ol>	High Net-worth individuals which include Resident Indian individuals or Hindu Undivided Families through the Karta applying for an amount aggregating to above Rs 10 lakhs across all series of NCDs in Issue	Retail Individual Investors which include Resident Indian individuals and Hindu Undivided Families through the Karta applying for an amount aggregating up to and including Rs 10 lakhs across all series of NCDs in Issue

5. Insurance Companies registered with IRDA; 6. State industrial development corporations; 7. Insurance funds set up and managed by the army, navy, or air force of the Union of India; 8. Insurance funds set up and managed by the Department of Posts, the Union of India; 9. Systemically Important Non-Banking Financial Company, a nonbanking financial company registered with the Reserve Bank of India and having a net worth of more than Rs50,000 lakh as per the last audited financial statements; and 10. National Investment Fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India.	organisations, which are authorised to invest in the NCDs; 6. Partnership firms in the name of the partners; 7. Limited liability partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009); 8. Association of Persons; and 9. Any other incorporated and/ or unincorporated body of persons.		
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All categories of persons who are individuals or natural persons (including Hindu Undivided Families acting through their Karta) including without limitation HNIs and Retail Individual Investors who are eligible under applicable laws to hold the NCDs are collectively referred to as “Individuals”.

#### Who are not eligible to apply for NCDs?

The following categories of persons, and entities, shall not be eligible to participate in the Issue and any Applications from such persons and entities are liable to be rejected:

- Minors without a guardian name\*;
- Foreign nationals, NRI inter-alia including any NRIs who are (i) based in the USA, and/or, (ii) domiciled in the USA, and/or, (iii) residents/citizens of the USA, and/or, (iv) subject to any taxation laws of the USA; \*=Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872;
- Persons resident outside;
- Foreign Institutional Investors;
- Foreign Portfolio Investors;
- Qualified Foreign Investors;
- Overseas Corporate Bodies; and
- Persons ineligible to contract under applicable statutory/regulatory requirements.

*\*Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872*

#### Allocation Ratio

Institutional Portion	Non-Institutional Portion	High Net Worth Individual Portion	Retail Individual Investor Portion
20% of the Overall Issue Size	20% of the Overall Issue Size	30% of the Overall Issue Size	30% of the Overall Issue Size

#### Credit Rating:

The NCDs proposed to be issued under this Issue have been rated ‘[ICRA ] AAA (stable) (pronounced as ICRA triple A with Stable outlook)’ for an amount of Rs 5,00,000 lakhs, by ICRA Limited (“ICRA”) vide their letter dated December 21, 2018, revalidated vide revalidation letter dated February 1, 2019 and further revalidated by a

revalidation letter dated February 20, 2019, CARE AAA / Stable (pronounced as CARE triple A with Stable Outlook) for an amount of Rs 5,00,000 lakhs, by CARE Ratings Ltd. ("CARE") vide their letter dated December 28, 2018, revalidated vide revalidation letter dated January 31, 2019 and further revalidated by a revalidation letter dated February 20, 2019 and IND AAA / Stable (pronounced as IND triple A with Stable outlook) for an amount of Rs 5,00,000 lakhs, by India Ratings and Research Private Limited ("India Ratings") vide their letter dated December 31, 2018, revalidated vide revalidation letter dated January 31, 2019 and further revalidated by a revalidation letter dated February 20, 2019. The rating of NCDs by ICRA, CARE and India Ratings indicate that instruments with this rating are considered to have highest degree of safety regarding timely servicing of financial obligations and carry lowest credit risk.

**Liquidity and Exit Options:** The Bonds are proposed to be listed on the BSE and NSE.

**Allotments in case of oversubscription:** In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first-come first-serve basis and thereafter on proportionate basis, i.e. full allotment of the Secured NCDs to the Applicants on a first come first basis up to the date falling 1 (one) day prior to the date of oversubscription and proportionate allotment of Secured NCDs to the applicants on the date of oversubscription (based on the date of upload of each Application on the electronic platform of the Stock Exchanges, in each Portion).

**Company Background:**

L&T Finance Ltd is one of the leading private non-banking financial services companies in India in terms of total loans outstanding, as of December 31, 2018. Its promoter is registered with the RBI as a Non-Banking Finance Company Core Investment Company ("NBFC-CIC") conducting business through its wholly-owned subsidiaries.

L&T Finance Ltd is a part of the larger L&T group which is one of the leading business conglomerates in India, with presence across infrastructure, power, heavy engineering, electrical and automation, hydrocarbons, IT and technology services, financial services, project development, metallurgical and material handling, realty, shipbuilding, construction equipment, machinery and industrial products sectors. Its rural business comprises of farm equipment finance, two-wheeler finance and micro loans. As of December 31, 2018, its total adjusted loans and advances under rural business were Rs 24,12,227.47 lakhs, with Rs 7,30,635.95 lakhs, Rs 5,22,416.31 lakhs and Rs 11,59,175.21 lakhs of adjusted loans and advances under its farm equipment finance, two-wheeler finance and micro loans businesses, respectively.

Its housing business comprises of loans against property and real estate finance. As of December 31, 2018, its adjusted total loans and advances under its housing business were Rs 7,84,949.92 lakhs with Rs 10,704.50 lakhs and Rs 7,74,245.42 lakhs of adjusted loans and advances under its loans against property and real estate finance, respectively. L&T Finance Ltd's operations are spread throughout India and the company has 223 branches in 218 cities across 21 states and 3 union territories, as of December 31, 2018. In addition, for its micro loans business it has 1,181 meeting centres covering 274 districts across 14 states in India, as of December 31, 2018. The company has 19,649 employees as of December 31, 2018. Each of its businesses are led by senior executives who are, generally, also responsible for certain organizational functions at the group level. Together, they have demonstrated the ability to manage and grow its operations.

The following table sets forth certain key details of the Company, for the periods indicated:

(Rs in lakhs)

Particulars	For the Period Ended December 31, 2018	Particulars	Fiscal 2018	Fiscal 2017	Fiscal 2016
Total Adjusted Loans & Advances Outstanding	46,90,577.23	Total Adjusted Loans & Advances Outstanding	41,01,914.02	31,41,905.99	5,12,984.02
Total Disbursements	36,10,557.96	Total Disbursements	49,85,882.00	31,77,085.00	3,52,354.40
Average Assets Under Management	41,90,224.97	Average Assets Under Management	34,19,502.93	17,19,824.19	4,32,722.54
Total Income	5,43,158.84	Total Income	5,24,568.84	4,14,497.54	77,284.97
Profit for the Period	68,720.27	Profit for the Period/Year Attributable to the Shareholders of the Company	28,992.16	1,604.17	8,739.51
Gross Stage 3 Assets (GS3) (%)	4.10%	Gross NPA (%)	6.07%	6.51%	5.21%
Net Stage 3 Assets (NS3) (%)	1.54%	Net NPA to Net Advance (%)	2.81%	3.99%	3.36%

### Financial Performance:

(Rs in lakhs)

Particulars	Nine Month ended December 31, 2018	Fiscal 2018	Fiscal 2017
Networth	8,99,499.70*	8,62,598.83	6,90,270.14
<b>Total Borrowings of which</b>	<b>43,62,893.62*</b>	<b>34,76,180.10</b>	<b>27,82,970.26</b>
Long Term Borrowing		21,21,680.51	15,31,439.66
Short Term Borrowings		7,24,999.59	9,97,051.60
Current Maturities of Long Term Secured Borrowing		6,29,500.00	2,54,479.00
Fixed Assets	1,57,905.67*	2,05,841.24	2,78,168.85
Non-Current Assets		27,38,789.39	19,28,375.22
Cash and Cash Equivalents	15,349.51*	34,871.53	29,487.59
Current Investments		1,50,358.67	2,36,072.17
Other Current Assets		13,42,045.24	11,27,910.26
Non-Current Liabilities		14,922.94	23,950.45
Current Liabilities		1,15,918.88	1,02,823.24
Loan Book	44,65,889.20*	39,14,560.74	29,24,445.12
Off Balance Sheet Loan		25,558.32	28,581.71
Total Income		5,24,568.84	4,14,497.54
Finance Cost	2,42,882.45*	2,49,684.66	1,95,951.53
Provisions & Contingencies		90,445.63	78,833.74
Profit for the period	68,720.27*	33,225.09	4,266.17
Gross NPA (%)		6.07%	6.51%
Net NPA to Net Advances (%)		2.81%	3.99%
Tier I Capital Adequacy Ratio (%)	15.40%*	15.64%	13.36%
Tier II Capital Adequacy Ratio (%)	1.88%*	2.28%	3.06%

\*= Standalone nos

### Debt Equity Ratio of the Company:

Before the issue of debt securities as at December 31 2018	4.84
After the issue of debt securities as at December 31, 2018	5.40

### Competitive Strengths of the company

- Significant presence across diversified businesses
- Strong appraisal, structuring and syndication capabilities
- Robust risk management framework
- Experienced and professional management team
- Brand recall and synergies with L&T

### Strategy

- Grow key businesses
- Emphasise fee income and cost efficiency to deliver improved performance metrics
- Further enhance technology systems and data analytics as a competitive advantage

### Key Risks and Concerns:

- Ability to manage credit quality.
- Interest rates and inflation in India;
- Volatility in interest rates for lending and investment operations as well as the rates at which L&T Finance Ltd borrows from banks/financial institution;
- General, political, economic, social and business conditions in Indian and other global markets;
- Ability to successfully implement its strategy, growth and expansion plans;
- Competition from L&T Finance Ltd's existing as well as new competitors;
- Change in the government regulations;
- Availability of adequate debt and equity financing at commercially acceptable terms;
- Performance of the Indian debt and equity markets;
- Demand for products and services;
- Performance of the new and pre-owned vehicles industry;
- OEM and employee relationships;
- L&T's ability to comply with certain specific conditions prescribed by the GoI in relation to its business changes in laws and regulations applicable to companies in India, including foreign exchange control regulations in India;

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