L&T Financial Services

June 16, 2022

**National Stock Exchange of India Limited**
Exchange Plaza,
Plot No. C/1, G Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051.

**Symbol: L&TFH**

**BSE Limited**
Corporate Relations Department,
1st Floor, New Trading Ring,
P. J. Towers, Dalal Street,
Mumbai - 400 001.

**Security Code No.: 533519**

**Kind Attn: Head - Listing Department / Dept of Corporate Communications**

**Sub: Submission of the Annual Report for the financial year 2021-22 and Notice of the Annual General Meeting**

Dear Sir / Madam,

Pursuant to the requirements of Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Annual Report of the Company for the financial year 2021-22 ("Annual Report") along with the Notice of the Fourteenth Annual General Meeting ("Notice") of the Company to be held on Monday, July 11, 2022 at 3:30 p.m. through electronic mode (video conference or other audio visual means). In accordance with circulars issued by Ministry of Corporate Affairs and SEBI, the Annual Report along with the Notice is sent through electronic mode to the Members of the Company.

Further, the aforesaid Annual Report along with Notice has also been uploaded on the website of the Company at *www.ltfs.com/investors.html*.

We request you to take the aforesaid on records.

For **L&T Finance Holdings Limited**

**Apurva Rathod**
**Company Secretary and Compliance Officer**

Encl: as above

**L&T Finance Holdings Limited**
**Registered Office**
Brindavan, Plot No. 177, C.S.T Road
Kalina, Santacruz (East)
Mumbai 400 098, Maharashtra, India
CIN: L67120MH2008PLC181833

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# AIM. INNOVATE. CREATE.

ANNUAL REPORT 2021-22

L&T Finance Holdings


# AIM. INNOVATE. CREATE.

This cover uses cubical pieces arranged in a pyramid pattern with each block symbolising every business that has contributed to the success of L&T Finance Holdings Limited ('LTFH' or 'your Company').

The formation shows the top-most cube with the customer in focus, reflecting how LTFH places its customers at the top of every action, strategy and decision, supported by its enhanced digital capabilities and commitment towards sustainability.

The theme **'AIM. INNOVATE. CREATE.'** is aligned with the Company's vision of transitioning to be a top-class 'digitally enabled' retail finance Company moving forward from 'product-focused' to 'customer-focused' approach.

## CORPORATE INFORMATION

### Board of Directors

**S.N.Subrahmanyan**
Non-Executive Director & Chairperson

**Dinanath Dubhashi**
Managing Director & Chief Executive Officer

**R. Shankar Raman**
Non-Executive Director

**Shailesh Haribhakti**
Independent Director

**P. V. Bhide**
Independent Director

**Thomas Mathew T.**
Independent Director

**Rajani R. Gupte**
Independent Director

**Prabhakar B.**
Non-Executive Director

**Pavninder Singh**
Nominee Director

### Company Secretary

Apurva Rathod

### Statutory Auditors

M/s Khimji Kunverji and Co LLP Chartered Accountants

### Registered Office & Investor Service Centre

Brindavan, Plot No.177, C.S.T. Road,
Kalina, Santacruz (East), Mumbai - 400 098,
Maharashtra, India
Phone: +91 22 6212 5000
Fax: +91 22 6212 5553
Website: www.ltfs.com
Email: igrc@ltfs.com

### Registrar & Share Transfer Agents

Link Intime India Private Limited
C-101, 247 Park, L.B.S. Marg, Vikhroli (West),
Mumbai - 400 083, Maharashtra, India
Phone: +91 22 4918 6000
Fax: +91 22 4918 6060
Website: www.linkintime.co.in
Email: rnt.helpdesk@linkintime.co.in

Details as on the date of issue of the Annual Report

## Quick Information

| | |
|---|---|
| Market Capitalisation as at 31st March 2022 | : **₹19,940.72 Cr** |
| BSE Code | : **533519** |
| NSE Symbol | : **L&TFH** |
| AGM Day & Date | : **Monday, July 11, 2022** |
| AGM Mode | : **Video-Conference / Other Audio-Visual Means** |

# ABOUT US

Headquartered in Mumbai, LTFH is one of the leading Non-Banking Financial Companies (NBFCs) in India. The Company has expanded its product portfolio, keeping its diverse customers' needs at the core and today offers lending products to both retail & wholesale customers. It also enjoys a strong presence in non-lending businesses through its Investment Management business. Your Company has demonstrated its ability to use Digital and Data Analytics to offer differentiated experience to both customers and channel partners. Along with this, the Company also takes its ESG responsibility seriously, as it is already Water Neutral today, and is committed to achieving Carbon Neutrality by FY35.

LTFH has been rated AAA, the highest credit rating for NBFCs, by four leading rating agencies namely, CRISIL, ICRA, CARE and India Ratings.

**2008**
Year of Incorporation

**2011**
Publicly listed on BSE and NSE

The products and services offered across the businesses cater to the financial needs of customers across the entire spectrum, including unserved and underserved segments of the society.

**16,000+**
**Partner Touchpoints**

**16,500+**
**Employee Touchpoints**

**2,00,00,000+**
**Customer Base**

**21**
**States**

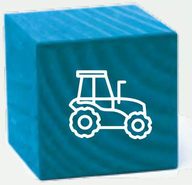
**1**
**Union Territory**

**24,643**
**Employees**

Data as of 31st March 2022

# LENDING BUSINESSES

## RURAL FINANCE



Farm Equipment Finance

Micro Loans

Two-Wheeler Finance

Consumer Loans

## HOUSING FINANCE

Home Loans

Loan Against Property

Real Estate Finance

## INFRASTRUCTURE FINANCE

Infra Finance

# NON-LENDING BUSINESS

Investment Management

Business structure as of 31st March 2022

# AWARDS & RECOGNITIONS

## Awards

### SAP ACE Awards 2021

The Disruptor
Best Finance
Transformation
(December 2021)

### Quantics BFSI Excellence Awards

Technology Leader
Infra Finance
(August 2021)

### Socio CSR Film Festival 2022

Best Social Community
Project Film
(March 2022)


ASRA

2021
Asia Sustainability
Reporting Awards

CATEGORY

Asia's Best Community Impact Reporting

FINALIST

L&T Finance Holdings

Presented on
4 April 2022
Place: Singapore

Rajesh Chhabara
For Asia Sustainability Reporting Awards

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CSRWorks

Proud to be a part of
SGUK

www.csrworks.com/asra

## ESG Ratings

**Performed in the top decile in FBN Diversified Financial Services and Capital Markets Industry in the S&P Global Corporate Sustainability Assessment**

(Score as on 12th November 2021)

**Maintenance of MSCI 'A' rating for the last 3 consecutive years**

**Constituent of the FTSE4Good Index Series**

*For ESG ratings and disclaimers, please visit www.ltfs.com (Click - ESG Ratings)*

# FY22 IN PERSPECTIVE

FY22 witnessed a steady recovery of economic activities from the upheaval and uncertainty brought about by the pandemic. At LTFH, we continued to deliver on our key metrics, cognisant of our commitment to grow and deliver even in a challenging environment. The year demonstrates how LTFS 2.0 has set new milestones and the proof is visible in the key performance indicators as presented below.

## Increased Retailisation

| | FY21 | FY22 |
|---|---|---|
| Retail Proportion of Total Book | 43% | 51% (Highest-ever) |
| Retail Disbursements (₹Cr) | 17,559 | 24,901 (Highest-ever) |

## Changing Book Composition

| | FY21 | FY22 |
|---|---|---|
| Retail Book (₹Cr) | 40,824 | 45,084 |
| Wholesale Book (₹Cr) | 50,488 | 41,731 |

FY21 FY22

## Enhanced Profitability

| | FY21 | FY22 |
|---|---|---|
| NIMs + Fees | 6.95% | 7.84% (Highest-ever) |
| PAT (₹Cr) | 971 | 1,070 |

## Strong Balance Sheet

| | FY21 | FY22 |
|---|---|---|
| Cost of Borrowings | 8.08% | 7.50% (Lowest-ever) |
| GS3* | 4.97% | 3.80% |
| Macro Prudential & other Provisions (₹Cr) | 1,093 | 1,727 |
| CRAR | 23.80% | 22.88% |
| Debt to Equity Ratio | 4.72x | 4.27x |

**GS3 figures are on principal outstanding basis*

## ESG Indicators

**FY35**
Carbon Neutrality

**FY22**
Achieved Water Neutrality

**Rated 'A'**
By MSCI for consecutive 3 years

**55** (industry average 27) | **Top decile** in the industry category
S&P Global Sustainability Assessment Score

# CHAIRMAN'S MESSAGE

**We look forward to the future with renewed optimism as LTFH is focused on measurable outcomes. Our Lakshya 2026 plan offers a clear roadmap for the future and we believe that we have a bright opportunity ahead of us. Our targets are set, as we get ready to explore and create more milestones ahead.**

## Dear Shareholders,

As I begin to write this message, my first as the Chairperson of the Board, I look back in appreciation of Mr. Shailesh Haribhakti's earnest leadership in establishing LTFH as a sustainable and well-capitalised financial institution. With over five decades of experience across various sectors, Mr. Haribhakti has been associated with LTFH since FY11 and has led the Company despite turmoil in the financial industry. His stewardship of the Board and contribution in the areas of digital, data analytics, ESG / Sustainability, retailisation and risk management has added great value and enabled the Company to have a competitive edge in the future. He also handled the Company through the period of Covid, when many of the staff were finding it difficult to meet clients or go to places of work.

This year, we witnessed the world emerge from the pandemic's struggles, changing from 'the New Normal' to 'the Now Normal' and getting into a more settled outlook. Notwithstanding the exceptional circumstances, your Company progressed steadily and accomplished milestones, be it in businesses, processes, or the safety of our employees. We improved financial performance metrics, strengthened businesses, and revisited strategic priorities for the next phase of growth by building on our shared strengths. This report presents your Company's accomplishments and along with the management team, we are resolved to build a healthier and stronger Company.

The extent of recovery observed in urban centres was different from rural geographies where cashflows, in addition to Covid impact, were also burdened by the skewness of monsoon and elevated costs of cultivation. This resulted in demand challenges in rural India which was indicated by YoY decline in retail sale of Two-Wheelers and tractors in the country.

## Macro-economic Scenario

If FY21 was all about retooling mindsets, strategies and businesses, FY22 was about recovery. Post-easing of Covid limitations, economic activities picked up across sectors. The Government's stimulus measures, the RBI's fiscal policies, and a broader immunisation together handheld the economy towards stability. Forecasts of normal monsoons with equitable distribution is likely to aid strengthening of rural economy in this year. According to the IMF, India will remain the world's fastest-growing major economy from 2021 to 2024. The economy is anticipated to witness a GDP growth of 7.2% in FY23. With increased Government spending post Union Budget 2022, the rise in private consumption and investment is further expected to bolster economic activity and boost demand.

## Digital-led Transformation Journey

We introduced the LTFS 2.0 strategy five years ago to transform your Company through the strategy of 'Right Business', 'Right Structure', and 'Right People.' I am pleased to report our significant progress in the businesses we chose to continue, and where we have built a strong 'Right to Win'. Our ability to respond to market expectations has grown manifold using Digital and Data Analytics, a journey your Company started way back in 2016, helping us deliver among the fastest Turn Around Times (TATs) in the market today. Whether for customer profile identification, credit evaluation, collection efficiency & analysis, and customer retention, our technical acumen in deploying analytics has helped us gain a market-leading position across products.

## Geared up for Lakshya 2026

It is at this time that our parent company, L&T, unveiled the way forward strategy plan 'Lakshya 2026'. Lakshya, which means 'Target', lays down a roadmap for growth and value addition to achieve the overarching goal of Return on Asset (RoA) / Return on Equity (RoE). Your Company intends to align with the group's 'Lakshya' through its 'Lakshya' of creating a top-class digitally enabled retail finance company. LTFH intends to achieve this by focussing on **'AIM. INNOVATE. CREATE.'** The goal is to move the emphasis from product-focus to customer-focus and establish a robust retail portfolio with excellent quality assets, as well as strong NS3, thus creating a Fintech@scale.

This would be built by crafting a sustained and profitable growth engine, keeping customers at the core. A sustainable and profitable growth engine will be developed around five key vectors as follows:

1. Continued product excellence;
2. Cross-sell and Up-sell to existing good customers;
3. Geo-expansion through pan India footprint;
4. App & Digital-based channel expansion; and
5. Launch of new products.

As we move forward to create a Fintech@scale, new capabilities and processes will have to be developed on the ability to analyse customer credit needs and deepen our abilities around underwriting, and collection. Secondly, new autonomous modes of digital channel expansion have to be created, in addition to existing channels, to encourage customer self-service. This will have to be established on the back of leveraging next-gen risk management capabilities aimed at new-age portfolio management while building an ESG-conscious organisation.

With ambitious targets in place, the digital capabilities will surely drive scale, build efficiencies and enable us to cater to a geo-agnostic customer across the nation. Thus, leveraging every stage of the customer lifecycle will help your Company stay ahead of the curve. We are embracing, and in many cases leading, the application of technological innovations.

## Year Under Review

In FY22, we once again exhibited our solid execution ability by delivering focused outcomes across our business. Sharing with you some of the key takeaways:

**Business performance:** Our concerted efforts to increase retailisation to 51% of the total asset book, a stated business objective alongside limiting the wholesale book growth, delivered encouraging results. We recorded the best-ever retail disbursements during the year while reducing our wholesale book's proportion in a calibrated manner.

With the targets set in Lakshya Strategy, your Company will continue to delve deeper into 'Retailisation'.

**Strong disbursements:** We continued progressing in Micro Loans, while clocking the highest-ever disbursement as well as maintaining market share in Two-Wheeler and Farm Equipment Finance segments despite cyclical hurdles. We improved disbursements by course-correcting and balancing equations in our Home Loans business. Your Company benefitted from a two-pronged approach in Consumer Loans – cross-selling and digital native – automating the entire client journey process from identification, and application to payout, without any manual intervention. While continuing its disbursements trajectory, your Company ensured that business remained well within the risk guardrails and the portfolio quality was maintained.

**Maintaining and growing NIMs:** Increasing Retailisation has helped increase NIMs and Fees through several triggers. Firstly, strong OEM and dealership relationships added to increasing and maintaining market share. Secondly, enhancing diversification of borrowings, and reducing interest costs helped improve the NIMs further. Going forward – this makes us confident of maintaining our NIMs.

**Strengthening balance sheet:** Our robust Early Warning Signal mechanism, early bucket collections, and resolution efforts have worked well resulting in moderation of Stage 3 assets. We have also included adequate non-GS3 measures to deal with unanticipated external events. I am pleased to report that your Company is well capitalised, with a strong capital adequacy ratio of 22.88%.

We have also established a strong liability franchise and our AAA credit ratings attest to the high degree of safety in the business model of our Company.

**ESG-linked loan:** We are one of the first NBFCs to raise low-cost credit through a Sustainability Linked Rupee Loan. This loan's interest rates and facilities are directly linked to our progress in meeting the ESG KPIs. The innovative approach of linking ESG with the funding helps both the planet as well as growing our balance sheet. Going forward, sustainability focused financing will play an important role among borrowers and lenders, assisting the country's long-term and sustainable progress.

## Our Progress on ESG

We have been gradually progressing on our ESG path for the past four years, thus creating a solid foundation of protection, progression, and growth for the entire ecosystem, leading to long-term benefits for all stakeholders. Your Company has achieved water neutrality in FY22 and targets carbon neutrality by FY35. To this end, we have established ESG-focused Board Committee, implemented materiality assessments across stakeholders, connected BRSR to our sustainability reporting and provided concrete paths for meeting annual objectives.

Our commitment to social initiatives is reflected in our strong rural links in unserved and underserved communities as our products and services help customers attain financial independence and create sustainable livelihoods. Our flagship programme, 'Digital Sakhi', promotes rural women empowerment and fosters digital financial transactions in unserved and underserved communities.

Your Company's diverse Board oversees business operations with emphasis on following highest standard of governance.

## Closing Note

We look forward to the future with renewed optimism as LTFH is focused on measurable outcomes. Our Lakshya 2026 plan offers a clear roadmap for the future and we believe that we have a bright opportunity ahead of us. Our targets are set, as we get ready to explore and create more milestones ahead.

We thank our stakeholders for their continued support. We owe a debt of gratitude to all the employees for helping build your Company and its businesses. We could not have done this without our shareholders and the communities we operate within. I envision greater achievements for your Company in the years to come and look forward to a successful year ahead.

**S.N.Subrahmanyan**

# VALUE CREATION MODEL

## INPUTS

### FINANCIAL CAPITAL

- Equity capital: ₹19,947.70 Cr
- Borrowings: ₹85,201.24 Cr
- D / E Ratio: 4.27

### MANUFACTURED CAPITAL

- 21 states and 1 Union Territory
- 16,000+ Partner Touchpoints
- 16,500+ Employee Touchpoints
- 6,800+ Dealers (Farm Equipment Finance and Two-Wheeler Finance)

### INTELLECTUAL CAPITAL

- Processes strengthened through use of data analytics
- Digitalisation of processes
- Patches applied to all network devices
- Early Warning System (EWS) framework in place
- Integration of ESG factors in risk assessment
- Capacity building on ESG and sustainability matters

### HUMAN CAPITAL

- 24,643 employees
- Employee engagement
- Foster diversity, inclusion and equity
- Employee health and safety initiatives

### SOCIAL AND RELATIONSHIP CAPITAL

- Focus on stakeholder needs and expectations
- Access to finance for women and New To Credit (NTC) customers
- Capacity building of 170 Water User Groups (WUG)
- Digital Sakhi Projects in five states
- CSR expenditure of ₹24.44 Cr
- Third Party Code of Conduct implemented
- Investor engagement through various channels

### NATURAL CAPITAL

- Responsible waste (including e-waste) management
- Electricity consumption
- Emission reduction and sequestration initiatives
- Water saving and replenishment measures

## OUR COMMITMENT

- Sustainably deliver top shareholder value with strengthened risk profile
- Have a clear 'Right to Win' in each of the businesses
- Use Data Intelligence as a key to unlock returns
- Have a culture of 'Results' not 'Reasons'
- Stable and sustainable organisation built on the foundation of 'Assurance'


## OUR BUSINESSES

### LENDING BUSINESS

**Rural Finance**

- Farm Equipment Finance
- Two-Wheeler Finance
- Micro Loans
- Consumer Loans

**Housing Finance**

- Home Loans
- Loan Against Property
- Real Estate Finance

**Infrastructure Finance**

- Infra Finance

### NON-LENDING BUSINESS

- Mutual Fund

Business structure as of 31st March 2022

## OUTPUTS | OUTCOMES | LINKAGE WITH SDGS

### FINANCIAL CAPITAL

**Outputs**

- ₹1,070 Cr PAT
- ₹88,341 Cr Loan Book
- ₹74,981 Cr Mutual Fund AUM
- 7.84% NIMs+ Fees
- 22.88% Capital Adequacy Ratio
- First ₹200 Cr Sustainability Linked Rupee Loan

**Outcomes**

- Sustainable business model
- Financially strong NBFC
- Highest credit rating: AAA
- Long-term value creation
- Improved access to sustainable finance

### MANUFACTURED CAPITAL

**Outputs**

- Diversified channel networks and partners
- 9.25% increase in number of Micro Loans branches

**Outcomes**

- Higher accessibility in rural and underserved areas
- Pan India presence enabling efficient, easy and effective customer reach

### INTELLECTUAL CAPITAL

**Outputs**

- Robust customer differentiation achieved using EWS techniques
- Disbursements and collections through digital channels
- Reduced cost of acquisition and onboarding of new customers and quicker Turn Around Time (TAT)
- Improvement in collection efficiency (CE)
- Strong ESG ratings
- Improvement in IT systems down time
- ISO 27001 compliant organisation

**Outcomes**

- Enhanced customer experience
- Better risk mitigation
- Business model resilience
- Access to a larger customer base
- Enhanced credit decisioning leading to high quality portfolio

### HUMAN CAPITAL

**Outputs**

- 15% women in senior management
- Average learning hours per employee: 21.33
- Male to female compensation ratio of 1:1.07

**Outcomes**

- Better ability to attract new talent
- Higher employee satisfaction
- Enhanced business performance
- Better employee health and wellbeing
- Better employee retention rate

### SOCIAL AND RELATIONSHIP CAPITAL

**Outputs**

- Number of women receiving Micro Loans: 53.22 Lakh
- NTC customers in Micro Loans: 11.65 Lakh
- Lives impacted through CSR initiatives: 20.8 Lakh
- 960 Digital Sakhis
- Upskilled 5,500 Women Entrepreneurs
- 80% adoption of digital payment modes in rural areas (Digital Sakhi projects)

**Outcomes**

- Higher customer connect and satisfaction
- Greater inclusion of people in mainstream economy
- More equitable society
- ESG commitment adopted by value chain partners

### NATURAL CAPITAL

**Outputs**

- Financed 5,933 MW of green energy and helped avoid ~2 million $tCO_2e$ emissions
- 5,450 EVs financed
- 4,458.13 $tCO_2e$ emissions
- 68,000+ saplings planted
- ~20% reduction in carbon emissions on estimated footprint
- ~47% YoY reduction in desktop paper consumption
- 3,150 kgs of e-waste recycled
- Replenished 94.88 Lakh kL water

**Outcomes**

- Contribution towards national agenda of achieving Net Zero by 2070
- Carbon neutral in operations by 2035
- Effective mitigation of climate change related risks
- Environmental sustainability

### LINKAGE WITH SDGS

- 1 NO POVERTY
- 5 GENDER EQUALITY
- 6 CLEAN WATER AND SANITATION
- 7 AFFORDABLE AND CLEAN ENERGY
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13 CLIMATE ACTION

# BOARD OF DIRECTORS

## S.N.Subrahmanyan

**Non - Executive Director & Chairperson**

S.N.Subrahmanyan is the Chief Executive Officer & Managing Director of Larsen & Toubro (L&T) and serves on its Board of Directors. SNS is also Vice Chairman on the boards of L&T Infotech, L&T Technology Services & Mindtree, Chairman of L&T Metro Rail (Hyderabad) Limited and LTFH.

He is responsible for leading the breadth and width of L&T's considerable business interests to new growth levels, riding on the enormous benefits of digitalisation, big data, and predictive analysis.

SNS commenced his professional journey with L&T in 1984 as a project planning engineer. Mentored by stalwarts, he took on roles of increasing responsibility across business verticals. He led L&T's foray into the realm of developmental projects, notable successes being the HITEC City project in Hyderabad and the Bangalore International Airport. He set up the Ready Mix business in India for the first time, bagged design & build mandates for all major international airports in India and led L&T's forays into new geographies like the Middle East, Africa & ASEAN.

Under his watch, L&T is among the three Indian companies to be featured in the top 46 Most Honoured Companies according to the New York-based B2B publication, Institutional Investor, was recognised as the Company of the Year by business publication, Business Standard in 2020 and has featured on the Forbes list as one of the world's best employers.

SNS himself was ranked 11$^{th}$ in the Construction Week Power 100 Ranking for 2021. In 2020, he was ranked as the Top CEO (Sell Side) and the 3$^{rd}$ Best CEO (Overall) in the All-Asia Executive Team Survey conducted by Institutional Investor and conferred the Emergent CEO Award at the CEO Awards in 2019. In March 2022, he was recognised as a winner in the Infrastructure & Engineering category of the BT-PwC India's Best CEOs ranking.

He holds positions of pre-eminence on various industry bodies, construction institutions and councils. In February 2021, he was appointed as Chairman of the National Safety Council (NSC) for three years by the Union Ministry of Labour & Employment and is one of the nine founding members of Climate Finance Leadership Initiative (CFLI).

He holds a degree in civil engineering and a post-graduation in business management.

## Dinanath Dubhashi
**Managing Director & Chief Executive Officer**

With a rich experience of over three decades, Dinanath Dubhashi has worked in multiple domains of Financial Services such as Retail & Infrastructure lending, Rural Finance, Corporate Banking, Cash Management, Credit Ratings, Insurance and Wealth Management.

He has been associated with LTFH since 2007 and has been instrumental in scaling up the retail business operations manifold, across customer segments and geographies. During his tenure as MD & CEO since 2016, LTFH has achieved several market leading positions in Farm Equipment Finance, Two-Wheeler Finance, Micro Loans and Renewable Power Finance.

The strategy roadmap defined under his leadership has transformed LTFH into an organisation focussed on delivering sustainable returns through decisive strategic choices. The increase in retail proportion of loan book under his leadership, to 51% in FY22, has been built on the foundations of distinctive digital and analytics-based offering and a robust risk management framework.

As a part of his professional journey, he has also been associated with organisations such as BNP Paribas, CARE Ratings and SBI Capital Markets in various capacities.

He has been co-chairing the FICCI Committee on NBFCs since 2018 and is also on the Board of the Finance Industry Development Council (FIDC).

He is a Postgraduate from IIM Bangalore and holds a B.E. (Mechanical) degree.

## R.Shankar Raman
**Non-Executive Director**

Over the past 38 years, R. Shankar Raman has worked in varied capacities in the field of finance. He joined L&T Group in November 1994 to set up L&T Finance Limited, a wholly-owned subsidiary.

Over the years, he assumed responsibilities to oversee the entire finance function at the Group level including functions like Risk Management and Investor Relations. He was appointed as Chief Financial Officer of L&T in September 2011 and subsequently elevated to the Board on October 1, 2011. He is also on the Board of Management of several companies within the L&T Group.

He has been a recipient of several awards such as Best CFO of Asia in the Industrial Sector in a survey conducted by the prestigious New York based Institutional Investor Magazine, winner of Best CFO Awards from CNBC TV18, Financial Express, and Business Today. In 2020, he was presented with the Life Time Achievement award in the field of Finance by Financial Express.

He is presently a member of the Advisory Committee to The Insolvency and Bankruptcy Board of India (IBBI) on Corporate Insolvency & Liquidation and also a member of the SEBI - Corporate Bonds and Securitization Advisory Committee (CoBoSAC).

He is the past Chairman of the CII's National Committee of CFOs and was a member of CII National Committee on Financial Reporting. He was also a member of Uday Kotak's Committee on Corporate Governance constituted by SEBI.

He is a qualified Chartered Accountant and a Cost Accountant.

## Shailesh Haribhakti
**Independent Director**

Shailesh Haribhakti has over five decades of experience in developing and leading one of India's most respected and diversified Chartered Accounting firm – Haribhakti & Co. LLP. He is currently Chairman of Shailesh Haribhakti & Associates, Chartered Accountants. He has been conferred with the Global Competent Boards Designation (GCB.D) by Competent Boards Inc.

He is also currently the Non-Executive Chairman of L&T Mutual Fund Trustee Limited, Blue Star Limited, Protean eGov Technologies Limited, Mentorcap Management Private Limited, Planet People & Profit Consulting Private Limited and IBS Fintech India Private Limited. He is the Vice Chairman of GovEVA Private Limited.

He serves as a Chairman / Independent Director on the Boards of several other public and private limited companies. He is a strong supporter of a clean and green environment, shared value creation and has pioneered the concept of 'innovating to zero' in the social context.

He was associated with the Indian Institute of Management Ahmedabad (IIMA), BMA, IIA (Mumbai), ICAI (WIRC), IMC, FPSB and Rotary Club of Bombay over the last several decades. For two years he served on the Standards Advisory Council of the IASB in London and was the Chairman of National Pension Scheme Trust from 2015-2017. He has been conferred with the 'Distinguished Fellowship of IOD (Institute of Directors) Award – 2009' by the Institute of Directors.

He is a Chartered Accountant and Cost Accountant, and a Certified Internal Auditor, Financial Planner & Fraud Examiner.

## P. V. Bhide
**Independent Director**

P. V. Bhide is a retired IAS Officer of the Andhra Pradesh Cadre (1973 Batch). He has worked in several Government positions during a career spanning nearly four decades. In the State Government, he has worked as the Deputy Secretary in Medical & Health Department and also as the Commissioner Relief (Department of Revenue). He was also the Finance Secretary and Secretary Energy for Andhra Pradesh. He also worked as the Managing Director of A.P. State Handloom Weavers Co-operative Society Limited (APCO) and Chief Executive & Managing Director of Godavari Fertilisers and Chemicals Limited.

With the Government of India, his roles include Deputy Secretary / Director of Economic Affairs, Ministry of Finance, Executive Advisor to India's Executive Director to the International Bank for Reconstruction and Development (IBRD / World Bank), Joint Secretary and later as Secretary-Department of Disinvestment, Ministry of Finance, Additional Secretary / Spl. Secretary-Ministry of Home Affairs. He retired as Revenue Secretary-Ministry of Finance, Government of India.

He holds a Masters degree in Business Administration and also has LLB and B.Sc. (Hons. Chemistry) degrees.

## Thomas Mathew T.
**Independent Director**

Thomas Mathew T. has over four decades of strategic leadership and operational experience in the Life Insurance and Reinsurance industry. He was the Managing Director and Interim Chairman of L.I.C. of India. He was also India MD & CEO of 'Reinsurance Group of America'. He was nominated by SEBI as the Chairman of the Metropolitan Stock Exchange of India. He has served as Director on the Boards of Mahindra & Mahindra Limited, Tata Power Co. Limited, Voltas Limited, IFCI Limited and Corporation Bank. He was a member of the Governing Council of the MDI, Gurgaon, Actuarial Institute of India & Chairman of The National Insurance Academy, Pune. He was also a member of the 'Take Over Panel' of SEBI.

He is a Director on the Boards of Canara HSBC Life Insurance Company, LIC (International) B.S.C.(c), Bahrain and subsidiaries of the Company.

He is PGDM Marketing, Postgraduate in Economics, Law Graduate and Associate of the Insurance Institute of India.

## Rajani R. Gupte
**Independent Director**

Rajani R. Gupte is the Vice Chancellor of the Symbiosis International University, Pune.

An academic with over 40 years of experience in teaching, research and administration, she has extensive experience as an institution-builder. She has received several awards for her outstanding contribution to education.

She is an Independent Director on the Boards of several companies in the financial sector. She has served on various committees of the Confederation of Indian Industries (CII) and University Grants Commission, India. She has recently been appointed by UGC as a member of the Western Zonal Committee for the implementation of National Education Policy, 2020.

She is part of a Think Tank of eminent economists formed by NITI Aayog and is also a member of NITI Aayog Consultation Group of Experts for the Education Vertical.

A distinguished academic, she received her Doctorate degree in Economics from the prestigious Gokhale Institute of Politics and Economics, Pune.

## Prabhakar B.
**Non-Executive Director**

Prabhakar B. retired as the Chairman and Managing Director of Andhra Bank in August 2013 after serving various banks for about 38 years. Prior to that, he had served as the Executive Director of Bank of India for a period of over three years. Before that, he had served with Bank of Baroda having worked in all areas of banking. He was the Chief Executive of Bank of Baroda, UK operations.

He is a commerce graduate from the University of Mysore and a Chartered Accountant.

## Pavninder Singh
**Nominee Director**

Pavninder Singh serves as the Managing Director at Bain Capital Private Equity, LP, as part of the Asia Pacific Private Equity team. He leads their efforts in India and South East Asia with a focus on Financial & Business Services and Industrial & Energy verticals. Prior to that he was based in the New York Office as part of the North American Private Equity industrials team. He has been closely involved with a number of Bain Capital's investments in the region, including Axis Bank, Hero MotoCorp, JM Baxi, L&T Financial Services, Quest Engineering, Chindata, Emcure Pharmaceuticals and Brillio.

He currently serves on the boards of Quest, JM Baxi, LTFH and Brillio. Prior to Bain, he served as a Co-Chief Executive Officer of Medrishi.com. He also served as a consultant at Mercer Management Consulting, where he consulted in the e-commerce, retail and energy industries.

He received an M.B.A. from Harvard Business School, where he was a Baker Scholar and has also received a B.A. degree from Harvard College.

**LTFS 2.0 was all about bolstering our fundamentals. From solid OEM partnerships to a stable team, data analytic methodology, best-in-class service, and premium customer relationships. Its success gave us the courage to establish ambitious growth goals for your Company. With Lakshya 2026, LTFH is well on its way to achieving long-term profitability, developing next-generation risk management systems, and launching innovative solutions to become a Fintech@scale, with ESG at the core of all its activities.**

**Dinanath Dubhashi**
Managing Director & Chief Executive Officer

# GROUP EXECUTIVE COMMITTEE

**Dinanath Dubhashi**
Managing Director & Chief Executive Officer

**Sachinn Joshi**
Group Chief Financial Officer

**Raju Dodti**
Chief Executive - Wholesale and SME Finance

**Kailash Kulkarni**
Chief Executive - Investment Management & Group Head – Marketing

**Tushar Patankar**
Chief Risk Officer
L&T Finance Limited

**Santosh B. Parab**
General Counsel

Details as on the date of issue of the Annual Report

**Sanjay Garyali**
Chief Executive - Urban Finance

**Rupa Rege Nitsure**
Group Chief Economist

**Abhishek Sharma**
Chief Digital Officer

**Apurva Rathod**
Group Head - Secretarial and CSR & Sustainability

**Sonia Krishnankutty**
Chief Executive – Rural Business Finance

**Asheesh Goel**
Chief Executive - Farmer Finance

Details as on the date of issue of the Annual Report

# MANAGEMENT DISCUSSION AND ANALYSIS

## MACROECONOMIC REVIEW

Indian economy reverted to growth in FY22 reporting a growth of 8.7%, after a dip of 6.6%. While the first half of FY22 witnessed decent economic revival after the 2nd wave of the pandemic, the momentum was broken in the second half of FY22 on account of the 3rd wave of Covid and fallout from the geo-political developments in Europe. The adverse impact of the 3rd wave was very limited due to lockdowns being localised and better preparedness of the State Governments to handle the health crisis. Economic recovery during FY22 was also supported by large-scale vaccination and sustained fiscal and monetary support.

As per the provisional estimate of the National Statistical Office, the economic growth in FY22 was broad based across sectors with agriculture (3% YoY), industry (10.3% YoY) and services (8.4% YoY) registering a positive growth rate partly helped by a favourable statistical base. Both exports and imports grew by 24.3% and 35.5% YoY, respectively. India continues to be recognised as the fastest-growing major economy with a GDP growth of 8.7% in FY22. However, private consumption spending, especially in the rural belts remained weak throughout FY22, led by uneven monsoon rainfall, large number of extreme rainfall events, weak non-farm employment generation and unfavourable terms of trade for farmers.

India's Consumer Price Index (CPI) based inflation averaged at 5.5% in FY22 versus 6.2% in the corresponding period of the previous year. While softening of food prices provided some relief, the hardening of crude oil prices since June-July 2021 presented a major upside risk to inflation. While core inflation remained elevated in FY22, the continuing pass through of tax cuts relating to petrol and diesel in November 2021 helped to moderate input cost pressures to some extent. India's Wholesale Price Index (WPI) based inflation however, stayed in double digits for all months averaging 13% in FY22, partly led by an unfavourable statistical base and partly by elevated global commodity prices.

India's FY22 Current Account Deficit (CAD) too faced mild upside risk from high commodity prices. The wider merchandise trade deficits pulled India's current account into the negative territory in Q2FY22 and further widened in Q3FY22. The current account swung into negative territory with a deficit of $23 billion in Q3FY22 from a lower deficit of $9.9 billion in the preceding quarter. Indian rupee too depreciated by 3.5% against the US dollar during FY22, triggered by steadily rising crude oil prices and a sustained pull-out from local stocks by the foreign institutional investors since October 2021.

On the positive side, the Central Government's financial position is substantially better in FY22 as compared to FY21, primarily on account of buoyant tax collections. The Government's fiscal deficit for FY22 stood at ₹15.87 trillion or 6.7% of GDP, lower than the revised budget estimate of 6.9% of GDP for the year. The fiscal deficit was contained on the back of higher-than-expected nominal GDP, robust revenue collections and lower capital spending partly offsetting shortfalls from disinvestment proceeds as well as higher revenue expenditure.

Overall, the Indian financial sector remained fully functional during FY22 and anchored the process of economic recovery. Looking at the pace of recovery, the Reserve Bank of India (RBI) turned to rebalancing of liquidity on a dynamic basis during the year FY22, while maintaining adequate liquidity in support of its accommodative stance.

However, in the last quarter of FY22, the post-pandemic recovery of Indian economy was partially hit by an economic disruption caused by the war in Ukraine and the consequent economic sanctions on Russia, which are likely to reduce global growth and push up inflation.

Fitch Ratings has revised the outlook on India's Long-Term Foreign-Currency Issuer Default Rating (IDR) to Stable, from Negative, and has affirmed the IDR at 'BBB-' citing a reduction in downside risks to India's medium-term growth due to India's rapid economic recovery & easing financial sector weaknesses despite near-term headwinds from the global commodity price shock.

### Outlook for FY23

According to CRISIL – the domestic rating agency, India's real GDP will grow by 7.3% in FY23, with risks tilted to the downside. At the end of FY22, risks to India's economic growth have shifted from Covid pandemic to geopolitics, elevated crude oil prices and interest rate hikes by the US Federal Reserve. CRISIL research has projected Brent crude oil prices at $ 94-99 per barrel for

FY23. If oil price stays higher than that in FY23 then it will create risks to India's growth, inflation and current account position.

Global think-tanks and rating agencies too are projecting around 7-7.5% growth for India during FY23, with downside risks. Domestic growth in FY23 will primarily be supported by a continued vaccination drive and supportive favourable fiscal and monetary policies.

**India's FY23 growth projection** (%)

| | | |
|---|---|---|
| 8.2 IMF | 7.5 World Bank | 6.9 OECD |
| 6.4 United Nations | 7.2 RBI | 7.8 Fitch |
| 8.4 Moody | 7.3 S&P | |

While economic growth in FY23 will be driven by expected normal monsoon, higher public investment and private capex in select pockets supported by the Government's PLI scheme (Production Linked Incentive scheme), there will be headwinds from the global economic slowdown and higher commodity, especially oil prices. India's CPI inflation may cross the RBI's upper tolerance level of 6.0% in FY23 on account of four factors –

1. If crude oil price averages more than $90 per barrel;
2. Pressure on core inflation from rising international prices of metals and minerals;
3. Pressure on food prices from elevated costs of edible oils and fertilisers; and
4. Imported inflation due to weak rupee.

Bond yields and bank interest rates will rise at a faster pace because of adverse spillovers from the actions of global central banks, higher market borrowings by the Central and State Governments, surging crude oil prices and inflation risks.

Whereas revival in services trade and remittance inflows will support India's current account position to some extent, Current Account Deficit is expected to widen to 2.0-2.5% of GDP in FY23 following the rise in Brent crude oil price, pushing up the import bill. Moreover, slowing external demand will adversely impact India's exports leading to widening of the merchandise trade deficit. As fundamental factors affecting the rupee trajectory like crude prices, foreign institutional investors' capital, CAD, etc. are projected to worsen, there will be depreciation pressure on the currency. But India will be better prepared in FY23 to face external shocks due to its comfortable foreign exchange cover (at $598 billion as of May 20, 2022).

## Possible Threats

Major global central banks have begun the tightening cycle to tackle soaring inflation. The US Federal Reserve has already raised interest rate twice in 2022 so far (by 25 bps in March 2022 and 50 bps in May 2022) while the Bank of England announced a fourth consecutive rate hike in May 2022. S&P Global expects four more rate hikes by the US Federal Reserve in the calendar year 2022 and five more between 2023 and 2024.

Reversal of ultra-loose monetary policy has also been initiated by the RBI. In April 2022 monetary policy review, it introduced a Standing Deposit Facility rate of 3.75% (at 40 bps higher than the reverse repo rate) as a floor of the Liquidity Adjustment Facility. In an intermeeting monetary policy review in May 2022, it raised the repo rate by 40 bps to 4.4% and Cash Reserve Ratio (CRR) by 50 bps to 4.5%. The withdrawal of liquidity through the CRR hike is expected at around ₹870 billion. Putting together the last two policy actions, the effective increase in India's policy rates is of 80 bps. Faster than expected monetary tightening may impact the growth trajectory in the short term, though it is positive from the medium-term perspective.

Since the invasion of Ukraine, prices of energy, grains and metals are signalling that inflation rates are poised to accelerate. India is more susceptible to the oil price shock as it imports nearly 80-85% of its total energy requirement. Prolonged geo-political tension and monetary policy tightening by advanced economies will accentuate risk-off sentiments amongst foreign investors and result in outflows from emerging markets like India. High domestic inflation and wider Current Account Deficit could depreciate the rupee further. However, substantial forex reserves, upcoming IPOs in FY23 and likely inclusion in the global bond index in the second half of FY23 could cap the downside for rupee.

Covid infection rates are currently down, but the pandemic has not been eradicated officially. Hence, the possibility of disruption of economic activity due to further waves of infections cannot be ruled out.

To lead the economy on a sustained growth path, domestic consumption and investment need nurturing. To boost private investment, public investment needs to be enhanced. The Central Government has already envisaged a higher capital outlay to kick start infrastructure-led growth. State Governments also need to undertake similar measures to give an impetus to economic growth. To spur public investment, both the Central and the State Governments will rely on higher market borrowings, which could lead to higher cost of borrowing for both, the public and private sectors during FY23.

# FY22 IN PERSPECTIVE

During FY22, amidst the challenges posed by the 2nd and the 3rd waves of Covid, your Company focused on rapid and sustainable retailisation with retail book percentage reaching 51% of the total book. Retail business now is the largest lending segment of LTFH. Steady focus on new products is expected to further accelerate retailisation and improve profitability.

During FY22, your Company worked on setting up the goals for 2026 - Lakshya 2026 with the objective of enhancing shareholders value. From FY23 onwards, as part of the Lakshya 2026 strategy, LTFH aims to be a top-class digitally enabled retail finance Company, moving forward from a 'product-focused' to 'customer-focused' approach thereby creating a Fintech@scale. LTFH with an expected retail CAGR of over 25%, is well poised to leapfrog into this next phase of growth.

## Your Company's Achievements

### Increased 'Retailisation' of balance sheet

Your Company continued to focus on accelerating retailisation. The strong disbursements in retail combined with following an asset / capital light model in wholesale business aided the retailisation journey of your Company. As a result, the wholesale book reduced from 57% to 49% of the total book during the year. The sell-down engine that your Company has put in place also ensures that the retailisation does not happen at the cost of business.

For FY23 as well, your Company would continue to provide attention towards increasing retail portfolio, in line with the Lakshya 2026 strategy. More importantly, the investments into digital and data analytics, vast network of 16,000+ partner touchpoints, 16,500+ employee touchpoints, relationship with Original Equipment Manufacturers (OEMs), improved customer service and shorter TAT will continue to help your Company to continuously gain and maintain market share in each of the products.

### Maintained market leadership

LTFH remained on the path of consistent financial performance with steady profit margins, stable asset quality and growth in focused businesses.

Your Company remained amongst the leading financiers in Farm Equipment Finance, Micro Loans and Two Wheeler Finance. It also continued to be one of the leading players in Renewable Energy Financing.

### Prudent ALM, enhanced liquidity and strong liability franchise

In FY22, your Company leveraged its strong liability franchise to further reduce its weighted average cost (WAC) of borrowing. This was done through renegotiation of interest rates on existing borrowings, prepayment of high-cost borrowing and raising of long-term, low-cost borrowing to lock in interest rates and take advantage of low interest rate regime. It also established itself as one of the largest beneficiaries of priorities sector onlending in the country and raised ₹5,313 Crore in FY22. Your Company is also one of the first players in the country with access to sustainability linked loans, having raised ₹200 Crore in Q4FY22.

LTFH continued to capitalise on the low interest rate environment in FY22 and raised long-term borrowing of ₹15,293 Crore. Consequently, the quarterly WAC declined from 7.65% in Q4FY21 to 7.34% in Q4FY22 and the yearly WAC reduced by 58 bps from 8.08% for FY21 to 7.50% for FY22 helping to achieve the lowest-ever yearly WAC as well as quarterly WAC in Q4FY22.

Your Company continued to maintain cumulative positive liquidity gaps in all buckets upto one year in its Asset and Liability Management (ALM) and periodically undertakes liquidity stress testing under various scenarios for a survival period of 30 days to assess its liquidity levels. This approach has helped ensure that your Company maintained positive liquidity levels even under stress scenarios.

Resultantly, your Company maintained elevated liquidity levels in April and May 2021, following the resurgence of 2nd wave of Covid cases. However, with the decline in Covid cases from June onwards, your Company started reducing the liquidity. In February 2022, your Company raised additional liquidity buffers as a precautionary measure due to heightened geo-political tensions.

As a prudent practice, your Company has been maintaining Liquidity Coverage Ratio (LCR) well above the regulatory required ratios. Furthermore, early warning indicators under the Contingency Funding Plan (CFP) are monitored daily to identify any signs of stress. The defined early warning indicators have been very helpful for the Company to be proactive and guide in shoring up liquidity buffers, if needed, to combat potential stress.

In summary, your Company was able to reduce WAC through proactive liability management and diversification of borrowings while continuously monitoring the environment for any source of liquidity risk and prudently managing it. Furthermore, during the year, your Company's AAA rating was reaffirmed by all four rating agencies – CRISIL, CARE, India Ratings and ICRA. Also in August 2021, ICRA had upgraded its rating outlook for the Company to "AAA / Stable".

## Strong balance sheet

Your Company's focus on building a comprehensive Early Warning Signals framework, concentration on early bucket collections and strong Stage 3 resolution efforts has helped achieve reduction in Stage 3 assets on YoY basis.

- GS3, on principal outstanding basis, declined from 4.97% in FY21 to 3.80% in FY22
- In the Rural business, investment in data analytics and emphasis on a Zero DPD book helped maintain GS3 YoY

The OTR book is currently at ₹3,040 Crore (OTR 1 – ₹1,204 Crore & OTR 2 – ₹1,836 Crore), corresponding to 3.44% of book. The proactive efforts of your Company are directed towards settlement of the OTR book.

## Proactive provisioning

Your Company continues to be well protected on account of significant provisions built over time. To protect from the deterioration in the risk environment during last 2 years, it has a total additional non-GS3 provision of ₹1,727 Crore. This includes:

- ₹1,194 Crore of provision towards Micro Loans book (9.58% of standard Micro Loans book)
- ₹241 Crore of provision towards Housing book (1.21% of standard Housing book)

Overall, your Company has ₹2,346 Crore of non-GS3 provisions (including standard asset provision) to deal with any challenges arising out of possible negative scenario. Your Company remains well capitalised with strong capital adequacy ratio of 22.88%.

## Portfolio management and Early Warning Signals

Data analytics has been an integral part of Portfolio Management and Early Warning Signals. These have always underlined the risk control measures in retail segment. For Real Estate and Infra portfolios, our conservative and cashflow based underwriting to strong corporate groups along with continuous project monitoring has served us well. During these unprecedented times, in addition to the strong risk management framework, your Company took the following additional portfolio actions to deal with the current scenario:

- Impact assessment on business-wise portfolios using stringent stress case scenario
- Tightening of Loan to Value ratio (LTV) grid, reduction of maximum LTV offered under regular schemes to improve portfolio quality
- Usage of analytics and bureau information to strengthen collections in adverse scenario
- Disproportionate focus on setting up and increasing utilisation of digital payment framework for collections
- Continued focus on completion of existing Real Estate projects which resulted in re-payments / pre-payments of over ₹3,000 Crore in FY22
- Monitoring projects remotely with heavy use of technology and reassessment of cash flow positions in Infrastructure Projects, based on prevailing market conditions

# Continuation of Strategic Initiatives

Undeterred by the Covid pandemic, your Company continued to make good progress on the following strategic initiatives:

- Entered into a definitive agreement to sell 100% shareholding in the mutual fund business (subject to necessary approvals)
- Launched a pilot of the Small and Medium Enterprise Loans (SME loans) which is aimed at addressing financing needs of one of the largest segments in the country's GDP

# Financial Ratios

### Consolidated:

Debt-equity ratio saw a decline from 4.72 times to 4.27 times while the Return on Net Worth (RONW) decreased from 6.19% to 5.54% (10.50%) due to capital raise.

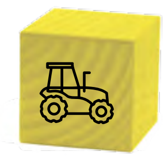
### Standalone:

Debt-equity ratio saw a decline from 0.16 to 0.01 (93.75%) on account of redemption of preference shares and prepayment of borrowings. RONW showed an increase from 1.07% to 1.97% (83.29%) on account of increase in profit for the year.

# Our Businesses

## Rural Finance

During the year, your Company continued to witness strong business momentum with focus on rapid and sustainable retailisation despite the localised lockdowns owing to the 2nd and the 3rd waves of Covid. In line with our retailisation strategy, Retail business has become our largest lending segment at 51% (surpassing the wholesale book for the first time). Post Covid, your Company has been following a strict collections-led disbursement strategy and had initiated business in locations where collection efficiencies had restored to normal. Through rigorous usage of analytics driven Early Warning Signals and culture of 'Zero DPD', the asset quality remained in control.



### Farm Equipment Finance

The rural economy faced multiple challenges namely skewed rainfall distribution, rural distress on account of prolonged continuation of pandemic, elevated unemployment levels and non-remunerative prices. This adversely impacted rural demand thereby resulting in lower tractor sales. This, in addition to the high base of tractor sales in FY21, contributed to a decline in tractor sales in FY22, on a YoY basis.

However, the medium to long-term demand / potential for tractors remains intact (including the replacement demand) on account of lower tractor penetration in India which is at 40%.

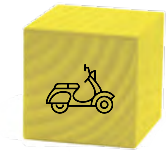
Despite slowdown in the tractor industry segment due to the factors as discussed above and subdued sales due to Covid, your Company has managed to increase its tractor loan disbursements by 15% YoY to ₹5,152 Crore and increase its book by 10% to ₹11,317 Crore. This has been made possible due to the capabilities developed in data sourcing analytics.

This helped your Company maintain its market share in the Farm Equipment Finance industry. As part of LTFH strategy to retain good customers, your Company has introduced a loan retention product namely 'Kisan Suvidha'. This demonstrates the use of customer retention analytics by monetising on the rich database of customer that LTFH has developed through its long-term presence in tractor finance business. This endeavour of LTFH has reaped rich dividends wherein the contribution of Kisan Suvidha Loans in the overall business has touched 25% in FY22. It is to be noted that these loans are given to prime customers with excellent credit and repayment track record.

Your Company's focus on collections led to the collection efficiency (CE) reaching 94.4% in March 2022, thus reflecting pre-Covid levels. This was made possible through collection analytics around resource, timing and method of collections.

### Strategy

- Leverage adjacencies to maintain market leadership
- Strengthen top dealers penetration through differentiated offerings
- Enhance TAT proposition and ensure rapid scale through digital and data analytics



### Two-Wheeler Finance

In FY22, the Two-Wheeler industry saw a 11% de-growth in domestic sales led by 11% drop in Two-Wheeler production to 13.5 million units. The Two-Wheeler industry last clocked such low levels a decade ago in FY12, when sales were just over 13.4 million units. At its peak in FY19, two-wheeler production in India was over 21 million units. Rising fuel and commodity prices, supply chain constraints, continued work-from-home, educate-at-home practice resulted in lower demand.

Through rigorous execution of digital proposition on the ground and domain expertise whilst maintaining conservative LTV levels, your Company has remained one of the leading financiers in Two-Wheeler finance in FY22. The year also saw the Company book increase by 5% YoY with the disbursements reaching pre-Covid levels.

While the majority of the industry remains non-income proof, your

Company has endeavoured to create new sub-product segments targeted at individuals having an identifiable source of income. The products so created are 'Sabse Khaas Loan' (SKL) which is a no-hypothecation product and an Income Proof product, resulting in increased financial penetration.

Collection efficiency (CE) in Two-Wheelers surpassed pre-Covid levels reaching 98.8%. This reflects the robust application of propensity to pay model of collection analytics.

## Strategy

- Building dominating counter shares of our preferred partners
- Driving growth with focus on un-financed high credit worthy customers and existing customers with excellent repayment history
- Leverage best in industry TAT as a key service proposition
- Usage of 'Propensity to Pay' model for collection prioritisation

## Micro Loans

The Micro lending sector was adversely affected on account of the pandemic. Despite this, the sector exhibited resilience through improving operating metrics during Q2FY22 and Q3FY22 by growing 7% YoY during FY22 on the back of enhanced needs and growing aspirations of microfinance customers across the country.

Your Company has furthered financial inclusion through providing loans to women entrepreneurs of rural India engaged in responsible end use namely dairy, grocery shops and similar allied activities for earning their livelihood. This year, over 2.11 million women benefitted from disbursements made through various schemes.

Wave 2 of the pandemic had its impact on Q1 disbursements. However, your Company's strategy of collections-led disbursement led to pick up in disbursements as and when collections in various regions stabilised. Further on, the opening up of the markets in new states and existing geographies resulted in fast-tracking the pace of disbursements. With this, your Company was able to deliver healthy growth of 50% in disbursements and book by 9%.

Enterprise-wide strategy of customer retention has resulted into healthy growth of two products namely 'Vishwas Loans' and 'Pragati Loans'. While Vishwas Loans, an already existing offering for our good customers, has scaled up smartly; Pragati Loans catering exclusively to existing customers, was launched this year. These initiatives have enhanced the efforts around customer retention to 56%.

Our strategy of collections-led disbursement, customer retention initiatives and pin-code level data analytics have led to collection efficiencies bettering pre-Covid levels. The collection efficiency (CE) as of March 2022 stands at 99.6%.

## Strategy

- Leverage customer base to increase the proportion of repeat customers
- Sourcing led by data analytics and credit appraisal
- Diversify through focus on under penetrated / new geographies and unleveraged customers
- Focus on maintaining regular collection efficiency (CE) at 99% levels and manage early bucket delinquencies

## Consumer Loans

Your Company had carved out a new personal loan product in FY20 by leveraging its existing database of Two-Wheelers over ten years. This product is a completely Digitally Native proposition (holistic - both for sourcing and servicing) for good customers with proven track record. This new loan product has been able to successfully cater to over 1.9 Lakh customers and achieve a scale of ₹2,292 Crore book as of March 2022. This validates the success of our customer retention initiatives.

It is needless to say that this growth has not come at the expense of collection, with the portfolio collection efficiency (CE) being steady at ~99.5%. This reflects our robust underwriting standards using digital and data analytics aimed at building a sustainable quality portfolio.

Going forward, your Company is looking to build the book through open market launch of consumer loans aimed towards fulfilling the education and healthcare needs of customers.

In addition to this, your Company is exploring to incubate a new segment of consumer loans through partnerships with third party aggregators and Application Programming Interface (APIs). The end objective / endeavour for any offering of LTFH would be towards financing responsible end use.

### Strategy

- Provide an end-to-end digital journey and fast TAT
- Harness analytics capabilities towards creating bureau-based underwriting scorecard
- Leverage partnerships to build additional channels of sourcing for future up-sell and cross-sell

## Housing Finance

On account of Covid-led slowdown, growth in the housing sector contracted. This was mainly driven by degrowth in wholesale loans. However, this was positively balanced through brisk growth to mid-teens in Home Loans.

Your Company, although focusing on salaried customers, reinitiated disbursements in Self-employed Non-Professionals (SENP) and Loan Against Property (LAP) segments with revamped market offerings through Direct Selling Agent (DSA) sourcing towards the later part of the year and focused on existing projects for disbursements in Real Estate segment.

Overall, the Housing Finance business saw a disbursement of ₹4,016 Crore in FY22.

### Home Loans

Structural demand drivers viz. growing population, falling household size, rising per capita income and urbanisation remained intact. Coming out of the pandemic, sales pickup was witnessed in Tier 1 cities resulting in decline in inventory. This has been due to a confluence of factors comprising:

- Low mortgage rates
- A rise in savings for top households during lockdowns
- Reducing gap between mortgage rates and rental yields
- Improving pricing signals
- Supportive regulatory policies

Your Company continued to focus on salaried profile with 85%+ share in fresh sourcing; followed by customer retention initiatives of pre-emptive and improved service propositions.

A digital sanction TAT proposition provides our customer a quick turnaround.

Your Company disbursed ₹2,293 Crore worth of Home Loans in FY22 (up by 64% YoY). The contribution of Home Loans, as a part of total Retail Housing disbursements, increased from 85% in FY21 to 96% in FY22.

### LAP

An adverse business environment for MSME segment coupled with the Covid related disruptions affected the cashflow and liquidity position of the LAP segment. Consistent policy support from Government is expected to drive growth in this segment.

Your Company resumed lending to new customers in this segment led by DSA sourcing only during the later part of the year with strong risk guardrails besides lending to existing customers.

During the year, LTFH disbursed LAP of ₹106 Crore.

### Strategy for Home Loans and LAP

- Digital-lending model for Home Loans to provide best-in-class TAT
- Growing up volumes through use of data analytics
- Strengthened our DSA based sourcing channels
- Started lending for self-employed and LAP again with strong risk guardrails
- Worked on the digital front for customer interface and customer servicing
- Improved on Balance Transfer (BT) proposition by engaging more with the customers to understand their needs and meeting them in the best possible way

### Real Estate Finance

Despite withdrawal of stamp duty reduction in certain key cities viz.: Mumbai and Bengaluru, FY22 has been a year of revival and measured growth for the residential sector due to the impact of pent-up demand as witnessed during second half of FY21. Home sales and new launches both showed a significant improvement with 2nd and 3rd waves of pandemic having low impact on the overall sentiments. Continued policy support by governments, a revival in economic activity coupled with a low home loan rate regime are some of the key factors driving residential growth. While rising input costs due to supply-demand gaps have had an impact on the construction activity and developers' margins, the momentum with respect to residential sales did not get hampered as the prices remained largely stable across cities. Renewed demand in the affordable and the mid segment continues to drive the residential real estate market.

Recovery in commercial real estate market has been relatively slow as compared to residential market. The office market in India has started showing signs of recovery, with leasing activities that had slowed during 2020 and most part of 2021, were seen to be improving from second half of FY22. As the 3rd wave of Covid weakened, employers have started to resume their 'return to office' plans. Commercial office leasing rentals remained stable during FY22.

Coming out of the pandemic period, your Company's Real Estate (RE) finance business deployed calibrated approach towards disbursements which was majorly aimed towards completion of ongoing projects and resolutions. RE Finance disbursed ₹1,617 Crore while book was down 13% YoY as a result of focus on portfolio management. Continued support to developers in construction finance facilitated greater traction in project completion which has resulted in 6% YoY growth in escrow collection and 62% YoY growth in re-payments / pre-payments.

Continued focus on completion of existing RE projects resulted in re-payments / pre-payments of over ₹3,000 Crore in FY22.

### Strategy

- Ensure continued construction finance support for completion of projects
- Rigorous portfolio monitoring for identification and implementation of corrective action plan
- Focus on Asset Monetisation and Joint Development Agreement / Development Manager arrangements for resolution of assets

## Infrastructure Finance

Coming out from clutches of the pandemic, FY22 reiterated the robustness of infrastructure sector. Revenue generation of operational infrastructure projects remained steady while greenfield construction activities also picked up pace. The timely steps taken by regulators helped in infrastructure projects being protected from adverse impact caused by the pandemic. FY22 also witnessed critical developments for infrastructure sector with landmark judicial pronouncement in Andhra Pradesh tariff dispute which upheld the sanctity of PPA tariff.

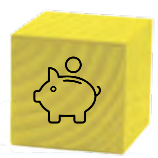
Infrastructure investment continues to be the key area of attention for the Indian Government. The Union Budget 2022 laid special emphasis on infrastructure sector under the initiative 'Gati-Shakti' for Roads and plans to increase highway network by 25,000 km. With the enhanced outlay of ₹1.87 Lakh Crore for the Ministry of Road Transport and Highways, the allocation is ~55% higher than previous year and augurs well for the sector. Allocation for NHAI more than doubled (YoY) to ₹1.34 Lakh Crore and has tripled from FY20 to FY23. The Budget has placed prominence on monetising operating public infrastructure assets coupled with the increase in spend on infrastructure to create medium-term growth. Under Renewables, capital outlay of ₹28,500 Crore has been allocated to Indian Renewable Energy Development Agency Limited (IREDA) and Solar Energy Corporation of India Limited (SECI) (40% higher than previous year). Your Company's emphasis will continue to be on Infrastructure Finance – both greenfield (Solar) and operational (Solar and Wind) whereas in Road it is on operational.

LTFH continues to be one of the leading players in Infrastructure Finance business with special focus on Renewables, Roads and Transmission. Your Company continued concentrating on projects with strong sponsors and off-takers with proven track record. LTFH disbursed ₹10,683 Crore in FY22 (9% YoY) while book was ₹30,521 Crore (down 19% YoY).

Consequent to the merger of L&T Infrastructure Finance Company Limited with L&T Finance Limited, your Company has taken steps to convert the IDF – NBFC business to an NBFC – Investment and Credit Company (NBFC – ICC). Accordingly, L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) has applied to the Reserve Bank of India (RBI) for conversion to an NBFC – ICC.

### Strategy

- Focus on projects backed by pedigreed corporates or global private equity players in Renewables and Road sector and propensity to complete within cost and time are the key eligibility parameters for project selection
- Conservative underwriting by considering cash flow volatility, offering appropriate tenor-based loans on project cash flow
- Focus on sell-down of both fund-based and non-fund-based exposures to various investors, thereby enabling churn of portfolio
- Continuous monitoring of portfolio to control credit costs
- Focus on Early Warning Signals to identify risks and cash flow stress



## Investment Management

The growth in S&P Sensex of 18% can be split into two halves; the first half from April to mid-October 2021, wherein we saw the Sensex reaching its highest level, nearly touching 62,000 from 50,000 (at the beginning of the financial year). However, post mid-October there has been high volatility with the Sensex plunging close to 53,000 from its high and then again recovering to 58,700 levels, mainly on account of the rally in the last 3 weeks of March 2022.

The global events including the war between Russia and Ukraine caused major upheaval in both the fixed income and equity markets. This resulted in increase in oil prices fuelling inflation thereby becoming a cause of worry for most central banks, signalling a hardening of rates across the world.

The foreign investors were seen exiting India in large numbers in the latter part of the year, pulling out ₹1.44 trillion from domestic stocks in FY22. This outflow was compensated by Domestic Institutional Investors (DIIs) buying in significant numbers. Of the DIIs inflows, a large part was contributed by the SIP book.

LTFH announced the 100% stake sale of the mutual fund business in December 2021. Following this, LTFH consistently engaged with several distributors and investors to reinforce focus on growth as well as its commitment to investors.

Moreover, the Company focused on enhancing its digital assets and used social media to promote awareness about mutual funds as well as its products. The launch of the Mobile App during the last part of FY21 which became fully operational in FY22 concentrated on onboarding new investors. LTFH also undertook the task of beefing up the equity and fund management teams by hiring senior resources during FY22.

Given the volatility of the markets, your Company's primary goal was to arrest redemption. The overall AUM was impacted because of the fall in equity in the second half of the year. However, your Company did reasonably well on the fixed income side resulting in ending the year just shy of ₹75,000 Crore of AUM. The focus on high-quality products led to significant growth in debt AUM (excluding liquid / overnight). The proportion of equity schemes to total AUM now stands at 59%.

### Strategy

- Continued engagement with distributors and investors
- Focused on hybrid schemes, roll down target maturity products in fixed income
- Enhanced reach of digital assets

# Digital and Data Analytics

## Building sustainable competitive advantage

Digital innovation and technology enhancement are integral strategies to achieve our vision of creating sustainable value for all stakeholders. The Covid pandemic has only accelerated the demand for digitisation and digital adoption, which has been a significant contributor to your Company's business resilience and to scaling growth and productivity of its activities.

Your Company has been able to revamp end-to-end customer journeys and deliver leadership products and services in the industry. It has moved up the maturity stages in terms of lifecycle, data and talent by having a healthy balance between digital innovation and stable availability of service to its customers.

With product and rural centricity at your Company's core, initiatives taken include building of robust Digital assisted apps for enabling our field force to source and disburse loans seamlessly and at industry best TAT. The adaptation to cloud infrastructure has enabled our team to deliver on aspects that generate increased business value such as improved underwriting, enhanced TAT, ease of doing business and better productivity around credit. LTFH is credited with a 100% automated and analytics-driven underwriting leading to industry best TAT and bias-free credit decision making.

LTFH has also built a mechanism to detect and weed out frauds through an independent Risk Containment Unit, further assisted by digital onboarding solutions and online verification processes.

Your Company has enabled your field force with digital touch-free collection mechanism. Touch-free collections aim at minimal to no contact with customers for collection of dues.

With this facility, customers can seamlessly make digital payments or by visiting nearest payment bank.

It is pertinent to note that touch-free collections accounted for ~82% of the total collection in FY22 in the Two-Wheelers business.

Additionally, launching UPI payments has amplified customer experiences alongside easing collection efforts. Efforts are underway to develop end-to-end linking of sales proceeds of the funded projects by using Artificial Intelligence (AI) and IT in the infrastructure business. Being a reputed brand with embedded trust, your Company continues to strive in protecting customer information and ensuring data security for the sustainability of the business. Thus, safety protocols are updated regularly and considerable effort is made to adhere to top-notch customer privacy protection practices as well.

Further, overall digitisation of products and processes across the organisation has minimised the use of paper, thus providing an environmentally efficient solution for the Company.

To provide a digitally native proposition to our Mutual Fund customer, LTFH has introduced a mobile application - L&T Invest Xpress. This app provides a seamless customer experience with a 3 step simplified philosophy of 'Click, Invest, Track'.

The L&T Invest Xpress mobile app is an easy guide to investing in L&T Mutual Fund. With features like quick transactions without login, easy navigation between screens and efficient tracking of investments, the mobile app lets you experience the joy of investing in L&T Mutual Fund.

However, with the changing times and increasing competition from new generation Fintechs and large tech-companies that are entering into the financial services domain for disruptive play, your Company is taking a leap of faith towards building new strengths with customer-centricity as the focus to become an indispensable Fintech@scale funding responsible expenditure. Your Company is increasingly moving towards becoming a top-class 'retail' finance Company moving forward from 'product-focused' to 'customer-focused' approach built on the foundation of cutting-edge technology and future readiness.

## Integration of digitisation across the customer lifecycle

- **Direct-to-Consumer (D2C)**

A mobile application named 'LTFS Planet' (Personalised Lending and Assisted NETworks) has been successfully launched to fulfil the objectives of:

a. Sourcing and onboarding customers directly through lead generation, end-to-end digital workflows, digital partnerships and e-aggregators

b. Increasing up-sell and cross-sell across businesses thus resulting in enhanced customer engagement

c. Digital collections and servicing, thereby reducing branch / call center dependency and converting the non-mandate customers

d. Providing insights on customer behaviour based on deep tech and data analytics

### Sourcing

100% Straight Through Processing (STP) Journeys established leading to industry best TAT.

a. Ecosystem expansion: Your Company has delivered consistently through 'catchment expansion' beginning from loyalty loans to top-up and prospect loans and now to an e-aggregator model as well. This is done by employing machine learning techniques to increase funnel for avenues of data monetisation with fully pre-approved loans. These loan journeys were the initial step towards a direct to customer connect. Your Company has established the ability to not only enhance sourcing funnel but also to start a line of business through existing customer footprints.

b. Digital processes: Several new-age digital technologies are being incorporated for seamless journeys:

   - Rolled out digital assisted apps for all products
   - Integrated Digilocker, Fuzzy logic and Penny credit to reduce TAT and prevent frauds
   - Liveness matching with OCR as KYC
   - Tie up with various partners to make our digital lending process 100% paperless with mitigated risks in all the areas

### Underwriting

Artificial Intelligence (AI) empowered analytics has been embedded for a 100% automated and a bias-free credit decision making, resulting in:

a. Fraud detection at origination through Early Warning Signals

b. Machine learning based application scorecard for decisioning

c. Enhanced credit guardrails with pre and post-Covid parameters

d. Re-imagined credit algorithm using alternate data

### Servicing

LTFH has tried to redefine servicing to its customers by moving from Assisted Channels to Autonomous Self Help Channels. This endeavour, that has been in the works for the past 3 years, has yielded positive results. To illustrate this, in FY19, almost all of your Company's customers were serviced through physical branches. However, efficient servicing through self-help options has helped your Company reduce branch and call center dependence. This has led your Company to successfully invert the funnel with 38% interactions from self-servicing channels like:

a. Customer data mart for 360-degree view

b. Automation bots for customer interactions and instant servicing

c. 24 / 7 self-help options (Website, Chatbot, IVR, Whatsapp)

### Collection

Analytics-led collections have resulted in 0 DPD book being way better than industry. Various aspects of the collection mechanism that are being worked upon include:

a. Reduced cost of collections by moving towards autonomous and touch-free collections

b. Optimised collection machinery to reduce collection cost using Machine Learning

c. Bounce prediction for delinquency management / risk segmentation

## Stable and reliable IT

Your Company has built a resilient and secure technology architecture for assurance of services by incorporating the following features:

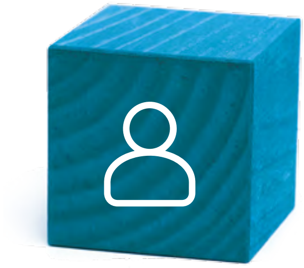
a. Shifted away from a monolithic IT architecture to an optimised cloud-native architecture

b. Self-service Business Intelligence (BI) App towards democratising enterprise data and providing real-time insights to all users on their fingertips for better, faster and more relevant decisions

c. Successfully achieved the ISO 27001:2013 certification

d. Built a disaster recovery data center on Google Cloud Platform

Constantly building robustness in tech delivery requires the IT team to develop muscle to compete in the new digital landscape by being digital thought leaders in the industry. Having scaled all the frontiers and adapted to become increasingly digitally native, your Company is geared up to become an indispensable Fintech@scale and funding responsible growth by re-imagining customer engagement and best-in-class risk mitigation.



# Human Resources

As a financial services provider, people are the greatest assets and the core strength to your Company's business. As of 31st March 2022, your Company employed 24,643 employees. LTFH has consistently been agile and has improved its human resource practices to match up to the dynamic workplace. The pandemic posed a challenge for people working in the field. With 75% of your Company's people in frontline roles (directly interacting with customers), the focus on health and safety is always critical. And the pandemic further accentuated the criticality.

Prioritising the safety and health of employees and their families was imperative for your Company. And so, your Company undertook multiple measures, ensuring access to preventive and curative healthcare and safety features for its people and their families.

Your Company organised vaccination drives for its employees and a total of 60,185 doses were administered. All the employees have received their first dose and 95% employees have received both the doses till 31st March 2022.

Your Company rolled out financial support worth over ₹2.6 Crore (as of 31st March 2022) for families of employees who unfortunately lost their lives while in active service. This includes continuation of payment of monthly salary for two years to the nominee, one time ex gratia payment of ₹2 Lakh, education assistance to children till graduation and education assistance to spouse for pursuing vocational / professional courses.

In addition to the above, your Company continued its focus on developing people talent internally to ensure a strongly engaged, motivated and capable workforce, to help take the growth forward.

## Policies and programs for employees

### Capability building

Your Company's talent strategy is performance-oriented and aligned with the organisational goals. It encourages employees who are aligned, have demonstrated the right attitude and display desire to take up larger roles. As a part of your Company's strategy to groom future-ready talent, it encourages cross-functional movements and upskills them through 'Education, Exposure and Experience'.

LTFH has been ambitiously taking internal initiatives for the career development of its young frontline staff. Since frontline executives are very crucial for business development, a flagship programme 'Aspire' is specially designed to train the frontline staff, especially the sales functionality and support function members. Such planned growth opportunity enables your Company to attract and retain top performers for frontline roles. It also enables them to manage transition and become productive quickly.

### Rewarding performance

Every measurable effort / milestone achieved by an employee deserves utmost appreciation and respect. It is imperative that the top performers exemplify your Company's culture, live its values, and draw inspiration from them. Therefore, to felicitate the exemplars of these values, your Company has institutionalised STAR Awards, one of the biggest annual recognition platforms. This year, the STAR Awards program was conducted and broadcasted on an interactive virtual medium. The event honoured employees for their stellar contributions, thereby encouraging them to keep performing extraordinarily.

This year 552 frontline employees who braved the pandemic and delivered exceptional performance were recognised with the newly instituted RISING STAR Awards. RISING STAR Awards is the first of its kind recognition program in the industry as it is specifically dedicated to the frontline employees. The felicitation ceremonies were held across six locations – Chandigarh, Lucknow, Bangalore, Chennai, Kolkata and Patna. It is pertinent to note that the senior-most management from the corporate office visited these locations to felicitate and encourage employees. Key impact of regional RISING STAR Awards was positivity amongst employees, testimonials were posted across social media platforms, an alternate way of engagement with frontline employees emerged where they were recognised and appreciated for current achievements as well as motivated for future performance.

Additionally, initiatives such as Wall of Fame continued to recognise the outstanding and exceptional contributions of the employees throughout the year. Together, these practices serve to acknowledge your Company's gratitude to its biggest assets – its people – for their unstinted support and contributions while also motivating them.

## Initiatives towards building future leaders

Succession planning is critical to the talent strategy of your Company. It helps in reducing people risk associated with vacancy in critical roles, thus ensuring business continuity.

The objectives of succession planning include:

- Ensuring availability of people of right calibre to take over critical roles within the organisation, as and when the current incumbent moves on
- Ensuring talent required to sustain and support the future organisation growth is readily available

The identified successors form a talent pool for your Company. They are groomed for taking up critical roles in future through targeted learning interventions.

# Risk Management

Risk management implies controlling potential future events that may adversely impact a business' operations and functioning. It is about adopting a proactive approach instead of being reactive. Risk management forms a vital part of your Company's businesses and it is cognisant of the prominent role it plays in long-term success. Your Company, as it advances towards its business objectives and goals, is often subjected to various risks. Credit risk, market risk, liquidity risk, ESG risk and operational risk are some of the risks that your Company is exposed to. These risks, if not timely identified and duly mitigated, hold the potential to severely affect your Company's financial strength, operations and reputation. With this as the backdrop, your Company has in place a Board-approved Risk Management Framework. This framework encompasses risk appetite statement, risk limits framework, risk dashboards and Early Warning Signals. The Group Risk Management Committee (RMC) heads and supervises the efficiency of this framework periodically. Your Company's Risk Management function works independently from the business units under the guidance of the RMC. This helps ensure guidance during challenges, underscore oversight and balance the risk / reward decisions.

Post large scale events, stress tests are conducted by your Company which help assess the durability of the balance sheet. It provides useful insights to the management with regards to better understanding of the nature and extent of any vulnerabilities, quantify the impact and develop plausible business-as-usual mitigating actions.

Your Company's Risk Management function periodically boards an external independent firm. This firm helps your Company review its approach to risk appetite and ensures alignment with the best market practices. The prime intention behind this review exercise is to improve the efficiency and effectiveness of your Company's stress testing program. This is crucial for the assessment of your Company's capital strength and earning volatility. A rigorous examination of your Company's resilience is carried and observed against external macroeconomic shocks. Your Company has always had a focused strategy of developing a proactive and effective risk mitigation and management culture and framework. This has immensely helped your Company stay ahead of the curve as one of the leading NBFCs with highest credit rating of AAA.

Moreover, your Company has taken cognisance of the sustainability and climate related risks and has developed a framework to address these risks.

Your Company has an effective Risk Management framework in place which helps it grow sustainably. This framework comprises:

- Risk management strategies and policies: A risk appetite statement which is clearly defined and covers Company-wide overall risk limits. It is further merged with detailed individual / sector / group limits, covering multiple risk dimensions
- Efficient risk management practices and procedures
- Strong internal control systems backed by consistent and constant information gathering
- Suitable and independent risk management structures with well-defined risk metrics for continuous monitoring by RMC

## Credit Risk

Your Company is exposed to various kinds of risks including operational, liquidity, market, however credit risk is the single largest risk for your Company's business. Your Company, therefore, carefully and efficiently manages its exposure to credit risk.

An overview of credit risk of portfolio

is presented to the RMC periodically. Your Company has a wide-ranging underwriting framework in place. This framework helps guide individual businesses to optimum credit decisions. Further, it is also supported by well-defined risk limits across various parameters including products, sectors, geographies and counter-parties. Your Company also has an effective review mechanism in place. It uses state-of-the-art Early Warning Signals to quickly recognise potentially weak credit while stressing on maintaining 'Zero DPD' (*Days Past Due* indicates the number of days that a loan repayment has not been made, past the due date). Your Company has been able to ensure stable asset quality amid volatile times and difficult lending environment, because of stringent adherence to the aforementioned prudent risk norms and diligently following the institutionalised processes.

Your Company's provisioning policy is cautious, conservative and prudent in nature. As per the RBI notification on acceptance of IND AS for regulatory reporting, it computes provision as per IND AS 109 and as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP). If the impairment allowance in aggregate, under Ind AS 109, is lower than the provisioning required under IRACP (including standard asset provisioning), the difference is appropriated from net profit or loss after tax to a separate 'Impairment Reserve'. As part of the Covid response, your Company had undertaken an arithmetic modelling on the plausible conduct of the debtors' behaviour to build incremental provisions and strengthen the balance sheet. As on 31st March 2022, your Company carried ₹1,727 Crore of macro-prudential and other additional non-GS3 provisions to shield against any challenges arising due to the after-effect of the pandemic.

## Operational Risk

Your Company's effective and pre-emptive Operational Risk Framework is overseen by the Operational Risk Management Committee. The team examines operational risks and incidents in a way so as to ensure robust continuance of processes and systems. Further, periodic process walk-throughs are also conducted to check controls. This helps recognise redundancies in processes, thus, enabling your Company to remain competitive in a fast-evolving and constantly moving digital environment.

## Market / Liquidity Risk

Your Company protects itself against market or liquidity risk with the help of its prudent approach. Your Company maintains a positive liquidity gap on a cumulative basis in all the time-buckets up to 1 year (at LTFH consolidated level). A Contingency Funding Plan has also been put into practice by your Company for responding to severe disruptions which might affect the ability to fund some or all activities in a timely manner and at a reasonable cost. These cautious and judicious liquidity risk management measures and practices clearly reflected the robustness of your Company's asset liability management during the Covid related stress. Your Company maintains positive interest rate sensitivity gap over a one-year horizon. This acts as a mitigant against interest rate risk in balance sheet. Regular liquidity and interest rate stress testing is also conducted. Thus, helping LTFH to manage and regulate its response to the evolving market conditions related to liquidity and interest rate changes.


## IT Security Risk

LTFH has instituted security protocols such as firewalls, intrusion prevention system to detect and stop threats. It also has separations for internet facing applications and critical internal applications and processes to recognise, monitor and mitigate IT Security Risks. Your Company continuously carries out security gap and vulnerability assessments. Your Company has integrated Cyber Security in its IT Security policies and procedures which enables it to mitigate risks. Apart from your Company's IT Infrastructure with multiple layers of security and in-depth defence by design, it also has clearly defined Early Warning Signals. These help your Company detect and respond to cyber threats promptly.

Employee education programs are also conducted regularly to teach them about dealing with security risks and cyber threats.

Note: For details on internal control systems and their adequacy, please refer the Board's Report.

# ESG

Your Company has committed to creating long-term stakeholder value by embedding sustainability practices across its businesses and operations. ESG has become a cornerstone of the Lakshya 2026 plan rolled out by your Company.

## ESG enabled Policy Ecosystem

Your Company developed the ESG Policy to act as a guiding framework to incorporate environmental, social and governance (ESG) considerations into operations and business, mitigate material impacts and risks thereof and serve as a guiding document for the ESG initiatives undertaken by your Company.

With an intent to encourage ESG consciousness amongst its value-chain partners, your Company has implemented the Third-Party Code of Conduct and also strengthened the contractual obligations.

## Integrating ESG in operations

During FY22, your Company took bold steps to mainstream ESG in its operations. Your Company also identified 'emissions' and 'water', two critical environmental issues, as areas of immediate ESG action.

## Integrating ESG in Business

### Key Achievements

- 5,450 EVs financed
- Helped avoid 22.62 Lakh $tCO_2e$ emissions
- Secured its first low-cost Sustainability Linked Rupee Loan of ₹200 Crore
- 53.22 Lakh women borrowers receiving micro loans
- Rolled out ESG induction modules for employees in 8 regional languages

Your Company strengthened its Risk Management Framework by identifying and integrating ESG considerations in Risk Appetite Statements in key businesses. By ensuring ESG-conscious lending, across businesses, your Company is truly maximising stakeholder value in the short, medium and long-term.

## Commitment towards social wellbeing

Your Company continues to demonstrate deep commitment to wellbeing of its stakeholders through various measures. To address the 'S' of ESG, your Company prioritised actions that promoted wellbeing of key stakeholders. For example, products, services and key business activities have been designed to meet the needs and expectations of customers. By focussing on continued transparency and engagement, your Company has not only enhanced its customer base but also nurtured higher customer loyalty and strong brand recall. The rural businesses of your Company have significantly powered the agenda of financial inclusion and empowerment across the country.

Employee wellbeing has always been one of the topmost priorities of your Company as covered in detail in the Human Resources section of this report.

During FY22, your Company worked towards inclusive social transformation of rural communities through its CSR initiatives.

## Ensuring robust Governance

Your Company enhanced the scope of the 'CSR Committee', by amending the terms of reference to include focus on ESG aspects. Your Company has also put in place a process to provide ESG updates to the Board every quarter and evaluate the effectiveness of the Board and the CSR and ESG Committee in ESG related performance.

Your Company has committed to achieving Carbon Neutrality by FY35 and Water Neutrality by FY22

## Approach to Carbon Neutrality

**Decarbonisation:** Shifting to renewable energy, operational space optimisation, etc

**Sequestration:** Planted over 68,000 trees in FY22

**Reduced estimated FY22 carbon footprint by ~ 20%**

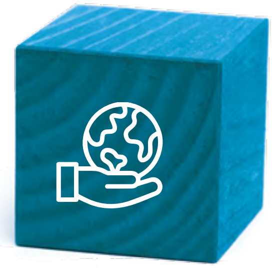
## Approach to Water Neutrality

**Reduce:** Extensive use of technology and awareness building activities

**Recycle:** Installation of Sewage Treatment Plant (STP) in owned premises

**Replenish:** Trained Water User Groups to maximise water replenishment and achieved replenishment of 94.88 Lakh kL

**Achieved Water Neutrality**



# Corporate Social Responsibility

In pursuance of your Company's vision of creating sustainable value for all stakeholders, social investments are being undertaken in a concerted manner to enable and empower indigent communities.

The social responsibility theme and commitment closely align with the United Nation's global development agenda of Sustainable Development Goals (SDGs).

The CSR projects also supplement the efforts of the Government of India, through focused efforts in creating inclusive growth, working at the grassroots in aspirational districts, promoting the vision of Digital India and also enabling financial inclusion in the rural heartland.


## CSR Vision

Aspire for an inclusive social transformation of the rural communities we serve, by nurturing and creating opportunities for sustainable livelihoods for them.

## CSR Mission

Reach marginalised 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.

## Approach

Project-based accountability method, emphasising on the three aspects of 'Social impact, Scale and Sustainability' to create shared value.

## CSR Thrust Areas

- Digital Financial Inclusion
- Disaster Management
- Other Initiatives

While the 1st Covid wave did not significantly impact the rural regions, the 2nd wave last year affected those at the bottom of the pyramid and this further accentuated inequalities across regions, gender, health, livelihood and opportunities. Your Company swiftly responded to the challenges posed by the pandemic, through its CSR initiatives by way of a series of interventions that aimed to provide immediate relief and create long-term impact for the community.

## Digital Sakhi

### Empowering Rural Women through Digital Financial Inclusion

Your Company's flagship CSR project, Digital Sakhi, has been created with the belief that women, when empowered, can act as change agents in their community and catalyse a positive change. The project, while catering to the larger national development agenda of creating a Digital India, also provides impetus to women empowerment and gender equality.

Through the project, your Company has created livelihood opportunities and educated, both, women and the community to imbibe nuances of digital financial literacy. Simultaneously, rural Women Entrepreneurs have also been upskilled and trained in enterprise development, enabling them to lead a better quality of life and attain financial independence.

Digital Sakhis not only play the role of trusted advisors to Women Entrepreneurs, but also to the larger rural community, amongst other things, by educating and enabling access to benefits of government entitlements and schemes. The efforts of Digital Sakhis have been recognised by the state governments and local bodies as well, as they have conducted dedicated sessions for the community to promote financial literacy at the behest of panchayats and worked hand-in-hand with various public departments to spread awareness and increase adoption of government schemes.

The impact created by your Company can be observed across multiple themes of women empowerment over the course of 5 years, the veil that shadowed the faces of the women have been lifted, the barriers that confined them to their homes have been broken, the biases they dealt with have been crushed and more than 450 project villages now are ushered by confidence and smiles of Digital Sakhis. Your Company's contribution is highlighted hereinafter.

**Outreach:** The Digital Sakhi project, which was initiated in 2017, has consistently expanded its geographical footprint.

**5** States

**473** Villages

**860** Digital Sakhis

**4,500** Women Entrepreneurs

**19.90+ Lakh** Community Members

**Creating sustainable livelihood:** Your Company has supported the establishment of 142 Digital Seva Kendras (DSKs). These centres act as a confluence of providing sustainable livelihood for Digital Sakhis and promoting the vision of a financially inclusive rural society by catering to more than 140 villages.

**31%** Increase in earnings of Digital Sakhis

**1,00,000+** Footfall in DSKs

**92%** Digital Sakhis have sustainable livelihoods (exited projects)

**Building resilient communities:**

While the 2nd wave of Covid brought about a crisis of unprecedented magnitude, it also provided an opportunity to reinvent and innovate. Your Company, through the Digital Sakhi project, displayed quick adaptability to on-ground realities. With minimal turnaround time, an in-house digital module on Covid awareness was created, translated into local languages and training provided. Digital Sakhis also provided a fillip to the vaccination efforts, through awareness sessions.

**11.26+ Lakh** Members reached through Covid awareness

**Breaking barriers:** Digital Sakhi project continued to invigorate the women empowerment narrative with many women rising up the ranks, from the confines of their homes to being change agents in their community.

Digital Sakhis have also been selected as community resource persons for government initiatives such as National Rural Livelihood Mission and also enrolled as Business Correspondents.

**3** Digital Sakhis elected to Gram Panchayat

**Bridging the last mile gap:** Digital Sakhis played an active role in bridging the last mile gap and facilitating convergence of government schemes, conducting sessions in Gram Sabhas and the State Rural Livelihood Mission programs and supporting the community to obtain the benefits of government schemes.

The efforts of Digital Sakhis have proven instrumental in bringing the larger community into the ambit of entitlements.

**222** Digital Sakhis in West Bengal facilitated submission of over 1,00,000 applications during the Government's 'Duare Sarkar' campaign

**200** workers in Odisha were supported by Digital Sakhis to obtain e-Shram cards issued by the Government

**Spearheading financial literacy:** Aligned with RBI's mandate to celebrate Financial Literacy Week in February 2022, your Company through the Digital Sakhis, carried out a wide range of activities to propagate financial education in the community. Digital Sakhis, through a mix of both in-person and virtual sessions, reached out to local self-government functionaries, Self-Help Groups (SHGs), Women entrepreneurs, Youth groups, Students and the Community at large.

Digital Sakhis have also facilitated the creation of a digital payment ecosystem in the community, by setting up QR code facilities in shops and businesses and installing UPI payment apps for community members.

**Skilling and scaling up entrepreneurs:** A critical cog in the Digital Sakhi project is the Women Entrepreneurs (WEs), who are central to building prosperity and perpetuation of digital payments in the villages. Through the project, upskilling and crucial input support was provided to the WEs, to develop their outlook, business capabilities and knowledge of the markets.

Over the course of the project,

- WEs in Tamil Nadu witnessed a 161% increase in their average monthly incomes
- Business revenue of WEs in Maharashtra grew by 93%

These changes have manifested itself in improved standard of living, enhanced participation in financial decision making and women empowerment.

The impact of the Digital Sakhi project stands as a testimony to your Company's aim to create a multi-dimensional impact on the ground.

## Disaster Management

Disaster management remains a core pillar of your Company's CSR efforts and the aim has been to provide effective and co-ordinated response to disasters.

In FY22, your Company was at the forefront in providing relief during the Yaas cyclone in West Bengal and the floods in Maharashtra by providing humanitarian aid kits.

Despite the difficulties posed by the disasters and the pandemic, the local business teams and the employees displayed tremendous resolve, by undertaking relief work.

**22,500** Beneficiaries

**Drought Proofing:** Your Company also made significant investments to mitigate the long-term impact of climate change.
Given the urgent need to restore our planet's imperilled ecosystems, your Company planted 68,000+ trees in drought prone regions of Marathwada.

Building on the success of the integrated water resource management project and to ensure that the benefits continued to accrue to the marginalised communities, your Company supplemented the efforts by enhancing capacities of Water User Groups (WUGs) comprising small and marginalised farmers.

**170** Water User Groups

**1,600+** Farmers reached

## Other Initiatives

### Road safety

Your Company, adopting a multi-pronged approach, continued its focus on road safety by partnering with Mumbai Traffic Police, to support the livelihood of 20 young traffic wardens.

Your Company continued to disseminate digital modules on awareness about road safety to children to seamlessly navigate through the extended period of closure of educational institutes owing to Covid.

**14,500+** Students reached out through 88 sessions

### Boondein – Employee Volunteering

Through Boondein, your Company conducted multiple employee volunteering events during the year. This included celebrating Joy of Giving Week in the first week of October where through skilled volunteering, employees mentored children and women, taught digital literacy, soft skills and conducted personality development sessions.

Creating synergies between CSR projects and employees, your Company celebrated Diwali with Digital Sakhis at 5 locations. The effort helped generate additional revenue for the women through sale of their products. Similarly, employee volunteers also conducted sessions on road safety with school children.

Employee volunteering is not restricted to the corporate office, but also extends to the branches in the form of disaster relief efforts.

Your Company also conducted a week-long clothes donation campaign. In FY22, through a mix of virtual and on-ground volunteering efforts, over 180 employees contributed more than 1,400 hours, reaching out to more than 22,000 beneficiaries.

# OUR TRANSFORMATION JOURNEY


**LTFS 1.0** - Listed in 2011, over a period of 5 years, LTFH built a diversified product portfolio with a marginal presence.

**LTFS 2.0** - In 2016, the Company embarked on a journey to Transform, Focus and Deliver through 3 pillars of Right Business, Right Structure and Right People. Since then, LTFH has established a 'Right to Win' across 4 businesses and used digital & analytics as a key differentiator. The Company also developed a strong liability franchise backed by strong balance sheet strength, laying a foundation for the next phase of transformation.

## Milestones attained as we reflect back are as follows:

## LTFS 2.0 DELIVERY

- Strong Retailisation / Prudent Capital Allocation
- Successful high growth Retail franchise-Farm, Two-Wheeler, Micro Loan and a digitally native Consumer Loan product
- Cutting-edge liability franchise by diversifying borrowings and reducing borrowing cost
- A strong and well provided balance sheet
- Leading position across several businesses on the back of transformational Digital & Data Analytics

| | FY16 | FY22 | |
|---|---|---|---|
| **Retail Proportion of Total Book** | 26% | 51% | Largest lending segment |
| **Retail Disbursements (₹Cr)** | 10,074 | 24,901 | All-time high & growing |
| **NIMs +Fees** | 6.54% | 7.84% | All-time high |
| **Infrastructure Finance Book (₹Cr)** | 27,604 | 30,521 | Book constant despite disbursements of ₹75,000 Crore over this period<br>Reflects strong sell-down capabilities |
| **GNPA / GS3** (120 DPD IGAAP) (90 DPD Ind AS) | 4.85% | 3.80% | Enhanced Provision cover of 48% in FY22 vis-à-vis 22% in FY16 |
| **Macro-Prudential & other Provisions (₹Cr)** | NIL | 1,727 | Provisions created to shield against any macro uncertainties |

The LTFS 2.0 journey demonstrated the strengths your Company has built over the years in the Retail lending space. These strengths have provided confidence to your Company to prepare for the next phase of growth – Lakshya 2026.

LTFH, through its Lakshya 2026 plan, endeavours to move forward from 'Product-focus' approach to 'Customer-focus' approach and aims to create an integrated digital ecosystem, positioning itself as a Fintech@scale.

Lakshya 2026 aims to leverage on the strengths built by your Company in businesses, risk management, liability franchise, digital and data analytics with a focus on delivering steady growth and predictable profitability.

As a part of the plan, your Company aims to deepen its delivery channels, innovate on new products to create value and build upon the growth of Retail segment in the country while incorporating Digital and Data analytics across all spheres. In summary, your Company would work on the philosophy of **'Aim. Innovate. Create.'** on its path to deliver on goals for 2026. At the end of this journey, your Company aims to have over 80% retail book as part of its portfolio.

# LAKSHYA 2026

## Aim

**AIM to become a top class 'digitally enabled' retail finance Company moving forward from 'product-focused' to 'customer-focused' approach**

## Innovate

**INNOVATE to achieve goals through focus on five growth vectors**

## Create

**CREATE a Fintech@scale**

# Path to becoming a top-class digitally enabled retail finance company

The Lakshya 2026 goal of LTFH - to be a top-class digitally enabled retail finance Company, will be achieved by building upon 4 pillars:

- **Sustained profit and growth engine**
- **Demonstrable strength in risk management**
- **Creating Fintech@scale**
- **Sustainable future growth through ESG**

# Sustained profit and growth engine

LTFH will leverage 5 Growth Vectors on the back of a solid foundation comprising of Next-gen Risk Management Practices and embedding an ESG-conscious culture across the organisation to create a sustainable and profitable growth engine.

## 5 Growth Vectors

**Keeping customer at core**

- **Continued product excellence**
- **Cross-sell and up-sell to existing good customers**
- **Geo-expansion by creating a pan India footprint**
- **App and digital based channel expansion**
- **Launch of new products**

### Continued Product Excellence

Leadership across products built on the foundation of:

- Market Leadership
- Strong OEM relationships
- Data & analytics driven framework
- 'Best-in-class' asset quality
- Premium customer experience
- Stable leadership team

### Cross-sell and Up-sell to Existing Good Customers

Target: New rural and urban segments while deepening its existing presence

### Geo-expansion,a pan-India Footprint

Geo-agnostic customer acquisition and business delivery across rural and urban markets

### App & Digital Based Channel Expansion

Use digital as a key monetization lever to build customer value proposition

### Launch of New Products

Build customer lifetime partnerships across four business ecosystems:

- Rural Business Finance
- Urban Finance
- Farmer Finance
- SME Finance

## New Business Structure / Products

As a part of its strategy to build further strengths and deliver results across the growth vectors, your Company has also re-aligned its' business structure. This will help your Company to launch new retail products aimed at addressing the financing needs across the lifecycle for both individual customers and businesses.

**LENDING BUSINESS**

| | Rural | | Urban | |
|---|---|---|---|---|
| | *Continue to build on existing strengths* | | *Build new strengths* | |
| | **Rural Business Finance** *(Small Rural Entrepreneur)* | **Farmer Finance** *(Farmer)* | **Urban Finance** *(Urban Individual)* | **SME Finance** *(Urban Business)* |
| Existing Products | • Rural Micro Loans<br>• Vishwas Loans<br>• Pragati Loans | • Tractor Loans<br>• Kisan Suvidha Loans | • Two-Wheeler Loans<br>• Consumer Loans (CL)<br>• Home Loans<br>• Loan Against Property | • Loans to Professionals<br>• Business Loans |
| Products in Pipeline | • Rural Individual Loans | • Warehouse Receipt Finance | • CL – Education Loans<br>• CL – Hospital Loans<br>• CL Top-up<br>• Home Loans Top-up | • Overdraft |
| Future Products | • Rural LAP<br>• Rural SME | • Agri Allied | • CL - Other Partnerships | • Flexi Overdraft |

**WHOLESALE FINANCE#**

- **Infrastructure Finance:** Explore to Divest / Capital Light Model
- **Real Estate Finance:** Explore to Divest

**NON-LENDING BUSINESS**

**INVESTMENT MANAGEMENT#**

- Monetise Value

*#Subject to necessary approvals and / or required disclosures*

# Demonstrable strength in risk management

The path towards creating a retail finance company would also include developing demonstrable strengths in risk management aimed at fortifying the balance sheet. This includes preparing for an evolving risk paradigm, by creating a tech-enabled risk management framework, in order to 'future-proof' LTFH.

The journey towards developing the framework involves building upon the practices developed as a part of LTFS 2.0 and deepening the capabilities therein while also showcasing agility and demonstrating capability to manage emerging risks.

**Develop agility & capability**

- Tech-enabled risk management
- BCP for emergency scenarios
- Sustainability & climate risk
- New age portfolio management
- Prepare for future scenarios
- Managing emerging risks

**Deepen capabilities**

- Adapt to changing regulatory & market dynamics
- Fortify balance sheet
- Cybersecurity*

**Developed as part of LTFS 2.0**

- Risk appetite statement
- Risk limits framework
- Risk dashboards
- Early Warning Signals
- Liquidity risk management

**ENTERPRISE-WIDE RISK FRAMEWORK**

*LTFH is ISO 27001 certified

# Creating Fintech@scale

Establishing a Fintech@scale revolves around including data analytics and digital offerings in every process to leverage and monetise the huge 2 Crore+ customer base that LTFH has already built over the years and strengthen partnerships across the customers' lifetime. Focus will be on data mining this 'scale' to acquire new 'good credit' customers using newer digital channels.

## Data Monetisation

Your Company is continuously working towards using additional data sources to further enrich its' customer offerings. These include comprehending the customer's profile, his track record and propensity to buy, creating hyper-personalised offers, lifestage-based need identification and pre-approved personalised offers.

| Develop | Deepen | | |
|---|---|---|---|
| **Ability to identify need** | **Ability to identify customer** | **Ability to underwrite** | **Ability to collect** |
| Understand propensity to buy | Liveness matching with OCR as KYC | Application scorecard for decisioning | Segmentation, willingness to pay model for collection strategy |
| Lookalike segmentation followed by hyper-personalisation | Digilocker, Fuzzy logic & Penny credit to reduce TAT & prevent frauds | Fully pre-approved model & campaigns | Bounce model for pre-delinquency management |
| Lifestage-based need identification | AI in Face Deduplication & Geospatial intelligence | Income estimation through product propensity & affinity models | Collection engine for allocation, workflow & communication automation |
| Pre-approved personalised next best offer | Identification through look-alike models | Re-imagined credit algorithm using alternate data | New collections app for real-time collection data, 360 degree view & Geo history |

## Digital Channel Expansion

### Deepen Assisted Channels

Reimagine existing process & reduce burden through self-servicing channels.

**Point of Purchase** (Dealership)

**Branches**

**Field Agents**

**Call Centers**

**3rd Party Partners**

### Develop Autonomous Channels

Increase interactions from self-servicing channels.

**SHO Portal**
Self Service Portal

**WhatsApp**
Instant Customer Connect

**Chatbot**
24 / 7 Service Bot

**Mobile App**
Sourcing, Servicing & Collections

**Ecosystem**
E-aggregators & 3rd Party

The targeted end-state would be a D2C app constituting a marketplace that would create a deep rooted integrated ecosystem dominating the customer mind space, thus nurturing communities and building customer lifetime partnerships.

# Sustainable future growth through ESG

## Build an ESG Conscious Organisation

### Vision

To be an environmentally and socially responsible financial institution built on the foundation of 'Assurance', focused on generating sustainable long-term value for all our stakeholders.

### Goals

- Profitability with ethical, environmental and social responsibility
- Mainstream ESG practices into business,operations and value chain
- Achieving Best-in-class ESG ratings

**Commitments adopted in FY22**

- LTFH Carbon neutral by FY35
- LTFH is already water neutral in FY22

Click here to access LTFH ESG Ratings

## Lakshya 2026 goals:

**>80%**
**Retail**

**Asset Quality**
**with GS3<3% and NS3<1%**

**>25%**
**CAGR growth in Retail**

**2.8%-3.0%**
**RoA**

# Board's Report

Dear Members,

The Directors of your Company have the pleasure in presenting the Fourteenth Annual Report together with the audited financial statements for the financial year ("FY") ended March 31, 2022.

## FINANCIAL RESULTS

The summary of the Company's financial performance, both on a consolidated and standalone basis, for FY22 as compared to the previous FY i.e., FY21 is given below:

(₹ in Cr)

| Particulars | Consolidated | | Standalone | |
|---|---|---|---|---|
| | 2021-22 | 2020-21 | 2021-22 | 2020-21 |
| **Continuing Operations** | | | | |
| Total income | 12,323.55 | 13,753.33 | 350.46 | 191.42 |
| Less: Total expenses | 11,100.70 | 12,717.60 | 96.03 | 227.31 |
| **Profit before exceptional items and tax** | **1,222.85** | **1,035.73** | **254.43** | **(35.89)** |
| Exceptional items | - | 225.61 | - | 224.68 |
| **Profit before tax** | **1,222.85** | **1,261.34** | **254.43** | **188.79** |
| Less: Tax expense | 373.62 | 523.11 | 36.25 | 72.74 |
| **Profit after tax from continuing operations** | **849.23** | **738.23** | **218.18** | **116.05** |
| Add: Share in profit of associate company | - | - | - | - |
| Net profit after tax from continuing operations and share in profit of associate company | 849.23 | 738.23 | 218.18 | 116.05 |
| **Discontinued operations*** | | | | |
| Profit before tax from discontinued operations | 251.96 | 233.86 | - | - |
| Tax expense from discontinued operations | 51.95 | 23.21 | - | - |
| **Profit after tax from discontinued operations** | **200.01** | **210.65** | - | - |
| **Profit for the year (owners of the Company)** | **1,070.11** | **970.94** | **218.18** | **116.05** |
| Actuarial gain on defined benefit plan (gratuity) net of income tax | 0.67 | 2.76 | 0.11 | 0.11 |
| Total comprehensive income for the year (owners of the Company) | 1,070.78 | 973.70 | 218.29 | 116.16 |
| Add: Balance brought forward from previous year | 4,642.40 | 3,720.68 | 124.04 | 31.68 |
| Transition impact of Ind AS 116 | - | - | - | - |
| **Balance Available** | **5,713.18** | **4,694.38** | **342.33** | **147.84** |
| **Appropriations** | | | | |
| Dividend paid (including dividend distribution tax) | - | - | - | - |
| Transfer to/(from) Reserve u/s 45-IC of Reserve Bank of India Act, 1934 | 206.05 | 38.33 | 43.63 | 23.21 |
| Transfer to impairment reserve | - | 12.54 | - | 0.59 |
| Transfer to/(from) General Reserve | - | 1.11 | - | - |
| Transfer to Reserve u/s 36(1)(viii) of Income Tax Act, 1961 | 50.93 | - | - | - |
| Transfer to Capital Redemption Reserve | 33.10 | - | - | - |
| **Surplus in the Statement of Profit and Loss** | **5,423.10** | **4,642.40** | **298.70** | **124.04** |

* As required by Ind AS 105, L&T Investment Management Limited, the wholly-owned subsidiary of the Company has been presented in the financial statements as "Non current assets held for sale and discontinued operations"

## FINANCIAL PERFORMANCE

Being a Core Investment Company, the Company's standalone revenue is, substantially, dividend from its subsidiaries and hence, it is meaningful to look at the consolidated performance.

### Consolidated

- Total income was ₹ 12,323.55 Cr in FY22 as compared to ₹ 13,753.33 Cr in FY21.
- Profit before taxes was ₹ 1,222.85 Cr in FY22 as compared to ₹ 1,261.34 Cr in FY21.
- Profit for the year attributable to the owners of the Company was ₹ 1,070.11 Cr in FY22 as compared to ₹ 970.94 Cr in FY21.

During the year, the net loan book declined from ₹ 87,030.25 Cr to ₹ 82,469.44 Cr.

The Average Assets Under Management in the Mutual Fund business stood at ₹75,592 Cr for the quarter ended March 31, 2022 as against ₹ 72,728 Cr for the quarter ended March 31, 2021.

### Standalone

- Total income was ₹ 350.46 Cr in FY22 as compared to ₹ 191.42 Cr in FY21.
- Profit before taxes was ₹ 254.43 Cr in FY22 as compared to ₹ 188.79 Cr in FY21.
- Profit for the year was ₹ 218.18 Cr in FY22 as compared to ₹ 116.05 Cr in FY21.

### Appropriations

The Company proposes to transfer ₹ 43.63 Cr (previous year ₹ 23.21 Cr) to Special Reserve created u/s 45-IC of the Reserve Bank of India Act, 1934 ("RBI Act").

### Cost Records

The Company is not required to maintain cost records as per the provisions of Section 148(1) of the Companies Act, 2013 ("the Act").

## INFORMATION ON THE STATE OF AFFAIRS OF THE COMPANY

The information on the affairs of the Company has been given as part of the Management Discussion and Analysis section.

## MATERIAL CHANGES AND COMMITMENTS

There were no material changes and commitments affecting the financial position of the Company which occurred between the end of the financial year to which these financial statements relate and the date of this Report.

## DIVIDEND

The Dividend Distribution Policy of the Company approved by the Board is in line with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). The Policy has been uploaded on the website of the Company at *https://www.ltfs.com/investors.html* (click-Dividend Distribution Policy).

The Board of Directors had declared and paid an interim dividend @ 8.95%, 8.00%, 7.95% (four options), 7.60% and 7.50% per share on the eight series of cumulative, non-convertible, compulsorily redeemable, preference shares ("NCRPS") of face value of ₹100 each of the Company during FY22, entailing an outflow of ₹ 53.15 Cr. Dividend was paid on a pro-rata basis on NCRPS which were redeemed on an early basis post necessary approvals.

The Board of Directors is pleased to recommend a final dividend of ₹ 0.50 per Equity Share of ₹10 each subject to approval of the Members at the ensuing Annual General Meeting ("AGM").

In terms of Ind AS 10, events after the reporting period as notified by the Ministry of Corporate Affairs, the proposed dividend of ₹123.70 Cr is not recognised as liability as on March 31, 2022.

The dividend, if approved at the ensuing AGM, would be paid to those Members whose names appear in the Register of Members / Beneficial Owners maintained by the depositories as stated in Notice of the ensuing AGM.

## CREDIT RATING

During the year under review, CRISIL Ratings Limited ("CRISIL"), CARE Ratings Limited ("CARE"), India Ratings and Research Private Limited ("India Ratings") and ICRA Limited ("ICRA") have reviewed and reaffirmed the ratings on various debt instruments of the Company. ICRA revised the outlook on long-term ratings from 'Negative' to 'Stable' in August 2021.

| Instruments | Rating agencies | | | |
|---|---|---|---|---|
| | CRISIL | CARE | India Ratings | ICRA |
| Non-convertible Debentures | CRISIL AAA/Stable (Triple A; Outlook: Stable by CRISIL) | CARE AAA/ Stable (Triple A; Outlook: Stable by CARE) | IND AAA/ Stable (Triple A; Outlook: Stable by India Ratings) | ICRA AAA/ Stable (Triple A; Outlook: Stable by ICRA) |

| Instruments | Rating agencies | | | |
|---|---|---|---|---|
| | CRISIL | CARE | India Ratings | ICRA |
| Preference Shares | CRISIL AAA/Stable (Triple A; Outlook: Stable by CRISIL) | CARE AAA (RPS)/Stable (Triple A [Redeemable Preference Shares]; Outlook: Stable by CARE) | - | - |
| Commercial Papers | CRISIL A1+ (A One Plus by CRISIL) | CARE A1+ (A One Plus by CARE) | IND A1+ (A One Plus by India Ratings) | ICRA A1+ (A One Plus by ICRA) |

The instruments / bank facilities with long term ratings of AAA are considered to have highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

The instruments with short term ratings of A1+ are considered to have very strong degree of safety regarding timely payment of financial obligations. Such instruments carry lowest credit risk.

## FUND RAISING

During the year under review, no fund raising activity was undertaken.

Further, during the year under review, there has been no deviation in the utilisation of rights issue proceeds from the objects stated in the letter of offer dated January 19, 2021.

## CHANGES TO SHARE CAPITAL

During the year under review, the Company has issued 3,17,000 Equity Shares and 42,72,784 Equity Shares to employees of the Company and its subsidiary companies pursuant to the exercise of stock options under the Employee Stock Option Scheme – 2010 and Employee Stock Option Scheme – 2013 ("ESOP Schemes") respectively.

During the year under review, 2,50,00,000 NCRPS amounting to ₹ 250 Cr, which were due for redemption were duly redeemed by the Company.

During the year under review, 7,74,10,000 NCRPS amounting to ₹ 774 Cr, were duly redeemed by the Company pursuant to the resolutions passed by the respective NCRPS holders by way of postal ballot for early redemption of the said NCRPS.

Pursuant to the allotment of Equity Shares under ESOP Schemes and subsequent redemption of NCRPS, the paid-up share capital of the Company was ₹ 2,574.03 Cr (including preference share capital of ₹ 100 Cr) as at March 31, 2022 as compared to ₹ 3,593.55 Cr (including preference share capital of ₹ 1,124.10 Cr) as at March 31, 2021.

## EMPLOYEE STOCK OPTION SCHEME

There has been no material change in the ESOP Schemes during the year under review. The ESOP Schemes are in compliance with the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SBSE Regulations").

The disclosures required to be made under the SBSE Regulations are available on the website of the Company at _https://www.ltfs.com/investors.html_ (click-ESOP Disclosure). The certificate from the Secretarial Auditors, confirming compliance with the aforesaid provisions has been appended as **Annexure A** to this Report.

## INVESTMENT IN SUBSIDIARIES

During the year under review, the Company has not made any investments in its subsidiaries.

## REGISTRATION AS A CORE INVESTMENT COMPANY

The Company is a registered Non-Banking Financial Institution - Core Investment Company ("NBFC-CIC") pursuant to the receipt of Certificate of Registration from the Reserve Bank of India ("RBI") dated September 11, 2013, under Section 45-IA of the RBI Act.

## STATUTORY DISCLAIMER

*The Company is having a valid Certificate of Registration dated September 11, 2013 issued by RBI under Section 45-IA of the 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.*

## FIXED DEPOSITS

The Company being non-deposit taking NBFC-CIC, has not accepted any deposits from the public during the year under review.

## DIRECTORS

The composition of the Board is in accordance with the provisions of Section 149 of the Act and Regulation 17 of the SEBI Listing Regulations, with an appropriate combination of Non-Executive Directors and Independent Directors. The complete list of Directors of the Company has been provided as part of the Corporate Governance Report.

Mr. Dinanath Dubhashi (DIN: 03545900) was re-appointed as the Managing Director & Chief Executive Officer of the Company for a term of upto 5 years with effect from April 14, 2021 to April 13, 2026 by the Board based on recommendation of the Nomination and Remuneration Committee ("NRC") of the Company and the re-appointment was approved by the Members at the Thirteenth AGM held on July 28, 2021.

During the year under review, the Board, based on the recommendation of the NRC approved the appointment of Mr. S.N.Subrahmanyan (DIN: 02255382) as the Non-Executive Director and Chairperson of the Board with effect from February 28, 2022. The appointment of Mr. S.N.Subrahmanyan as the Non-Executive Director was approved by the Members by way of a postal ballot in accordance with the provisions of Sections 152 and 161 of the Act and SEBI Listing Regulations. Mr. Shailesh Haribhakti ceased to be the Chairperson of the Board with effect from February 28, 2022.

Section 152 of the Act provides that unless the Articles of Association provide for retirement of all directors at every AGM, not less than two-third of the total number of directors of a public company (excluding the Independent Directors) shall be persons whose period of office is liable to determination by retirement of directors by rotation, of which one-third are liable to retire by rotation. Accordingly, Mr. Dinanath Dubhashi will retire by rotation at the ensuing AGM and being eligible, has offered himself for re-appointment.

Further, Mr. Prabhakar B. (DIN: 02101808), Director of the Company who also retires by rotation at the ensuing AGM has expressed his desire to not seek re-appointment. It is proposed not to fill up the vacancy thereby caused. The Board records its deep appreciation for contribution by Mr. Prabhakar B. in guiding and supporting the management during his tenure as a Director of the Company.

The terms and conditions of appointment of Independent Directors are also available on the website of the Company at https://www.ltfs.com/investors.html (click-Appointment of ID).

The Board is of the opinion that the Independent Directors of the Company possess requisite qualifications, experience, expertise and hold highest standards of integrity.

### Declaration by Independent Directors

All Independent Directors have submitted the declaration of independence, pursuant to the provisions of Section 149(7) of the Act and Regulation 25(8) of the SEBI Listing Regulations, stating that they meet the criteria of independence as provided in Section 149(6) of the Act and Regulations 16(1)(b) of the SEBI Listing Regulations and they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact his / her ability to discharge his / her duties with an objective independent judgment and without any external influence.

### Familiarization Programme

The Company has familiarized the Independent Directors with the Company, their roles, responsibilities in the Company, nature of industry in which the Company operates, business model of the Company, etc. The details relating to the familiarization programme are available on the website of the Company at https://www.ltfs.com/investors.html (click Familiarization Programme).

### Fit and Proper Criteria & Code of Conduct

All the Directors meet the fit and proper criteria stipulated by RBI. All the Directors and Senior Management of the Company have affirmed compliance with the Code of Conduct of the Company.

## KEY MANAGERIAL PERSONNEL ("KMPs")

There was no change in the KMPs of the Company during the year under review. As at March 31, 2022, the Company had following KMPs:

1) Dinanath Dubhashi – Managing Director & Chief Executive Officer

2) Sachinn Joshi – Chief Financial Officer

3) Apurva Rathod – Company Secretary

## COMPANY'S POLICY ON DIRECTORS' APPOINTMENT AND REMUNERATION FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

### A. Background and objectives

Section 178 of the Act and Regulation 19 read with Part D of Schedule II of the SEBI Listing Regulations, requires the NRC to formulate a policy relating to the remuneration of the Directors, Senior Management / KMPs and other employees of the Company and recommend the same for approval of the Board.

Further, Section 134 of the Act stipulates that the Board's Report is required to include a statement on company's policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of director and remuneration for KMPs and other employees ("the Policy").

The Board of Directors has, based on the recommendation of the NRC of the Company, approved the Policy, which is available on the website of the Company at *https://www.ltfs.com/investors.html* (click-Policy on Directors' Appointment).

**B. Brief framework of the Policy**

The objective of this Policy is:

a) to determine inter-alia, qualifications, positive attributes and independence of a Director;

b) to guide on matters relating to appointment and removal of Directors and Senior Management;

c) to lay down criteria / evaluate performance of the Directors;

d) to guide on determination of remuneration of the Directors, Senior Management / KMPs and other employees; and

e) To ensure relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

**C. Appointment of Director(s) – Criteria Identification**

The NRC identifies and ascertains the integrity, professional qualification, expertise and experience of the person, who is proposed to be appointed as a director and appropriate recommendation is made to the Board with respect to his / her appointment.

Appointment of Independent Directors is subject to the provisions of Section 149 of the Act read with Schedule IV and Rules thereunder and SEBI Listing Regulations. The NRC satisfies itself that the proposed person satisfies the criteria of independence as stipulated under Section 149(6) of the Act and SEBI Listing Regulations, before the appointment as an Independent Director.

No person is eligible to be appointed as a Director, if he / she is subject to any disqualifications as stipulated under the Act or any other law(s) for the time being in force.

Appointment of a Director is subject to the provisions of the Act and SEBI Listing Regulations.

Appointment of Managing Director and Whole-time Director is subject to the provisions of Sections 196, 197, 198 and 203 of the Act read with Schedule V and Rules thereunder. A person cannot occupy the position as a Managing Director / Whole- time Director beyond the age of seventy years, unless the appointment is approved by a special resolution passed by the Company in general meeting. No re-appointment is made earlier than one year before the expiry of term.

**D. Evaluation criteria of Directors and Senior Management / KMPs / Employees**

- **Independent Directors / Non-Executive Directors**

  The NRC carries out evaluation of performance of Independent Directors / Non-Executive Directors every year ending March 31 on the basis of the following criteria:

  a) Membership & Attendance - Board and Committee Meetings;

  b) Contribution during such meetings;

  c) Active participation in strategic decision making;

  d) Inputs to executive management on matters of strategic importance;

  e) Performance of the directors;

  f) Fulfillment of the independence criteria and their independence from the management; and

  g) Such other matters, as the NRC / Board may determine from time to time.

- **Executive Directors**

  The NRC carries out evaluation of performance of Executive Directors ("EDs") every year ending March 31. The evaluation is on the basis of Key Performance Indicators ("KPIs"), which are identified well in advance for EDs and weights assigned for each measure of performance keeping in view the distinct roles of EDs. The identified KPIs for EDs are approved by the Board, pursuant to recommendation of the NRC, if required.

- **Senior Management / KMPs / Employees**

  The HR Department initiates the process of evaluation of the aforementioned persons every year ending March 31, with the Department Head(s) / Management concerned. KPIs are identified well in advance at the commencement of the financial year. Performance benchmarks are set and evaluation of employees is done by the respective reporting Manager(s) / Management / Department Head(s) / NRC / as prescribed by law or regulator to determine whether the performance benchmarks are achieved. The payment of remuneration / annual increment to the aforementioned persons is determined after the satisfactory completion of evaluation process.

  The HR Department of the Company is authorised to design the framework for evaluating the EDs / Senior Management / KMPs / employees. The objective of carrying out the evaluation by the Company is to identify and reward those with exceptional performances during the financial year. Training and Development Orientation programmes on a need basis are provided to employees, whose performance during any financial year does not meet the benchmark criteria.

**E. Criteria for Remuneration**

The NRC, while determining and / or recommending the criteria for remuneration / remuneration for Directors, Senior Management / KMPs and other employees ensure that:

a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;

b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

c. remuneration to Directors, Senior Management / KMPs involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

During the year under review, the Policy was amended to carry out the changes as required due to changes in the regulatory provision(s).

## PERFORMANCE EVALUATION

Pursuant to the provisions of the Act and the SEBI Listing Regulations, the Board has carried out an annual evaluation of its own performance, performance of the Directors individually and the Committees of the Board.

**Manner of Evaluation**

The NRC and the Board have laid down the manner in which formal annual evaluation of the performance of the Board, its Committees and individual directors is required to be made.

It includes circulation of evaluation forms separately for evaluation of the Board and its Committees, Independent Directors / Non-Executive Directors / Managing Director & Chief Executive Officer and Chairperson of the Company.

The process of the annual performance evaluation broadly comprises:

**a) Board and Committee Evaluation:**

- Evaluation of the Board as a whole and the Committees is done by the individual Directors / members, followed by submission of collation to NRC for discussion and feedback to the Board.

**b) Independent / Non-Executive Directors Evaluation:**

- Evaluation done by Board members excluding the Director being evaluated is received and individual feedback is provided to each Director as per the policy for performance evaluation of the Board / its Committees / Directors / as per the process approved by the NRC / Board.

**c) Chairperson / Managing Director & Chief Executive Officer Evaluation:**

- Evaluation as done by the individual directors is submitted to the Chairperson of the NRC and Chairperson of the NRC presents the feedback at the NRC Meeting and subsequently at the Board Meeting.

## BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT

The 1st Integrated Report of the Company titled 'Driving Sustainable Growth-People, Business, Community', will be made available on the website of the Company at *https://www.ltfs.com/csr.html*. This report has been prepared in accordance with the principles of International Integrated Reporting Council's (IIRC's) Framework. The disclosures have been made in accordance with the Global Reporting Initiative (GRI) Standards. Additionally, on a voluntary basis the Company has provided cross referencing to Business Responsibility and Sustainability Report ("BRSR") disclosures specified by SEBI in its circular SEBI/HO/CFD/CMD-2/P/CIR/2021/562 dated May 10, 2021 in its Integrated Report.

Further, in terms of Regulation 34(2)(f) of the SEBI Listing Regulations, the Company is required to submit a Business Responsibility Report ("BRR") as a part of the Annual Report. The Company's BRR describing the initiatives taken by the Company is hosted on the website of the Company at *https://www.ltfs.com/investors.html* (click-Business Responsibility Report).

## REPORT ON CORPORATE GOVERNANCE

The Report on Corporate Governance for the year under review, is forming a part of the Annual Report. The certificate from the Secretarial Auditors of the Company confirming compliance with the conditions of Corporate Governance is appended to the Corporate Governance Report.

## STATUTORY AUDITORS

Pursuant to the provisions of Section 139(2) of the Act and the rules made thereunder and RBI requirements, the Members at their Thirteenth AGM held on July 28, 2021, had appointed M/s Khimji Kunverji and Co. LLP, Chartered Accountants (ICAI Registration No. 105146W/W100621) as the Statutory Auditors of the Company for a term of three years, i.e., from the conclusion of Thirteenth AGM till the conclusion of the Sixteenth AGM.

## AUDITORS' REPORT

The Auditors' Report to the Members for the year under review is unmodified. The Notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further clarifications under Section 134(3)(f) of the Act.

## SECRETARIAL AUDIT

Pursuant to the provisions of Section 204 of the Act, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 and Regulation 24A of the SEBI Listing Regulations, the Company had appointed M/s Alwyn Jay and Co., Practicing Company Secretary (Membership No.: F3058 and Certificate of Practice No.: 6915) to undertake the Secretarial Audit of the Company for FY22.

Further, in terms of the provisions of Regulation 24A of the SEBI Listing Regulations and Circular No. CIR/CFD/CMD1/27/2019 dated February 8, 2019 issued by SEBI, M/s Alwyn Jay and Co. has issued the Annual Secretarial Compliance Report, confirming compliance by the Company of the applicable SEBI regulations and circulars / guidelines issued thereunder.

The Secretarial Audit Report is appended as **Annexure B** to this Report. There is no adverse remark, qualification, reservation or disclaimer in the Secretarial Audit Report.

## PARTICULARS OF EMPLOYEES

The information required pursuant to the provisions of Section 197 of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 in respect of employees of the Company has been appended as **Annexure C** to this Report.

In terms of first proviso to Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars as required pursuant to provisions of Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The said information is available for inspection by the Members.

The Board of Directors affirms that the remuneration paid to the employees of the Company is as per the Policy on Directors' appointment and remuneration for Directors, KMPs and other employees and is in accordance with the requirements of the Act and SEBI Listing Regulations and none of the employees listed in the said Annexure are related to any Directors of the Company.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Considering that the Company is a Core Investment Company carrying out its activities through its subsidiaries, the particulars regarding conservation of energy and technology absorption as required to be disclosed pursuant to the Rule 8(3) of the Companies (Accounts) Rules, 2014 are not relevant to its activities.

The details of conservation of energy and technology absorption at L&T Financial Services ("LTFS") are as follows:

**a. Conservation of Energy**

(i) Steps taken or impact on conservation of energy:

- Installation of sensor-based lighting within the office premises which automatically turns the lights off when not in use.
- Set up of variable frequency drives for air handling units and pumps for optimum use of electricity.
- Installation of LED-based energy efficient lighting fixtures in the office premises.
- Optimisation of office space across branches leading to relocation of 24 branches, thereby achieving better energy efficiency.
- Installation of energy efficient ACs in offices.
- Installation of Automatic Tube Cleaning System (ATC system) for maintenance of chiller.

(ii) Steps taken for utilizing alternate sources of energy:

- Corporate headquarters shifted to Renewable Energy.

**b. Technology Absorption:**

The details pertaining to technology absorption at LTFS (usage of digital and data analytics to build sustainable competitive advantage) are covered in the Management Discussion and Analysis section.

**c. Foreign Exchange Earnings and Outgo:**

There were no foreign exchange earnings during the year (previous year also Nil); while the expenditure in foreign currency by the Company during the year was ₹ 0.72 Cr (previous year ₹ 0.69 Cr) towards professional fees.

## DEPOSITORY SYSTEM

The Company's Equity Shares are compulsorily tradable in electronic form. As on March 31, 2022, out of the Company's total equity paid-up share capital comprising of 247,40,35,488 Equity Shares, only 29,551 Equity Shares were in physical form and the remaining capital was in dematerialised form.

As per SEBI notification No. SEBI/LAD-NRO/GN/2018/24 dated June 8, 2018 and further amendment vide notification No. SEBI/LAD-NRO/GN/2018/49 dated November 30, 2018, requests for effecting transfer of securities is not processed from April 1, 2019 unless the securities are held in the dematerialised form with the depositories.

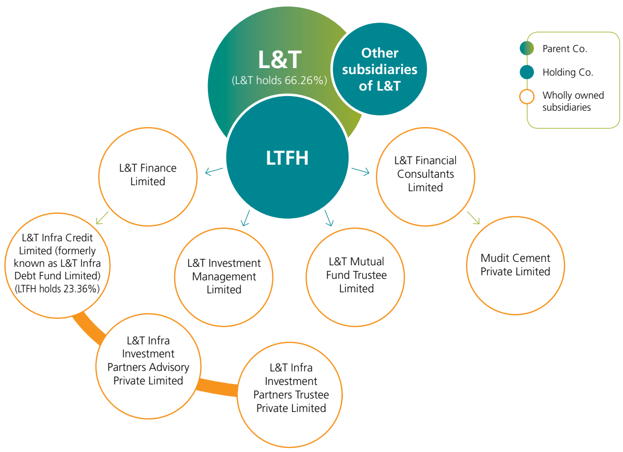
Further, with effect from January 24, 2022, transmission or transposition of securities held in physical or dematerialised form is also effected only in dematerialised form.

Therefore, Members holding securities in physical form are requested to take necessary action to dematerialize their holdings.

## SUBSIDIARY COMPANIES

The Company conducts its business through its subsidiaries in the various business segments. As of March 31, 2022, the Company had 8 subsidiaries (including step-down subsidiaries).

During the year under review, the Board of Directors of the Company at its meeting held on December 23, 2021 had approved the sale of 100% of the paid-up share capital of L&T Investment Management Limited, a wholly-owned subsidiary of the Company and the asset manager of L&T Mutual Fund, to HSBC Asset Management (India) Private Limited. The said sale is subject to receipt of necessary approvals.




## MATERIAL SUBSIDIARIES

As required under Regulations 16(1)(c) and 46 of the SEBI Listing Regulations, the Board of Directors has approved the policy for determining Material Subsidiaries. The details of the policy for determining Material Subsidiaries are available on the website of the Company at https://www.ltfs.com/investors.html (click-Policy on Material Subsidiaries).

## PERFORMANCE AND FINANCIAL POSITION OF EACH SUBSIDIARY / ASSOCIATE AND JOINT VENTURE COMPANIES

As required under Rule 5 and Rule 8(1) of the Companies (Accounts) Rules, 2014, a report on the performance and financial position of each of the subsidiaries and associates of the Company has been appended as **Annexure D** to this Report. The highlights of performance of the businesses of subsidiaries and the contribution thereof is given as a part of the Management Discussion and Analysis section.

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 134(5) of the Act, the Board of Directors confirm that, to the best of its knowledge and belief:

1) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2022 and of the profit of the Company for that period;
3) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4) the Directors have prepared the annual accounts on a going concern basis;
5) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively; and
6) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## SECRETARIAL STANDARDS

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India on Board Meetings and General Meetings.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has an internal control system, commensurate with the size, scale and complexity of its operations. Testing of such systems forms a part of review by the Internal Audit ("IA") function. The scope and authority of the IA function is defined in the IA Charter in line with the Board approved Risk Based Internal Audit Policy.

The IA function of LTFS monitors and evaluates the efficacy and adequacy of the internal control system in the Company to ensure that financial reports are reliable, operations are effective and efficient and activities comply with applicable laws and regulations. Based on the report of the IA function, process owners undertake corrective action, if any, in their respective areas and thereby strengthen the controls. Significant audit observations and corrective actions thereon are presented to the Audit Committee ("AC") of the Company from time to time.

## BOARD MEETINGS

The details of the Board meetings held during FY22 are disclosed in the Corporate Governance Report appended to this Report.

## COMPOSITION OF AUDIT COMMITTEE

The Company has constituted an AC in terms of the requirements of the Act, Regulation 18 of the SEBI Listing Regulations and RBI regulations. The details of the same are disclosed in the Corporate Governance Report.

## CORPORATE SOCIAL RESPONSIBILITY

In accordance with the requirements of the provisions of Section 135 of the Act, the Company has constituted a Corporate Social Responsibility ("CSR") and ESG Committee. The composition and terms of reference of the CSR & ESG Committee are provided in the Corporate Governance Report.

The Company has also formulated a CSR policy ("CSR Policy") in accordance with the requirements of the Act containing details specified therein, which is available on the website of the Company at *https://www.ltfs.com/csr.html* (click-CSR Policy).

The Company aims to promote inclusive social transformation of the rural communities by nurturing and creating opportunities for sustainable livelihoods. The CSR efforts of the Company closely align with the Sustainable Development Goals (SDGs), particularly, 'No Poverty' (SDG 1), 'Gender Equality' (SDG 5), 'Sustainable Cities and Communities' (SDG 11), 'Climate Action' (SDG 13) and 'Partnership for the Goals' (SDG 17). The CSR interventions follow a project-based accountability approach, emphasizing on the principles of 'Social impact', 'Scale' and 'Sustainability' to create shared value for all stakeholders. The key projects are undertaken in focused areas of interventions, viz, Digital Financial Inclusion, Disaster Management and other initiatives.

During the year under review, the CSR Policy has been updated as below:

- Revision in the thrust areas based on Company strategy
- Changes aligned with the amendment to the Act

Considering that there is no aggregate net profit for the preceding three financial years calculated pursuant to the Act, the Company did not have an obligation to spend any amount on CSR interventions during FY22. The total amount spent on CSR activities by the subsidiaries of the Company was ₹ 24.44 Cr.

An annual report on activities as required under Companies (Corporate Social Responsibility Policy) Rules, 2014 has been appended as **Annexure E** to this Report.

## VIGIL MECHANISM

Pursuant to Rule 7 of the Companies (Meetings of Board and its Powers) Rules, 2014 read with Section 177(9) of the Act, the Company has adopted a Vigil Mechanism Framework, under which the Whistle Blower Investigation Committee has been set up. The objective of the framework is to establish a redressal forum, which addresses all concerns raised on questionable practices and through which the Directors, employees and service providers can raise actual or suspected violations.

Necessary details pertaining to the framework are disclosed in the Corporate Governance Report appended to this Report.

## PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN OR SECURITY PROVIDED BY THE COMPANY

The particulars of loans, guarantees and investments as per Section 186 of the Act by the Company, have been disclosed in the financial statements.

## PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The Board of Directors has approved the policy on transactions with related parties ("RPT Policy"), pursuant to the recommendation of the AC. In line with the requirements of the Act, RBI regulations and the SEBI Listing Regulations, the Company has formulated the RPT Policy which is also available on the website of the Company at *https://www.ltfs.com/investors.html* (click-RPT Policy). The RPT Policy intends to ensure that proper reporting, approval and disclosure processes are in place for all transactions between the Company and the related parties.

**Key features of the RPT Policy are as under:**

- All transactions with related parties ("RPTs") irrespective of its materiality and any subsequent material modification to any existing RPTs are referred to the AC of the Company for prior approval. The process of approval of RPTs by the AC, Board and Shareholders is as under:

  **a) Audit Committee:**

  All RPTs and subsequent material modification, irrespective of whether they are in the ordinary course of business or at an arm's length basis require prior approval of AC.

  Only those members of the AC who are independent directors approve RPTs.

  RPTs to which the subsidiary of the Company is a party but the Company is not a party, require prior approval of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity with effect from April 1, 2022.

  **b) Board:**

  Generally, all RPTs are in the ordinary course of business and at arm's length price.

  RPTs which are not at arm's length and which are not in the ordinary course of business and / or which requires shareholders' approval, are approved by the Board.

c) **Shareholders:**

All material RPTs and subsequent material modification thereof, require approval of the shareholders, based on recommendation of the Board, through ordinary resolution passed at the general meeting.

Where any contract or arrangement is entered into by a director or any other employee without obtaining the consent of the Board or approval by an ordinary resolution in the general meeting, it is required to be ratified by the Board or the shareholders at a meeting, as the case may be, within three months from the date on which such contract or arrangement was entered into.

Prior approval of the AC and the shareholders is not required for a transaction to which the listed subsidiary is party but the Company is not a party, if Regulation 23 and Regulation 15(2) of the SEBI Listing Regulations are applicable to such listed subsidiary.

The following transactions are exempted from the approval requirements as per SEBI Listing Regulations and / or the Act:

- holding company and its wholly-owned subsidiary;
- two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company.

## TRANSACTIONS WITH RELATED PARTIES

All RPTs that were entered into during FY22 were on an arm's length basis and in the ordinary course of business and disclosed in the Financial Statements. There were no materially significant RPTs made by the Company with Promoters, Directors, KMPs or Body Corporate(s), which had a potential conflict with the interest of the Company at large. Accordingly, the disclosure of RPTs as required under the provisions of Section 134(3)(h) of the Act in Form AOC-2 is not applicable. The Directors draw attention of the Members to notes to the Financial Statements which sets out related party disclosures.

## RISK MANAGEMENT FRAMEWORK

The Company has constituted a Group Risk Management Committee ("GRMC") in terms of the requirements of Regulation 21 of the SEBI Listing Regulations and RBI regulations and has also adopted a Risk Management Policy. The details of the same are disclosed in the Corporate Governance Report.

The Company and its subsidiaries have a risk management framework and Board members are informed about risk assessment and minimization procedures and periodical review to ensure management controls risk by means of a properly designed framework. The AC and the Board is kept apprised of the proceedings of the meetings of the GRMC and also apprised about the risk management framework at its subsidiaries. The Company, as it advances towards its business objectives and goals, is often subjected to various risks. Credit risk, market risk, liquidity risk, ESG risk and operational risk are some of the risks that your Company is exposed to and details of the same are provided in the Management Discussion and Analysis section.

## PREVENTION, PROHIBITION AND REDRESSAL OF SEXUAL HARASSMENT AT WORKPLACE

The Company has in place a policy for prevention, prohibition and redressal of sexual harassment at workplace. Further, the Company has constituted an Internal Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, where complaints in the nature of sexual harassment can be registered. Appropriate reporting mechanisms are in place for ensuring protection against sexual harassment and the right to work with dignity.

During the year under review, the Company has not received any complaints in this regard.

## ANNUAL RETURN AS PRESCRIBED UNDER THE ACT

The Annual Return in Form MGT-7 as required under Section 92(3) of the Act is available on the website of the Company at https://www.ltfs.com/investors.html (click-Annual Return).

## SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS

There are no significant and material orders passed by the regulators / courts which would impact the going concern status of the Company and its future operations.

Further, no penalties have been levied by RBI / any other regulators during the year under review.

## RBI REGULATIONS

The Company has complied with the applicable regulations of RBI as on March 31, 2022.

## OTHER DISCLOSURES

During the year under review, the Company has not obtained any registration / license / authorisation, by whatever name called from any other financial sector regulators.

## ACKNOWLEDGEMENT

The Directors express their sincere gratitude to the RBI, SEBI, BSE Limited, National Stock Exchange of India Limited, Ministry of Finance, Ministry of Corporate Affairs, Registrar of Companies, other government and regulatory authorities, lenders, financial institutions and the Company's bankers for the ongoing support extended by them. The Directors also place on record their sincere appreciation for the continued support extended by the Company's stakeholders and trust reposed by them in the Company. The Directors sincerely appreciate the commitment displayed by the employees of the Company and its subsidiaries across all levels, for exhibiting outstanding performance during such challenging times.

**For and on behalf of the Board of Directors**
**L&T Finance Holdings Limited**

| | |
|---|---|
| **S.N.Subrahmanyan** | **Dinanath Dubhashi** |
| Non-Executive Director | Managing Director |
| & Chairperson | & Chief Executive Officer |
| DIN: 02255382 | DIN: 03545900 |

**Place:** Mumbai
**Date:** April 29, 2022

# ANNUAL REPORT 2021-22 - ANNEXURE 'A' TO BOARD'S REPORT

## COMPLIANCE CERTIFICATE

**[Pursuant to Regulation 13 of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021]**

**To,**
**The Members,**
**L&T Finance Holdings Limited**

We, **Alwyn Jay & Co.**, Company Secretary in practice, have been appointed as the Secretarial Auditor vide a resolution passed at its meeting held on April 29, 2021 by the Board of Directors of **L&T Finance Holdings Limited** (hereinafter referred to as '**the Company** '), having CIN L67120MH2008PLC181833 and having its registered office at Brindavan, Plot No. 177, C.S.T Road, Kalina, Santacruz (East), Mumbai - 400098. This certificate is issued under Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as '**the Regulations**'), for the year ended March 31, 2022.

**Management Responsibility:**

It is the responsibility of the Management of the Company to implement the scheme(s) including designing, maintaining records and devising proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Verification:**

a) L&T Finance Holdings Limited Employees' Stock Option Scheme 2010 and L&T Finance Holdings Limited Employees' Stock Option Scheme 2013 ('the Schemes') implemented by the Company is in accordance with Regulation 13 of the Regulations; and

b) the Schemes are in accordance with the special resolution passed by the Shareholders of the Company at the Extra Ordinary General Meeting held on November 29, 2010 for approval of the L&T Finance Holdings Limited ESOP Scheme 2010; special resolution passed by the shareholders of the Company through Postal Ballot on June 14, 2012 for ratification of L&T Finance Holdings Limited ESOP Scheme - 2010 instituted by the Company prior to the Initial Public Offer and special resolution passed by the shareholders of the Company through Postal Ballot on April 04, 2014 for approval of the L&T Finance Holdings Limited ESOP Scheme 2013.

For the purpose of verifying the compliance of the Regulations, we have examined the following:

1. Scheme(s) received from/furnished by the Company;
2. Articles of Association of the Company;
3. Resolutions passed at the meeting of the Board of Directors;
4. Shareholders resolutions passed at the General Meeting(s);
5. Minutes of the meetings of the Nomination & Remuneration Committee;
6. Relevant Accounting Standards as prescribed by the Central Government;
7. Detailed terms and conditions of the scheme as approved by Nomination & Remuneration Committee;
8. Bank Statements towards Application money received under the scheme(s);
9. Exercise Price / Pricing formula;

10. Statement filed with recognised Stock Exchange(s) in accordance with Regulation 10 of these Regulations;
11. Disclosure by the Board of Directors;
12. Relevant provisions of the Regulations, Companies Act, 2013 and Rules made thereunder;

**Certification:**

In our opinion and to the best of our knowledge and according to the verifications as considered necessary and explanations furnished to us by the Company and its Officers, we certify that the Company has implemented the ESOP Scheme – 2010 and ESOP Scheme – 2013 in accordance with the applicable provisions of the Regulations and Resolutions of the Company in the General Meeting(s).

**Assumption & Limitation of Scope and Review:**

1. Ensuring the authenticity of documents and information furnished is the responsibility of the Board of Directors of the Company.
2. Our responsibility is to give certificate based upon our examination of relevant documents and information. It is neither an audit nor an investigation.
3. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
4. This certificate is solely for your information and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

**Place:** Mumbai
**Date:** April 29, 2022

**ALWYN JAY & Co.**
Company Secretaries

**Jay D'Souza FCS.3058**
(Partner)
Certificate of Practice No.6915
**UDIN : F003058D000239514**

# ANNUAL REPORT 2021-22 - ANNEXURE 'B' TO BOARD'S REPORT

## FORM NO. MR-3
## SECRETARIAL AUDIT REPORT

## FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,
The Members,
**L&T FINANCE HOLDINGS LIMITED**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **L&T Finance Holdings Limited** (CIN: L67120MH2008PLC181833) (hereinafter called "the Company").

The Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts and statutory compliances to express our opinion thereon.

Based on our verification of the Company's statutory registers, books, papers, minute books, forms and returns filed and other records maintained by the Company and the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **March 31, 2022** complied with the statutory provisions listed hereunder and also that the Company has followed proper Board-processes and has required compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **March 31, 2022** according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;

(iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder for compliance to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings, **as applicable;**

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') **as amended from time to time: -**

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
- (e) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client – **Not Applicable to the Company;**
- (f) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 - **Not Applicable to the Company;**
- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 - **Not applicable to the Company;**
- (h) The Securities and Exchange Board of India (Issue and Listing of Non- Convertible Securities) Regulations, 2021;
- (i) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.
- (vi) Other specific business/industry related laws applicable to the Company:

  The Company has complied with the Reserve Bank of India Act, 1934, Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, Non- Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016, Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 and the other applicable general laws, rules, regulations and guidelines.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards with regard to Meeting of Board of Directors (SS-1) and General Meetings (SS-2) issued by The Institute of Company Secretaries of India; and

(ii) SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015.

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that**

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for a meaningful participation at the meeting.

The minutes of the Board Meetings and Committee Meetings have not identified any dissent by members of the Board/ Committee of the Board, hence we have no reason to believe that the decisions by the Board were not approved by all the directors present. The Minutes of the Board Meetings and Committee Meetings were duly approved at the meeting by the Chairman of the Meeting. However, due to Covid-19 Pandemic restrictions, the minutes of the Board Meetings and Committee Meetings were physically signed at a later date.

**We further report that** there are adequate systems and processes in the Company commensurate with its size and operations, to monitor and ensure compliance with applicable laws, rules, regulations and guidelines. As informed, the Company has responded appropriately to communication received from various statutory / regulatory authorities including initiating actions for corrective measures, wherever found necessary.

**We further report that** during the audit period the following events/actions have taken place, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines and standards:

1. Redemption of 2,50,00,000 Listed, Cumulative, Non-Convertible, Compulsorily Redeemable Preference Shares of the Company on October 12, 2021 of face value of ₹ 100 each aggregating to ₹ 250,00,00,000.
2. Modification of the terms and conditions of Listed, Cumulative, Non-Convertible, Compulsorily Redeemable Preference Shares of the Company on August 21, 2021 by way of a Special Resolution passed by way of postal ballot leading to redemption of 7,74,10,000 Cumulative Non-Convertible Compulsorily Redeemable Preference Shares of ₹100 each.
3. Issue and allotment of 45,89,784 Equity Shares of ₹10 each under the L&T FHL Employee Stock Option Scheme – 2010 and L&T FHL Employee Stock Option Scheme – 2013.
4. The Board has approved the sale of 100% of the paid-up share capital of L&T Investment Management Limited, a wholly-owned subsidiary of the Company and the asset manager of L&T Mutual Fund, to HSBC Asset Management (India) Private Limited, subject to receipt of requisite regulatory approvals.

**Place:** Mumbai
**Date:** April 22, 2022

**ALWYN JAY & Co.**
Company Secretaries

**Jay D'Souza FCS.3058**
(Partner)
Certificate of Practice No.6915
**UDIN : F003058D000190894**

**Note:** This report is to be read with our letter of even date which is annexed as **Annexure I** and forms an integral part of this report.

**Annexure I**

To

The Members,
**L&T FINANCE HOLDINGS LIMITED**

Our Secretarial Audit Report of even date is to be read along with this letter.

1. The compliance of provisions of all laws, rules, regulations, standards applicable to **L&T Finance Holdings Limited** (hereinafter called 'the Company') is the responsibility of the management of the Company. Our examination was limited to the verification of records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
2. Maintenance of secretarial and other records of applicable laws is the responsibility of the management of the Company. Our responsibility is to issue Secretarial Audit Report, based on the audit of the relevant records maintained and furnished to us by the Company, along with explanations where so required.
3. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial and other legal records, legal compliance mechanism and corporate conduct. Further part of the verification was done on the basis of electronic data provided to us by the Company on test check basis to ensure that correct facts as reflected in secretarial and other records produced to us. We believe that the processes and practices we followed, provides a reasonable basis for our opinion for the purpose of issue of the Secretarial Audit Report.
4. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
5. Wherever required, we have obtained the management representation about list of applicable laws, compliance of laws, rules and regulations and major events during the audit period.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**Place:** Mumbai
**Date:** April 22, 2022

**ALWYN JAY & Co.**
Company Secretaries

**Jay D'Souza FCS.3058**
(Partner)
Certificate of Practice No.6915
**UDIN : F003058D000190894**

# ANNUAL REPORT 2021-22 - ANNEXURE 'C' TO BOARD'S REPORT

## PARTICULARS OF EMPLOYEES

Information required pursuant to Section 197 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th colspan="2">Disclosure</th></tr>
<tr><td>1.</td><td>The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year.(1)</td><td colspan="2">N.A.(2)</td></tr>
<tr><td>2.</td><td>The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year.(1)</td><td colspan="2">Managing Director & Chief Executive Officer – 5%<br>Chief Financial Officer(3) – 9%<br>Company Secretary(3) – 19%</td></tr>
<tr><td>3.</td><td>The percentage increase in the median remuneration of employees in the financial year.</td><td colspan="2">5%</td></tr>
<tr><td>4.</td><td>The number of permanent employees on the rolls of Company.</td><td colspan="2">1</td></tr>
<tr><td rowspan="2">5.</td><td rowspan="2">Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration.</td><td>Employees other than managerial personnel</td><td>Managerial personnel</td></tr>
<tr><td>N.A.</td><td>5%</td></tr>
<tr><td>6.</td><td>Affirmation that the remuneration is as per remuneration policy of the Company.</td><td colspan="2">We affirm that the remuneration is as per the nomination and remuneration policy of the Company.</td></tr>
</table>

(1) For the purpose of determining the ratio of remuneration and percentage increase in remuneration of directors as stipulated in Sr. No. 1 & 2 above, only remuneration of Executive Director is considered

(2) Considering the number of employees and that the Company is a Core Investment Company which carries on its business through its underlying subsidiaries wherein the Executive Director is entrusted with group level responsibilities, comparing the ratio of the remuneration of the Director to the median remuneration of the employees would not be meaningful

(3) Also a KMP of and on the roles of a wholly-owned subsidiary

**For and on behalf of the Board of Directors**
**L&T Finance Holdings Limited**

**S.N.Subrahmanyan**
Non-Executive Director
& Chairperson
DIN: 02255382

**Dinanath Dubhashi**
Managing Director
& Chief Executive Officer
DIN: 03545900

**Place:** Mumbai
**Date:** April 29, 2022

# ANNUAL REPORT 2021-22 - ANNEXURE 'D' TO BOARD'S REPORT

## Form AOC - I
## [Statement pursuant to first proviso to sub-section (3) of Section 129 read with Rule 5 of the Companies (Accounts) Rules, 2014]
## Statement containing salient features of the financial statement of subsidiaries, associate companies and joint ventures

**Part - A: Subsidiaries** (₹ in Cr)

| Sr. No. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|---|---|---|---|---|---|---|
| Name of the subsidiary | L&T Finance Limited | L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) | L&T Investment Management Limited[1] | 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 |
| Financial year ending on | March 31, 2022 | | | | | | | |
| Currency | - | - | - | - | - | - | - | - |
| Exchange rate on the last day of financial year | - | - | - | - | - | - | - | - |
| Date of acquisition | December 31, 2012 | - | - | - | - | - | - | December 27, 2013 |
| Share capital | 2,684.17 | 490.18 | 251.82 | 0.15 | 18.75 | 5.00 | 0.10 | 84.10 |
| Other equity | 13,807.06 | 850.20 | 289.75 | 0.81 | 226.40 | 16.52 | (0.02) | (61.82) |
| Total assets | 96,171.83 | 9,191.07 | 626.56 | 1.03 | 429.23 | 22.09 | 0.09 | 22.39 |
| Total liabilities | 79,680.60 | 7,850.69 | 84.99 | 0.07 | 184.08 | 0.57 | 0.01 | 0.11 |
| Investments | 9,303.95 | 2,508.07 | 547.85 | 0.67 | 26.88 | 20.66 | - | - |
| Turnover | 11,057.58 | 728.93 | 390.68 | 0.07 | 159.45 | 6.50 | 0.03 | - |
| Profit before taxation | 1,091.87 | 11.00 | 203.33 | 0.04 | 113.06 | 4.78 | 0.01 | (6.26) |
| Provision for taxation | 283.89 | 6.89 | 51.95 | - | 45.39 | 1.20 | - | - |
| Profit after taxation | 807.98 | 4.11 | 151.38 | 0.04 | 67.67 | 3.58 | 0.01 | (6.26) |
| Proposed Dividend | - | - | - | - | - | - | - | - |
| % of shareholding | 100% | | | | | | | |

[1] The Company has entered into a definitive agreement with HSBC Asset Management (India) Private Limited on December 23, 2021 to sell 100% equity shares of L&T Investment Management Limited ("LTIML"), a wholly-owned subsidiary of the Company, which is the investment manager of L&T Mutual Fund. The said transaction is subject to requisite approvals. Accordingly, as required by Ind AS 105, LTIML has been presented in the financial results as "Non-Current Assets held for sale and discontinued operations"

**Name of subsidiaries which are yet to commence operations:** : Mudit Cement Private Limited

**Name of subsidiaries which have been liquidated or sold during the year:** : Nil

**Part - B: Associate and Joint Venture**

**[Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Associate Company and Joint Venture]**

| Name of Associate | Grameen Capital India Private Limited |
|---|---|
| 1. Latest audited Balance Sheet Date | March 31, 2021 |
| 2. Date on which the Associate was associated | June 5, 2015 |
| 3. Shares of Associate held by the company as at March 31, 2021 | |
| Number of shares | 21,26,000 |
| Amount of equity investment in Associate (₹ in Cr) | 2.13 |
| Amount of preference investment in Associate (₹ in Cr) | 3.87 |
| 4. Holding % / Description of significant influence | 26% of shareholding |
| 5. Reason of non consolidation of the associate | No significant influence as per Ind AS 28 |
| 6. Networth attributable to Shareholding as per latest Audited Balance Sheet (₹ in Cr) | - |
| 7. Profit/Loss for the year: | |
| i. Considered in Consolidation (₹ in Cr) | - |
| ii. Not considered in Consolidation (₹ in Cr) | - |

**Name of associates or joint ventures which are yet to commence operations** **:** Nil

**Name of associates or joint ventures which have been liquidated or sold during the year** **:** Nil

**For and on behalf of the Board of Directors**
**L&T Finance Holdings Limited**

**S.N.Subrahmanyan**
Non-Executive Director
& Chairperson
DIN: 02255382

**Dinanath Dubhashi**
Managing Director
& Chief Executive Officer
DIN: 03545900

**Sachinn Joshi**
Chief Financial Officer

**Apurva Rathod**
Company Secretary

**Place:** Mumbai
**Date:** April 29, 2022

# ANNUAL REPORT 2021-22 - ANNEXURE 'E' TO BOARD'S REPORT

## Annual Report on Corporate Social Responsibility ("CSR") [Pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014]

**1) Brief outline on CSR policy of the Company**

**CSR Vision:**

We aspire for an inclusive social transformation of the rural communities we serve by nurturing and creating opportunities for sustainable livelihoods for them.

**CSR Mission:**

Our mission 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.

**Commitment:**

Our focus is on creating value for rural indigent communities, which desire a secure future. Our social responsibility theme and commitment is in line with the United Nation's global development agenda of Sustainable Development Goals (SDGs) particularly, 'No Poverty' (SDG 1), 'Gender Equality' (SDG 5), 'Sustainable Cities and Communities' (SDG 11), 'Climate Action' (SDG 13) and 'Partnership for the goals' (SDG 17).

Our key initiatives are woven around sustainable livelihoods of rural communities facilitated by focused areas of intervention – Digital Financial Inclusion, Disaster Management and other initiatives.

We implement the CSR projects as a collaborative effort between various companies within L&T Financial Services, through partnership with organizations mandated under Rule 4(1) of the Companies (CSR Policy) Rules, 2014.

**CSR Approach:**

A project-based accountability approach is adopted, emphasizing on the three aspects of Social impact, Scale and Sustainability. Baseline and end line assessments are carried out for each project with clearly defined measurable results.

**Monitoring:**

A three-tier structure exists with the CSR & ESG Committee formulating & recommending the annual action plan to the Board, in line with the CSR vision of the Company. The CSR team conducts periodic review of the projects and documents the progress. The Board verifies that the CSR funds have been utilised for the projects as approved by it.

**2) Composition of CSR & ESG Committee:**

| Sr. No. | Name of Director | Designation/ Nature of Directorship | Number of meetings of CSR and ESG Committee held during the year | Number of meetings of CSR and ESG Committee attended during the year |
|---|---|---|---|---|
| 1. | Shailesh Haribhakti | Independent Director | 1 | 1 |
| 2. | Dinanath Dubhashi | Managing Director & Chief Executive Officer | 1 | 1 |
| 3. | R. Shankar Raman | Non-Executive Director | 1 | 1 |
| 4. | P.V. Bhide | Independent Director | 1 | 1 |
| 5. | Nishi Vasudeva | Independent Director | 1 | 1 |
| 6. | Rajani R. Gupte | Independent Director | 1 | 1 |

**3) Web-link where composition of CSR & ESG Committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the Company:**

The composition of CSR and ESG Committee, CSR Policy and CSR projects approved by the Board can be accessed on the website at the following link - *https://www.ltfs.com/csr.html*.

**4) Details of impact assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social responsibility Policy) Rules, 2014, if applicable (attach the report):**

Not Applicable (N.A.)

**5) Details of the amount available for set-off in pursuance of sub-rule (3) of Rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set-off for the financial year, if any:**

| Sr. No. | Financial year | Amount available for set-off from preceding financial years (in ₹) | Amount required to be set-off for the financial year, if any (in ₹) |
|---|---|---|---|
| 1. | 2021-22 | Nil | Nil |
| | **Total** | - | - |

**6) Average net profit of the Company as per Section 135(5):** ₹ (17,18,60,000)

**7) a) Two percent of average net profit of the Company as per Section 135(5):** ₹ (34,37,200)

**b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years:** Nil

**c) Amount required to be set-off for the financial year, if any:** Nil

**d) Total CSR obligation for the financial year (7a+7b-7c):** Nil

**8) a) CSR amount spent or unspent for the financial year:**

| Total amount spent for the financial year (in ₹) | Amount Unspent (in ₹) | | | | |
|---|---|---|---|---|---|
| | Total amount transferred to Unspent CSR Account as per Section 135(6) | | Amount transferred to any fund specified under Schedule VII as per second proviso to Section 135(5) | | |
| | Amount | Date of transfer | Name of the Fund | Amount | Date of transfer |
| N.A. | | | | | |

Note - Considering that there is no aggregate net profit for preceding three financial years calculated pursuant to provisions of Section 135 of the Act, the Company was not required to contribute any amount towards CSR activities during FY22.

b) **Details of CSR amount spent against ongoing projects for the financial year:**

| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | (9) | (10) | (11) | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sr. No. | Name of the project | Item from the list of activities in Schedule VII to the Act | Local area (Yes/ No) | Location of the project | | Project duration | Amount allocated for the project (in ₹) | Amount spent in the current financial year (in ₹) | Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹) | Mode of implementation - Direct (Yes / No) | Mode of implementation - through implementing agency | |
| | | | | State | District | | | | | | Name | CSR registration number |
| N.A. | | | | | | | | | | | | |

c) **Details of CSR amount spent against other than ongoing projects for the financial year:**

| (1) | (2) | (3) | (4) | (5) | | (6) | (7) | (8) | |
|---|---|---|---|---|---|---|---|---|---|
| Sr. No. | Name of the project | Item from the list of activities in Schedule VII to the Act | Local area (Yes/ No) | Location of the project | | Amount spent for the project (in ₹) | Mode of implementation - Direct (Yes/No) | Mode of implementation - through implementing agency | |
| | | | | State | District | | | Name | CSR registration number |
| N.A. | | | | | | | | | |

d) **Amount spent in Administrative Overheads:** Nil

e) **Amount spent on Impact Assessment, if applicable:** Nil

f) **Total amount spent for the financial year (8b+8c+8d+8e):** Nil

g) **Excess amount for set-off, if any**

| Sr. No. | Particulars | Amount (in ₹) |
|---|---|---|
| i. | Two percent of average net profit of the company as per Section 135(5) | (34,37,200) |
| ii. | Total amount spent for the financial year | N.A. |
| iii. | Excess amount spent for the financial year [(ii)-(i)] | N.A. |
| iv. | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | N.A. |
| v. | Amount available for set-off in succeeding financial years [(iii)-(iv)] | N.A. |

9) a) **Details of Unspent CSR amount for the preceding three financial years:**

| Sr. No. | Preceding financial year | Amount transferred to Unspent CSR Account | Amount spent in the reporting financial year (in ₹) | Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any | | | Amount remaining to be spent in succeeding financial years (in ₹) |
|---|---|---|---|---|---|---|---|
| | | | | Name of the Fund | Amount (in ₹) | Date of transfer | |
| 1. | FY19 | Nil | Nil | Nil | Nil | N.A. | Nil |
| 2. | FY20 | Nil | Nil | Nil | Nil | N.A. | Nil |
| 3. | FY21 | Nil | Nil | Nil | Nil | N.A. | Nil |
| | **TOTAL** | **Nil** | **Nil** | **Nil** | **Nil** | **N.A.** | **Nil** |

b) **Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):**

| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|
| Sr. No. | Project ID | Name of the project | Financial year in which the project was commenced | Project duration | Total amount allocated for the project (in ₹) | Amount spent on the project in the reporting financial year (in ₹) | Cumulative amount spent at the end of reporting financial year (in ₹) | Status of the project- completed/ ongoing |
| N.A. | | | | | | | | |

10) **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details):**

| (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|
| Project ID | Date of creation or acquisition of the capital asset(s) | Amount of CSR spent for creation or acquisition of capital asset (₹ in Cr) | Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. | Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset) |
| N.A. | | | | |

11) **Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per Section 135(5) –** N.A.

**Shailesh Haribhakti**
Chairperson
CSR and ESG Committee
DIN: 00007347

**Dinanath Dubhashi**
Managing Director
& Chief Executive Officer
DIN: 03545900

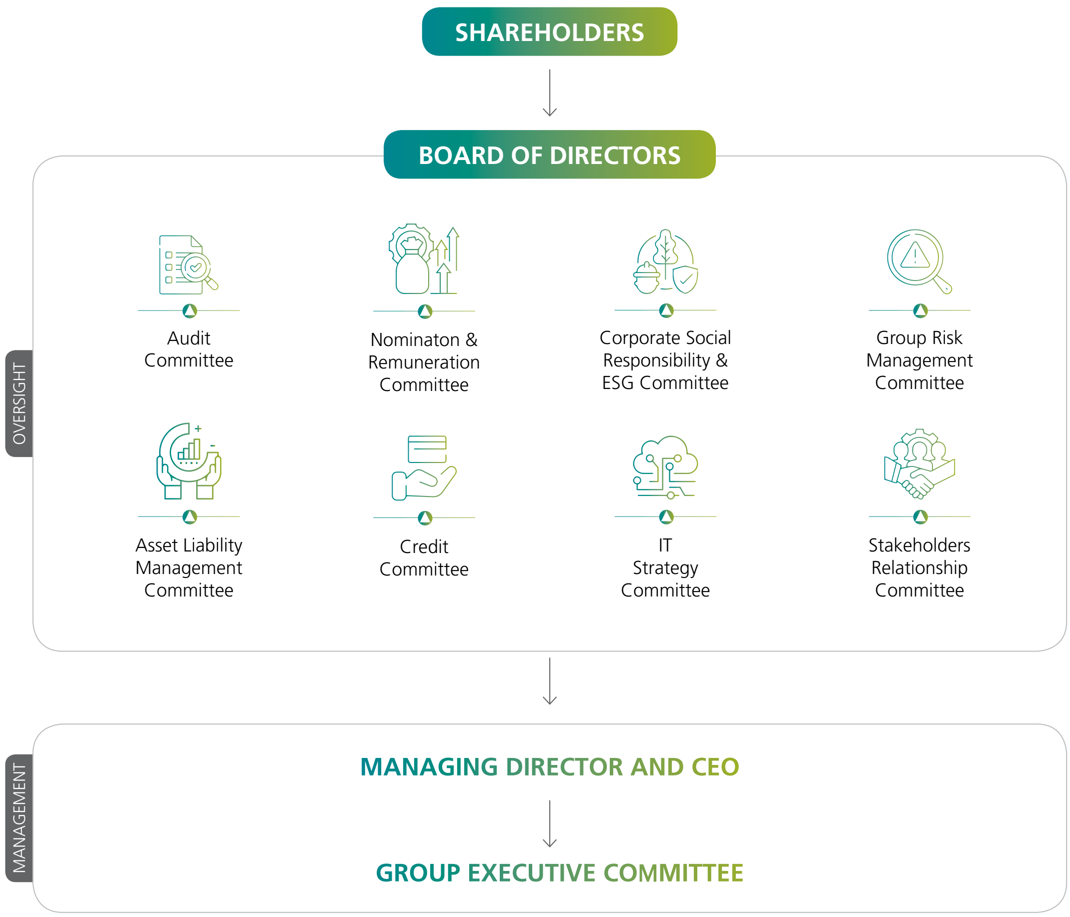
**Place:** Mumbai
**Date:** April 29, 2022

# Corporate Governance Report

## [Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

### A. L&T Finance Holdings Limited ("the Company") - Philosophy on Corporate Governance

At L&T Financial Services ("LTFS"), we believe that corporate governance is a continuous journey towards sustainable value creation for all the stakeholders, which is driven by our values and built on the foundation of assurance. Our Corporate Governance principles are a reflection of our culture, our policies, our relationship with stakeholders and our commitment to values. LTFS' governance structure effectuates the action-oriented culture of 'Results' not 'Reasons'. The governance practices reinforce the core values of LTFS - Pride, Integrity, Discipline and Ambition. The Board of Directors ("Board") helps to ensure that we have appropriate governance in place, both to support our operations and protect our stakeholders' interest. The Board guides and reaffirms the Company's values and strategy, enabling an effective governance mechanism to achieve the Company's mission of value creation. As a good corporate citizen, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability in building confidence of its various stakeholders in it thereby paving the way for its long-term success. The requirements under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") mandated by the Securities and Exchange Board of India ("SEBI") have been fully complied with. A report on compliance with the SEBI Listing Regulations as prescribed by SEBI is given below.



## B. Board of Directors

The members of the Board of the Company are eminent personalities from various fields and are entrusted with the responsibilities of management, general affairs, direction and performance of the Company. The Board is responsible for and committed to sound principles of Corporate Governance in the Company.

### 1. Composition of Board:

The composition of Board is in compliance with the provisions of Section 149 of the Companies Act, 2013 ("the Act") and Regulation 17 of the SEBI Listing Regulations. As on the date of this Report, the Board consists of ten Directors comprising five Independent Directors (including two women Independent Directors), one Executive Director, three Non-Executive Directors and one Nominee Director. The Board consists of eminent personalities from diverse fields: entrepreneurs / professionals, private sector / public sector, social sector / commercial sector, banking / non-banking sector.

Mr. Dinanath Dubhashi (DIN: 03545900) was re-appointed as the Managing Director & Chief Executive Officer of the Company for a term of upto 5 years with effect from April 14, 2021 to April 13, 2026 by the Board based on recommendation of the Nomination and Remuneration Committee ("NRC") of the Company and the re-appointment was approved by the Members at the Thirteenth Annual General Meeting ("AGM") held on July 28, 2021.

During the year under review, the Board based on the recommendation of the NRC approved the appointment of Mr. S.N.Subrahmanyan (DIN: 02255382) as the Non-Executive Director & Chairperson of the Board with effect from February 28, 2022. The appointment of Mr. S.N.Subrahmanyan as the Non-Executive Director was approved by the Members by way of a postal ballot in accordance with the provisions of Sections 152 and 161 of the Act and SEBI Listing Regulations. Mr. Shailesh Haribhakti ceased to be the Chairperson of the Board with effect from February 28, 2022.

Commensurate with the size of the Company, complexity and nature of various underlying businesses, the composition of the Board represents an optimal mix of professionalism, knowledge and experience and enables the Board to discharge its responsibilities and provide effective leadership to the businesses carried on through its subsidiaries.

All the Independent Directors have confirmed to the Board that they meet the criteria for independence in terms of the definition of 'Independent Director' stipulated under Regulation 16(1)(b) of the SEBI Listing Regulations and Section 149(6) of the Act. These confirmations have been placed before the Board. Further, the Managing Director of the Company is not serving as an Independent Director in any company.

None of the Directors of the Company are inter-se related to each other.

### 2. Board Procedure:

The Board meets at regular intervals to discuss and decide on policy of the Company / business and strategy apart from other Board business. The Board meetings (including Committee meetings) of the Company as well as of its subsidiaries are scheduled in advance and a tentative annual calendar of the Board and Committee meetings is circulated to the Directors in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However, in case of a special and urgent business need, separate special Board / Committee meetings are held or the approval is taken by passing resolution(s) by circulation, as permitted by law, which is noted in the subsequent meeting.

The Company Secretary approaches various business / department heads in advance with regard to matters requiring the approval of the Board / Committees to enable inclusion of the same in the agenda for the Board / Committee meetings. The detailed agenda together with the relevant attachments is circulated to the Directors well in advance of the meetings. All major agenda items are backed by comprehensive background information to enable the Board to take informed decisions.

Where it is not practicable to circulate any document in advance or if the agenda is of a confidential nature, the same is presented directly at the meeting. In special and exceptional circumstances, consideration of additional or supplementary items are taken up with the approval of the Chair and majority of Directors. Senior management personnel are invited to the Board / Committee meeting(s) to provide additional inputs for the items pertaining to their line of business / function being discussed by the Board / Committee(s). The Board members interact with the Chief Executives of the various operating subsidiary companies frequently including at the Board meetings.

Further, presentations are made on business operations to the Board by the respective Chief Executives of various businesses of LTFS. Additionally, presentations are made on various matters including the financial statements, fundraising program, operations related issues, the regulatory environment or any other issue which the Board is required / wants to be apprised of. The Company Secretary is responsible for preparation of the agenda and convening of the Board and Committee meetings. The Company Secretary attends all the meetings of the Board and its Committees, advises / assures the Board on compliance and governance principles and ensures appropriate recording of minutes of the meetings.

With a view to leveraging technology and reducing paper consumption, the Company has adopted a web-based application for transmitting Board / Committee agenda and minutes. The Directors of the Company receive the agenda in electronic form through this application, which can be accessed only through i-Pad. The application meets the high standards of security and integrity that is required for storage and transmission of Board / Committee agenda and minutes in electronic form.

Due to the exceptional circumstances caused by the Covid-19 pandemic and consequent relaxations granted by the Ministry of Corporate Affairs ("MCA") and SEBI, all the Board / Committee meetings in FY22, except one Board and a Committee Meeting, were held through video conferencing facility. Necessary infrastructural support was provided to the Directors, to ensure seamless attendance in all meetings. The proceedings of the meetings are recorded and stored in accordance with the requirements of the Act.

The draft minutes of the proceedings of the meetings of the Board / Committee(s) are circulated to all the members of the Board or the Committee for their perusal, within fifteen days from the date of the conclusion of the meeting. Comments, if any, received from the Directors are incorporated in the minutes. The minutes are approved by the members of the Board / Committee(s) and confirmed in accordance with the regulatory requirements.

## 3. Meeting of Independent Directors:

Section 149(8) of the Act read with Schedule IV of the Act and Regulation 25(3) of SEBI Listing Regulations require the Independent Directors of the Company to hold at least one meeting as per regulatory requirements without the attendance of non-independent directors and members of the management. In view of the aforesaid requirements, the Independent Directors of the Company met on April 29, 2021.

Necessary actions were taken in respect of the actionable points, if any, which arose during the discussions at the Meeting.

## 4. Meetings and Attendance:

During the financial year ended March 31, 2022, 11 (eleven) Board meetings were held on April 12, 2021, April 29, 2021, June 24, 2021, July 16, 2021, October 20, 2021 (2 board meetings), December 23, 2021, January 21, 2022 (2 board meetings), January 31, 2022 and February 28, 2022. The meetings of the Board are generally held at 8$^{th}$ Floor, Brindavan, Plot No. 177, C.S.T. Road, Kalina, Santacruz (East), Mumbai – 400 098, Maharashtra, India. However, due to Covid-19 pandemic, all meetings except one meeting during FY22 were held through electronic mode (i.e., video conference).

The details of attendance of the members of the Board at the meetings held during the year and also the number of other Directorships and Memberships / Chairmanships of Committees held by them as on March 31, 2022 are as follows:

| Name of the Director | Nature of Directorship | Board Meetings held / conducted during the year | No. of Board Meetings attended | Attendance at last AGM | No. of Directorships in other companies[1] | No. of Committee Memberships / Chairmanships (including the Company)[2] | | No. of Independent Directorships (including the Company)[3] |
|---|---|---|---|---|---|---|---|---|
| | | | | | | Member | Chairman | |
| S.N. Subrahmanyan [4] (DIN: 02255382) | C (NED) | - | - | - | 7 | - | - | - |
| Dinanath Dubhashi [5] (DIN: 03545900) | MD & CEO | 11 | 11 | Present | 4 | - | - | - |
| R. Shankar Raman (DIN: 00019798) | NED | 11 | 11 | Present | 8 | 6 | - | - |
| Shailesh Haribhakti [6] (DIN: 00007347) | ID | 11 | 11 | Present | 17 | 10 | 4 | 7 |
| P. V. Bhide (DIN: 03304262) | ID | 11 | 11 | Present | 7 | 7 | 3 | 4 |
| Thomas Mathew T. (DIN: 00130282) | ID | 11 | 11 | Present | 3 | 2 | 0 | 1 |
| Nishi Vasudeva (DIN: 03016991) | ID | 11 | 11 | Present | 5 | 5 | 1 | 3 |
| Rajani R. Gupte (DIN: 03172965) | ID | 11 | 11 | Present | 2 | 3 | 1 | 1 |
| Prabhakar B. (DIN: 02101808) | NED | 11 | 11 | Present | 4 | 3 | 1 | 1 |
| Pavninder Singh[7] (DIN: 03048302) | NED / ND | 11 | 9 | Absent | 1 | - | - | - |

C – Chairperson MD – Managing Director CEO – Chief Executive Officer ND – Nominee Director
NED – Non-Executive Director ID – Independent Director

(1) Excludes Directorship in foreign company & Section 8 company
(2) Memberships include Chairmanships. Only memberships of Audit Committee and Stakeholders Relationship Committee are considered. This includes memberships in deemed public company and excludes memberships in high value debt listed entities
(3) Only equity listed companies are considered
(4) Appointed as Non-Executive Director & Chairperson w.e.f. February 28, 2022
(5) Re-appointed as the Managing Director & Chief Executive Officer w.e.f. April 14, 2021
(6) Ceased to be the Chairperson of the Board w.e.f. February 28, 2022
(7) Nominee Director of BC Investment VI Limited and BC Asia Growth Investments (Equity Investors)

The details pertaining to the directorships held by a Director in listed companies other than the Company as on March 31, 2022 is as follows:

| Name of the Director | Name of the listed entity[1] | Nature of Directorship |
|---|---|---|
| S.N.Subrahmanyan | Larsen and Toubro Limited<br><br>L&T Technology Services Limited<br>Larsen & Toubro Infotech Limited<br>Mindtree Limited | Chief Executive Officer & Managing Director<br>Non-Executive Vice Chairman<br>Non-Executive Vice Chairman<br>Non-Executive Vice Chairman |
| Dinanath Dubhashi | - | - |
| R. Shankar Raman | Larsen & Toubro Limited<br>Larsen & Toubro Infotech Limited<br>Mindtree Limited | Whole Time Director & CFO<br>Non-Executive Director<br>Non-Executive Director |
| Shailesh Haribhakti | Torrent Pharmaceuticals Limited<br>Future Lifestyle Fashions Limited<br>Blue Star Limited<br>Ambuja Cements Limited<br>ACC Limited<br>Bajaj Electricals Limited | Independent Director<br>Independent Director<br>Independent Director<br>Independent Director<br>Independent Director<br>Independent Director |
| P. V. Bhide | NOCIL Limited<br>Glaxosmithkline Pharmaceuticals Limited<br>Borosil Renewables Limited | Independent Director<br>Independent Director<br>Independent Director |
| Thomas Mathew T. | - | - |
| Nishi Vasudeva | Hitachi Energy India Limited (Formerly known as ABB Power Products and Systems India Limited)<br>HCL Technologies Limited | Independent Director<br><br>Independent Director |
| Rajani R. Gupte | - | - |
| Prabhakar B. | Ujjivan Small Finance Bank Limited | Independent Director |
| Pavninder Singh | - | - |

(1) Only equity listed companies are considered

## 5. Information to the Board:

The Board of Directors has access to the information within the Company, which inter alia includes –

- Annual revenue budgets and capital expenditure plans of the Company and its subsidiaries;
- Quarterly results and results of operations of subsidiaries;
- Minutes of the meetings of the Board of Directors and Committees;
- Minutes of the Board meetings of subsidiaries;
- Details of potential acquisitions or collaboration agreement, if any;
- Material default, if any, in the financial obligations to and by the Company or substantial non payment;
- Any issue, which involves possible public liability claims of substantial nature, including any judgment or order, if any, which may have strictures on the conduct of the Company;
- Developments in respect of human resources; and
- Non-compliance of any regulatory, statutory nature or listing requirements and investor service such as non-payment of dividend, delay in share transfer, etc., if any.

## 6. Post-meeting internal communication system:

The important decisions taken at the Board / Committee meetings are communicated to the departments / subsidiary companies concerned promptly to enable timely action, if required. Necessary action taken report is also placed at the meeting(s).

## 7. Board-skills / expertise / competencies:

| Name of the Director | Expertise | | | | | | | | | | Experience |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | |
| S.N.Subrahmanyan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | > 38 years |
| Dinanath Dubhashi | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | > 31 years |
| R. Shankar Raman | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | > 38 years |
| Shailesh Haribhakti | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | > 41 years |
| P.V. Bhide | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | > 41 years |
| Thomas Mathew T. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | > 41 years |
| Nishi Vasudeva | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | > 40 years |
| Rajani R. Gupte | ✓ | | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | > 41 years |
| Prabhakar B. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | > 39 years |
| Pavninder Singh | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | > 24 years |

| | | | |
|---|---|---|---|
| | Leadership qualities | | Industry knowledge and experience |
| | Experience and exposure in policy shaping and industry advocacy | | Understanding of relevant laws, rules, regulation and policy |
| | Corporate Governance | | Financial expertise |
| | Risk Management | | Global Experience / International Exposure |
| | Information Technology | | ESG expertise |

## 8. Performance Evaluation:

The NRC has approved a policy for evaluation of the Board, its Committees and Directors and the same has been approved by the Board of the Company. The process for the aforesaid evaluation as required under the Act is given in the Board's Report.

## 9. Succession Planning:

The Company has a mechanism in place for ensuring orderly succession for appointments to the Board and to Senior Management.

## 10. Familiarization programme:

All new Independent Directors inducted on the Board are given an orientation. Presentations are made by Chief Executives and Senior Management giving an overview regarding the group structure, its businesses including that of its subsidiaries, the environment in which it operates, its various regulators, Board constitution and guidelines.

During the year under review, an ESG Leadership Engagement Program was conducted for the Board and Senior Management to familiarize the Directors about ESG concepts, trends and the updates from industry (including regulatory reporting framework) and industry mapping of practices adopted at LTFS.

The Company ensures necessary training to the Directors relating to its businesses through formal / informal interactions. Systems and resources are made available to the members of the Board. Additionally, regular field visits i.e., visits to the branches and meeting centres, are generally arranged for the Directors which help them understand the businesses and the on ground functioning. It also gives the Board an opportunity to communicate directly with the borrowers and dealers and understand the on-ground perception of the services provided by the Company and factors which differentiates its offerings from the others.

The details relating to the familiarization programme are available on the website of the Company at https://www.ltfs.com/investors.html (click-Familiarization Programme).

## 11. Confirmation of Independent Directors:

In the opinion of the Board, Independent Directors fulfill the conditions required for independent directors as per the provisions of the Act, the SEBI Listing Regulations and all other applicable laws and are independent of the management.

## C. Board Committees

The structure of a Board and the planning of the Board's work are key elements to effective governance. Establishing Committees is one way of managing the work of the Board, thereby strengthening the Board's governance role. The Board Committees play a crucial role in the governance structure of the Company and have been constituted to deal with specific areas / activities of the Company. The Board is regularly briefed about the deliberations, including summary of discussions and decisions, taken by the Committees through the minutes of the meetings. The business transacted by the Committees of the Board is placed before the Board for noting / recommendation / approval as applicable.

The Board has currently constituted the following Committees including pursuant to the provisions of the Act, SEBI Listing Regulations and Reserve Bank of India ("RBI") regulations:

- Audit Committee;
- Nomination and Remuneration Committee;
- Corporate Social Responsibility and ESG Committee;
- Stakeholders Relationship Committee;
- Committee of Directors;
- Group Risk Management Committee;
- IT Strategy Committee; and
- Asset Liability Management Committee.

## 1. Audit Committee ("AC"):

**Terms of reference:**

The role of the AC includes the following:

- Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommendation for appointment, remuneration and terms of appointment of the auditors of the Company;
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- Reviewing, with the management, the Annual Financial Statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
  a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of Section 134(3)(c) of the Act
  b. Changes, if any, in the accounting policies and practices and reasons for the same
  c. Major accounting entries involving estimates based on the exercise of judgment by management
  d. Significant adjustments made in the financial statements arising out of audit findings
  e. Compliance with listing and other legal requirements relating to financial statements
  f. Disclosure of any related party transactions
  g. Qualifications in the draft audit report
- Reviewing, with the management, the quarterly financial statements before submission to the Board for approval;
- Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
- Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- Approval or any subsequent modification of transactions of the Company with related parties;

- Scrutiny of inter-corporate loans and investments;
- Valuation of undertakings or assets of the Company, wherever it is necessary;
- Evaluation of internal financial controls and risk management systems;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow up there on;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- To review the functioning of the Whistle Blower Mechanism / Vigil Mechanism;
- Approval of appointment of Chief Financial Officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
- Investigate into any matter in relation to the items given above or referred to it by the Board and power to obtain professional advice from external sources and have full access to information contained in the records of the Company;
- Right to call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and discuss any related issues with the internal and statutory auditors and the management of the Company;
- Review of the utilization of loans and / or advances from / investment by the holding company in the subsidiary exceeding ₹ 100 Cr or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on April 1, 2019;
- Consider and comment on rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc., on the listed entity and its shareholders;
- Review of information as prescribed under the SEBI Listing Regulations (as amended from time to time); and
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**Composition:**

| Name of the Director | Designation in the Committee | Nature of Directorship |
|---|---|---|
| P. V. Bhide(1) | Chairperson | ID |
| R. Shankar Raman | Member | NED |
| Shailesh Haribhakti(2) | Member | ID |
| Thomas Mathew T. | Member | ID |
| Rajani R. Gupte(3) | Member | ID |

(1) Appointed as the Chairperson w.e.f. April 24, 2021
(2) Ceased to be the Chairperson of the Committee w.e.f. April 24, 2021
(3) Appointed as a Member of the Committee w.e.f. April 24, 2021

**Meetings and Attendance:**

The AC met five times during the year on April 29, 2021, June 24, 2021, July 16, 2021, October 20, 2021 and January 21, 2022. The attendance of members at the meetings was as follows:

| Name of the Director | No. of Meetings held / conducted during the tenure of the Member / year | No. of Meetings attended |
|---|---|---|
| P. V. Bhide | 5 | 5 |
| R. Shankar Raman | 5 | 5 |
| Shailesh Haribhakti | 5 | 5 |
| Thomas Mathew T. | 5 | 5 |
| Rajani R. Gupte | 5 | 5 |

All the recommendations by the AC to the Board during the year have been accepted.

All the members of the AC are financially literate and have accounting or related financial management expertise. The Company Secretary is the Secretary to the Committee.

## 2. Nomination and Remuneration Committee ("NRC"):

**Terms of reference:**

The role of the NRC includes the following:

- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and carrying out evaluation of Board / Committees / Directors.
- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- Ensuring that:
  a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
  b. relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
  c. remuneration to directors, key managerial personnel and senior management personnel involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
- Laying down the evaluation criteria for performance evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Formulating the Employee Stock Option Scheme (ESOS), decide the terms and conditions, make appropriate recommendations to the Board of Directors and administering and superintending ESOS; and
- Determining the remuneration payable to the senior management personnel as defined under the SEBI Listing Regulations including Chief Financial Officer and Company Secretary of the Company.

**Composition:**

| Name of the Director | Designation in the Committee | Nature of Directorship |
|---|---|---|
| Thomas Mathew T. | Chairperson | ID |
| R. Shankar Raman | Member | NED |
| Shailesh Haribhakti | Member | ID |
| P. V. Bhide | Member | ID |
| Nishi Vasudeva(1) | Member | ID |
| Pavninder Singh | Member | NED / ND |

(1) Appointed as a Member of the Committee w.e.f. August 6, 2021

**Meetings and Attendance:**

The NRC met six times during the year on April 28, 2021, July 16, 2021, August 13, 2021, October 20, 2021, January 31, 2022 and February 28, 2022.

The attendance of members at the meetings was as follows:

| Name of the Director | No. of Meetings held / conducted during the tenure of the Member / year | No. of Meetings attended |
|---|---|---|
| Thomas Mathew T. | 6 | 6 |
| R. Shankar Raman | 6 | 6 |
| Shailesh Haribhakti | 6 | 6 |
| P. V. Bhide | 6 | 6 |
| Nishi Vasudeva(1) | 4 | 4 |
| Pavninder Singh | 6 | 6 |

(1) Appointed as a Member of the Committee w.e.f. August 6, 2021

**Remuneration Policy:**

The remuneration of the Board members is based on the Company's size, its economic and financial position, industrial trends and compensation paid by peer companies. The compensation reflects each Board member's responsibility and performance. The Directors on the Board who are in the service of Larsen & Toubro Limited / LTFS draw remuneration from Larsen & Toubro Limited / LTFS and are not paid any commission or sitting fees for attending the meetings of the Board and / or any Committee.

While the Company pays remuneration to Executive Director(s) by way of salary, perquisites, retirement benefits (fixed components) and variable remuneration, the Non-Executive Directors ("NEDs") are paid remuneration by way of commission and sitting fees. The remuneration to NEDs is based on the recommendations of the NRC and approval of the Board, subject to the limits approved by the Members, to the extent required as per regulatory requirements.

None of the NEDs have any pecuniary relationship with the Company.

As required under Schedule V of the SEBI Listing Regulations, the criteria for payment to NEDs is available on the website of the Company at *https://www.ltfs.com/investors.html* (click-Criteria for Payment to NEDs). Further, the performance evaluation criteria for Independent Directors as required under Schedule V of the SEBI Listing Regulations is included in the Board's Report.

**Details of remuneration paid to Directors for the financial year ended March 31, 2022:**

**a) Remuneration to Executive Director(s)**

The details of remuneration paid to Mr. Dinanath Dubhashi, Managing Director & Chief Executive Officer are as follows:

**(₹ in Cr)**

| Salary and Perquisites(1) | Variable Remuneration(2 | Retirement Benefits | Total |
|---|---|---|---|
| 10.27 | 2.00 | 0.29 | 12.56 |

(1) Includes retention / catch-up pay (₹ 3.50 Cr) and perquisite on ESOPs exercised during the year, if any

(2) Based on policy formulated by the NRC and approved by the Board

- Notice period for termination of appointment of Managing Director and Chief Executive Officer is three months on either side.
- No severance pay is payable on termination of appointment.
- No ESOPs were granted during the year. The ESOPs granted during earlier years pursuant to approval of the NRC will vest as per the approved vesting schedule.

**b) Remuneration to Non-Executive Directors**

The Company follows a transparent process for determining the remuneration of NEDs. Their remuneration is governed by the role assumed, number of meetings of the Board and the Committees thereof attended by them, active participation in strategic decision making and inputs to executive management on matters of strategic importance. Besides these, the Board also takes into consideration the external competitive environment, track record, individual performance of such Directors and performance of the Company as well as the industry standards in determining the remuneration of NEDs including Independent Directors.

In the backdrop of growing complexities and increasing regulatory requirements, the NEDs have contributed significantly and given useful feedback from time to time. The commission payable / paid in respect of NEDs for the year is mentioned below. The commission paid is as per the limits approved by the Members, subject to the limit not exceeding 1% p.a. of the net profits of the Company.

In addition to the commission, the Company pays sitting fees of ₹ 60,000 per Board and Independent Directors meeting, ₹ 50,000 per Audit Committee and Nomination and Remuneration Committee meeting and ₹ 40,000 per meeting for other Committee meetings.

The details of remuneration to the NEDs are as follows:

(₹ in Lakh)

| Name of the Director | Sitting fees for Board Meeting / Independent Director Meeting | Sitting fees for Committee Meetings | Commission [1] | Total |
|---|---|---|---|---|
| S.N.Subrahmanyan[2] | - | - | - | - |
| R. Shankar Raman[2] | - | - | - | - |
| Shailesh Haribhakti | 6.75 | 8.00 | 50.42 | 65.17 |
| P. V. Bhide | 6.75 | 5.80 | 23.25 | 35.80 |
| Thomas Mathew T. | 6.75 | 5.90 | 17.60 | 30.25 |
| Nishi Vasudeva | 6.75 | 2.70 | 13.85 | 23.30 |
| Rajani R. Gupte | 6.75 | 3.35 | 17.00 | 27.10 |
| Prabhakar B. | 6.25 | 1.80 | 12.80 | 20.85 |
| Pavninder Singh | 5.15 | 3.95 | 17.00 | 26.10 |

(1) Based on guidelines formulated by the NRC and approved by the Board

(2) Draws remuneration from Larsen & Toubro Limited

Details of shares / convertible instruments, if any, held by the NEDs as on March 31, 2022 are as follows:

| Name of the Director | No. of Equity Shares |
|---|---|
| S.N.Subrahmanyan | 4,987 |
| R. Shankar Raman | 30,080 |
| Shailesh Haribhakti | 5,39,038 |
| P. V. Bhide | 6,136 |
| Prabhakar B. | 434 |

## 3. Corporate Social Responsibility ("CSR") and ESG Committee (renamed w.e.f. April 24, 2021):

**Terms of reference:**

The role of CSR and ESG Committee includes the following:

- Formulation of CSR policy indicating the activities to be undertaken by the Company as per regulatory requirements and recommend the same to the Board;
- Recommending to the Board the annual action plan and the amount to be spent on CSR activities;
- Monitoring the implementation of the CSR policy;
- Formulation of action plan / guidelines / policies with regard to Sustainability / ESG;
- Reviewing implementation of the action plan; and
- Approving the Sustainability Report.

**Composition:**

| Name of the Director | Designation in the Committee | Nature of Directorship |
|---|---|---|
| Shailesh Haribhakti | Chairperson | ID |
| Dinanath Dubhashi | Member | MD & CEO |
| R. Shankar Raman | Member | NED |
| P. V. Bhide | Member | ID |
| Nishi Vasudeva | Member | ID |
| Rajani R. Gupte[1] | Member | ID |

(1) Appointed as a Member of the Committee w.e.f. April 24, 2021

**Meetings and Attendance:**

The Committee met once in the year on April 28, 2021 and all the members of the CSR and ESG Committee had attended the meeting.

## 4. Stakeholders Relationship Committee ("SRC"):

**Terms of reference:**

The role of the SRC includes the following:

- Reviewing of cases for refusal of transfer / transmission of shares, debentures and other securities, if any;
- Redressal of stakeholders and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, non-receipt of interest, etc.;
- Reference to statutory and regulatory authorities regarding security holders' grievances;
- Ensuring proper and timely attendance and redressal of security holders' queries and grievances;

- Reviewing of measures taken for effective exercise of voting rights by shareholders;
- Reviewing of adherence to the service standards adopted by the Company in respect of various services being rendered by the Registrar & Share Transfer Agent; and
- Reviewing of the various measures and initiatives taken by the Company for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / annual reports / statutory notices by the shareholders of the Company.

**Composition:**

| Name of the Director | Designation in the Committee | Nature of Directorship |
|---|---|---|
| P. V. Bhide | Chairperson | ID |
| R. Shankar Raman | Member | NED |
| Nishi Vasudeva | Member | ID |

**Meetings and Attendance:**

The SRC met once during the year on October 20, 2021 and all the members of the SRC had attended the meeting.

**Details of Shareholders' requests / complaints:**

The Company resolves investor grievances expeditiously and to the satisfaction of investors. The Company / its Registrar and Share Transfer Agents received the following complaints from SEBI / Stock Exchanges, which were resolved within the time frame laid down by SEBI:

| Particulars | Opening | Received | Resolved | Pending |
|---|---|---|---|---|
| **Complaints:** | | | | |
| SEBI / Stock Exchanges[1] | 0 | 24 | 24 | 0 |
| **Queries:** | | | | |
| Transmission / Transfer | 0 | 0 | 0 | 0 |
| Demat / Remat | 0 | 5 | 5 | 0 |

[1] SEBI- 24, Stock Exchange - Nil

The Board has delegated the powers to approve transfer / transmissions of physical shares and to remat shares to a Share Transfer Committee comprising of three senior executives. Ms. Apurva Rathod, Company Secretary of the Company, is the Compliance Officer / Investor Relations Officer, who deals with matters pertaining to Shareholders' grievances.

## 5. Committee of Directors ("COD"):

**Terms of reference:**

The COD of the Company was constituted to facilitate the operational decisions within the broad framework laid down by the Board such as day to day operational decisions of the Company in terms of borrowing power, additional investment in subsidiaries, etc.

**Composition:**

| Name of the Director | Designation in the Committee | Nature of Directorship |
|---|---|---|
| Dinanath Dubhashi | Member | MD & CEO |
| R. Shankar Raman | Member | NED |
| Shailesh Haribhakti | Member | ID |

**Meetings and Attendance:**

The COD met once during the year on February 18, 2022 and all members of the COD had attended the meeting.

## 6. Group Risk Management Committee ("GRMC") (renamed w.e.f. October 20, 2021):

**Terms of reference:**

The role of the GRMC includes the following:

- Formulate a detailed risk management policy including:
  a. Framework for identification of internal and external risks specifically faced by the Company, its subsidiaries and the respective businesses ("LTFH Group"), in particular including financial, market, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  b. Measures for risk mitigation including systems and processes for internal control of identified risks.
  c. Business continuity plan.
- Analyze the material risks to which LTFH Group is exposed to;
- Discuss all risk strategies both at an aggregated LTFH Group level and by type of risk and make recommendations to the Board in accordance with LTFH Group's overall risk appetite;

- Identify potential intra-group conflicts of interest;
- Articulate the leverage of LTFH Group and monitor the same;
- Ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of LTFH Group and facilitate exchange of information for effective risk oversight of LTFH Group;
- Assess whether the corporate governance framework addresses risk management across LTFH Group;
- Monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- Undertake risk monitoring regarding transactions of investee companies of the Company with other group companies of L&T Limited;
- Periodically review the risk management policy, at least once a year including by considering the changing industry dynamics and evolving complexity;
- Periodically carry out independent formal review of the LTFH Group structure and internal controls;
- Keep the Board informed about the nature and content of its discussions, recommendations and actions to be taken;
- Review the appointment, removal and terms of remuneration of the Chief Risk Officer (if any); and
- Such other functions as the Board may from time-to-time delegate to it with respect to the Risk Management function of the Company and the group or may be prescribed under law.

**Composition:**

| Name of the Member | Designation in the Committee | Nature of Directorship |
|---|---|---|
| Shailesh Haribhakti[1] | Chairperson | ID |
| Managing Director & Chief Executive Officer | Member | - |
| R. Shankar Raman | Member | NED |
| Rajani R. Gupte[2] | Member | ID |
| Prabhakar B.[3] | Member | NED |
| Pavninder Singh | Member | NED / ND |
| Chief Risk Officer[4] | Member | - |

(1) Appointed as the Chairperson of the Committee w.e.f. October 20, 2021
(2) Appointed as a Member of the Committee w.e.f. October 20, 2021
(3) Ceased to be the Chairperson of the Committee w.e.f. October 20, 2021
(4) Change in designation and appointment of Chief Risk Officer w.e.f. April 24, 2021

**Meetings and Attendance:**

The Committee met five times during the year on June 22, 2021, July 2, 2021, September 21, 2021, December 17, 2021 and March 28, 2022. The attendance of members at the meetings was as follows:

| Details of the Member | No. of Meetings held / conducted during the tenure of the Member / year | No. of Meetings attended |
|---|---|---|
| Shailesh Haribhakti | 5 | 5 |
| Managing Director & Chief Executive Officer | 5 | 5 |
| R. Shankar Raman | 5 | 5 |
| Rajani R. Gupte [1] | 2 | 2 |
| Prabhakar B. | 5 | 5 |
| Pavninder Singh | 5 | 3 |
| Chief Risk Officer | 5 | 4 |

(1) Appointed as a Member of the Committee w.e.f. October 20, 2021

## 7. IT Strategy Committee ("ITC"):

**Terms of reference:**

The role of ITC includes the following:

- Approving Information Technology ("IT") strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls; and
- Instituting an effective governance mechanism and risk management processes for all outsourced IT operations.

**Composition:**

| Name of the Member | Designation in the Committee | Nature of Directorship |
|---|---|---|
| Thomas Mathew T.[(1)] | Chairperson | ID |
| Shailesh Haribhakti[(2)] | Member | ID |
| Managing Director & Chief Executive Officer | Member | - |
| Chief Information Officer (Chief Digital Officer) | Member | - |
| Chief Technology Officer | Member | - |
| Chief Risk Officer[(3)] | Member | - |
| Chief Information Security Officer | Member | - |

(1) Appointed as the Chairperson of the Committee w.e.f. April 24, 2021

(2) Ceased to be the Chairperson of the Committee w.e.f. April 24, 2021

(3) Change in designation and appointment of Chief Risk Officer w.e.f. April 24, 2021

**Meetings and Attendance:**

The Committee met twice during the year on September 17, 2021 and March 28, 2022. All the members of ITC attended the meetings.

## 8. Asset Liability Management Committee ("ALCO"):

**Terms of reference:**

The role of the ALCO includes the following:

- 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 of Directors and ensuring adherence to the RBI Guidelines issued in this behalf from time to time;
- Monitoring the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
- Reviewing the effects of various possible changes in the market conditions related to the balance sheet and recommend the action needed to adhere to the Company's internal limits; and
- Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks.

**Composition:**

| Name of the Member | Designation in the Committee | Nature of Directorship |
|---|---|---|
| Managing Director & Chief Executive Officer | Chairperson | - |
| Vipul Chandra | Member | Representative of L&T |
| Group Chief Financial Officer | Member | - |
| Chief Risk Officer[(1)] | Member | - |
| Group Chief Economist | Member | - |

(1) Change in designation and appointment of Chief Risk Officer w.e.f. April 24, 2021

**Meeting details:**

The Committee met eleven times during the year on May 14, 2021, June 25, 2021, July 26, 2021, August 20, 2021, September 24, 2021, October 28, 2021, November 19, 2021, December 24, 2021, January 27, 2022, February 15, 2022 and March 25, 2022.

## D. Directors on Boards of Material Subsidiaries

At least one Independent Director of the Company is a Director on the Board of material subsidiary as defined under the SEBI Listing Regulations of the Company. As on the date of this Report, Mr. P. V. Bhide, Mr. Thomas Mathew T., Ms. Nishi Vasudeva and Dr. Rajani R. Gupte are Directors on the Board of L&T Finance Limited, the material subsidiary of the Company.

## E. Other Information

### Training of Directors:

All Directors of the Company are aware and are also updated as and when required, of their roles, responsibilities and liabilities.

### Information to Directors:

The Directors have access to the information within the Company, which inter alia, includes items as mentioned in point no. B5 of the Corporate Governance Report.

Presentations are made regularly to the Board and its Committees, where Directors get an opportunity to interact with the management. Independent Directors have the freedom to interact with the Company's management. Interactions happen during Board / Committee meetings, when senior management personnel make presentations about the performance of the Company / business to the Board.

### Statutory Auditors:

Hasmukh B. Dedhia, Partner of M/s Khimji Kunverji & Co. LLP, Statutory Auditors of the Company has signed the Audit Report for FY22.

### Code of Conduct:

The Company has laid down a Code of Conduct for all the Board members including Independent Directors and senior management personnel. The Code of Conduct is available on the website of the Company at *https://www.ltfs.com/investors.html* (click-Code of Conduct). The declaration of Managing Director & Chief Executive Officer is given below:

**To the Members of**
**L&T Finance Holdings Limited**

Sub: Compliance with Code of Conduct

I hereby declare that all the Board members and senior management personnel have affirmed compliance with the Code of Conduct of the Company as adopted by the Board of Directors.

**Dinanath Dubhashi**
Managing Director & Chief Executive Officer
DIN: 03545900

**Date**: April 29, 2022
**Place**: Mumbai

### Vigil Mechanism Framework / Whistle Blower Mechanism:

The Company has Vigil Mechanism Framework for directors, employees and service providers to report genuine concern about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. All the complaints received under the framework are investigated in detail, findings are discussed, and the course of action is decided, at the meeting of the Committee. Utmost importance is given towards protection of the person who has raised a complaint through the framework. The role of vigilance is to protect the Company from internal dangers which are more serious than external threats. To be in compliance with the Act and SEBI Listing Regulations, the Company has formulated a vigil mechanism for Directors, employees and service providers to report their concerns. The Company has adopted a Vigil Mechanism Framework, under which the Whistle-blower Investigation Committee has been set up. The objective of the framework is to establish a redressal forum, which addresses all concerns raised on questionable practices and through which the Directors, employees and service providers can raise actual or suspected violations. The Vigil Mechanism Policy empowers all levels of employees including top management and service providers to raise voice against actual / suspected violations. The implementation of the framework is monitored through the Whistle-blower Investigation Committee which meets on a quarterly basis and all cases are discussed in detail before it is presented to the AC. It addresses all concerns raised on questionable practices. The framework ensures protection to the whistle-blower to avoid any sort of unfair or prejudicial employment practices. The Whistle-blower Investigation Committee and management maintain the anonymity of the whistle blower at all times.

The details of establishment of such mechanism have been disclosed on the website of the Company at *https://www.ltfs.com/investors.html* (click-Policy on Vigil Mechanism).

As on March 31, 2022, no complaint has been received by the Company from any Directors or employees of the Company with respect to any wrong doings that may have an adverse impact on Company's image or financials of the Company.

During the year, no person has been declined access to the Audit Committee, wherever desired.

## General Body Meetings:

The details of AGM of the Company for the previous three years are as under:

| Year | Date | Time | Venue / Mode of conducting the meeting |
|---|---|---|---|
| 2018-19 | July 29, 2019 | 3:00 P.M. | Swatantrya veer Savarkar Rashtriya Smarak, 252 Swatantryaveer Savarkar Marg, Shivaji Park, Dadar, Mumbai – 400 028. |
| 2019- 20 | July 28, 2020 | 3:00 P.M. | Through electronic mode video conferencing ('VC') / other audio-visual means ('OAVM') being held through VC / OAVM. The deemed venue of the AGM shall be the Registered Office of the Company. |
| 2020-21 | July 28, 2021 | 3:00 P.M. | Through electronic mode video conferencing ('VC') / other audio-visual means ('OAVM') being held through VC / OAVM. The deemed venue of the AGM shall be the Registered Office of the Company. |

The following special resolutions were passed by the Shareholders during the past three Annual General Meetings:

| Year | Date | Resolution |
|---|---|---|
| 2018-19 | July 29, 2019 | ➢ Re-appointment of Mr. S. V. Haribhakti (DIN: 00007347) as an Independent Director of the Company.<br>➢ Re-appointment of Mr. P. V. Bhide (DIN: 03304262) as an Independent Director of the Company.<br>➢ Issuance of Cumulative Compulsorily Redeemable Non-Convertible Preference Shares by way of public offer or on a private placement basis for an amount not exceeding ₹ 2,000 Cr. |
| 2019-20 | July 28, 2020 | ➢ Re-appointment of Mr. Thomas Mathew T. (DIN: 00130282) as an Independent Director of the Company.<br>➢ Issuance of Cumulative Compulsorily Redeemable Non-Convertible Preference Shares by way of public offer or on a private placement basis for an amount not exceeding ₹ 2,000 Cr. |
| 2020-21 | July 28, 2021 | No special resolutions were passed. |

## Postal Ballot:

The Board of Directors of the Company had, at its meeting held on July 16, 2021, approved the proposal for conducting postal ballot pursuant to Section 110 of the Act for seeking approval of the Members by way of special resolution under Sections 48 and 55 of the Act for modification of the terms of issue of listed, cumulative, non-convertible, compulsorily redeemable, preference shares ("NCRPS") issued by the Company for relevant series of NCRPS.

The Board had appointed M/s Alwyn Jay & Co. Practicing Company Secretary (Membership No.: F5559; Certificate of Practice No.: 5137), as a Scrutinizer for conducting the postal ballot only by voting through electronic means (remote e-voting) in a fair and transparent manner. The voting period commenced from Friday, July 23, 2021 from 9:30 a.m. (IST) and closed on Saturday, August 21, 2021 at 5:00 p.m. (IST). Voting rights of NCRPS Holders were reckoned in proportion to their share of the paid-up value of each NCRPS as on Friday, July 16, 2021.

The Scrutinizer submitted its report dated August 23, 2021. The details of the voting pattern are given below:

| Date of passing of the Resolution | Subject matter of the Resolution | Voting Pattern | | | |
|---|---|---|---|---|---|
| | | No. of Votes cast / % | Assent | Dissent | Total |
| August 21, 2021 | Approval for modification of the terms and conditions of NCRPS of the Company issued on May 17, 2019 with ISIN INE498L04100 | Votes | 71,06,665 | 5,48,000 | 76,54,665 |
| | | % | 92.84 | 7.16 | 100 |
| | Approval for modification of the terms and conditions of NCRPS of the Company issued on June 3, 2019 with ISIN INE498L04118 | Votes | 27,19,337 | 7,27,500 | 34,46,837 |
| | | % | 78.89 | 21.11 | 100 |
| | Approval for modification of the terms and conditions of NCRPS of the Company issued on September 16, 2019 with ISIN INE498L04126 | Votes | 29,45,670 | 10,34,000 | 39,79,670 |
| | | % | 74.02 | 25.98 | 100 |
| | Approval for modification of the terms and conditions of NCRPS of the Company issued on September 20, 2019 with ISIN INE498L04134 | Votes | 69,58,407 | 2,18,000 | 71,76,407 |
| | | % | 96.96 | 3.04 | 100 |
| | Approval for modification of the terms and conditions of NCRPS of the Company issued on September 27, 2019 with ISIN INE498L04142 | Votes | 1,44,02,000 | 0 | 1,44,02,000 |
| | | % | 100 | 0 | 100 |
| | Approval for modification of the terms and conditions of NCRPS of the Company issued on December 5, 2019 with ISIN INE498L04159 | Votes | 50,00,000 | 0 | 50,00,000 |
| | | % | 100 | 0 | 100 |
| | Approval for modification of the terms and conditions of NCRPS of the Company issued on December 23, 2019 with ISIN INE498L04167 | Votes | 1,12,69,653 | 17,04,000 | 1,29,73,653 |
| | | % | 86.87 | 13.13 | 100 |

**Procedure for postal ballot:** The postal ballot was carried out as per the provisions of Sections 48, 108 and 110 and other applicable provisions of the Act (including the rules thereof and the circulars issued from time to time). Except as stated above, the Company had not passed any special resolution through postal ballot during FY22. Further, currently, there is no proposal which is envisaged to be passed through postal ballot. If a resolution is passed by way of postal ballot, the Company will follow the process as per regulatory requirement.

### Other Disclosures:

- During the year, there were no transactions of material nature with the Directors, management, their relatives or the subsidiaries, which had potential conflict with the interests of the Company.
- Details of all related party transactions form a part of the Financial Statements as required under Ind AS 24 and the same forms part of the Annual Report.
- The Company has followed all relevant Accounting Standards notified by the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time while preparing the Financial Statements.
- There were no instances of non-compliance on any matter relating to capital markets, during the last three years nor any penalties, strictures imposed on the Company by the Stock Exchange(s) or SEBI or any Statutory Authority.
- The Company has complied with the Corporate Governance requirements specified in Regulations 17 to 27 and clauses (b) to (i) of Regulation 46(2) and other applicable provisions of the SEBI Listing Regulations.
- The web link with respect to the policy for determining material subsidiaries and policy

on dealing with related party transactions are mentioned in the Board's Report.

- The Company has also substantially complied with the discretionary requirements stipulated under Regulation 27 of the SEBI Listing Regulations.
- As on March 31, 2022, there were no funds unutilized requiring disclosure as specified under Regulation 32(7A) of the SEBI Listing Regulations.
- M/s Alwyn Jay & Co., Practicing Company Secretary has certified that none of the Directors of the Company have been debarred or disqualified from being appointed or continuing as a Director of the Company by SEBI or Ministry of Corporate Affairs or any other statutory authority. The said certificate forms part of this report.
- At the Thirteenth AGM held on July 28, 2021, M/s Khimji Kunverji & Co. LLP was appointed as Statutory Auditors in place of M/s Deloitte Haskins & Sells LLP and M/s B. K. Khare & Co. Therefore, the total consolidated fees of ₹ 0.25 Cr was paid to the joint Statutory Auditors (i.e., M/s Deloitte Haskins & Sells LLP and M/s B. K. Khare & Co.) and all entities in the network firm / network entity of which the Statutory Auditors are a part of, for all the services rendered to the Company and its subsidiaries for Q1FY22.

  Further, for Q2FY22-Q4FY22, the total consolidated fees of ₹ 0.23 Cr was paid to the Statutory Auditors (i.e., M/s Khimji Kunverji & Co. LLP) for all the services rendered to the Company. No services were rendered by the Statutory Auditors to the subsidiaries of the Company.
- There were no complaints of sexual harassment of women at workplace received by the Company during FY22 and FY21.
- The Board of Directors confirm that during the year, it has accepted all mandatory recommendations received from its committees.
- For disclosure pertaining to credit rating, please refer the Board's Report.

## Means of Communication:

- Quarterly Results are communicated through a Newspaper Advertisements in prominent national and regional dailies like Financial Express and Navshakti.
- The financial results, official news releases and presentations are also displayed on the website of the Company at *https://www.ltfs.com/investors.html*.
- The Annual Report is circulated to all the Members and all others like auditors, equity analysts, etc.
- Management Discussion and Analysis section forms a part of the Annual Report and is sent to the Members of the Company.

## General Shareholders' Information:

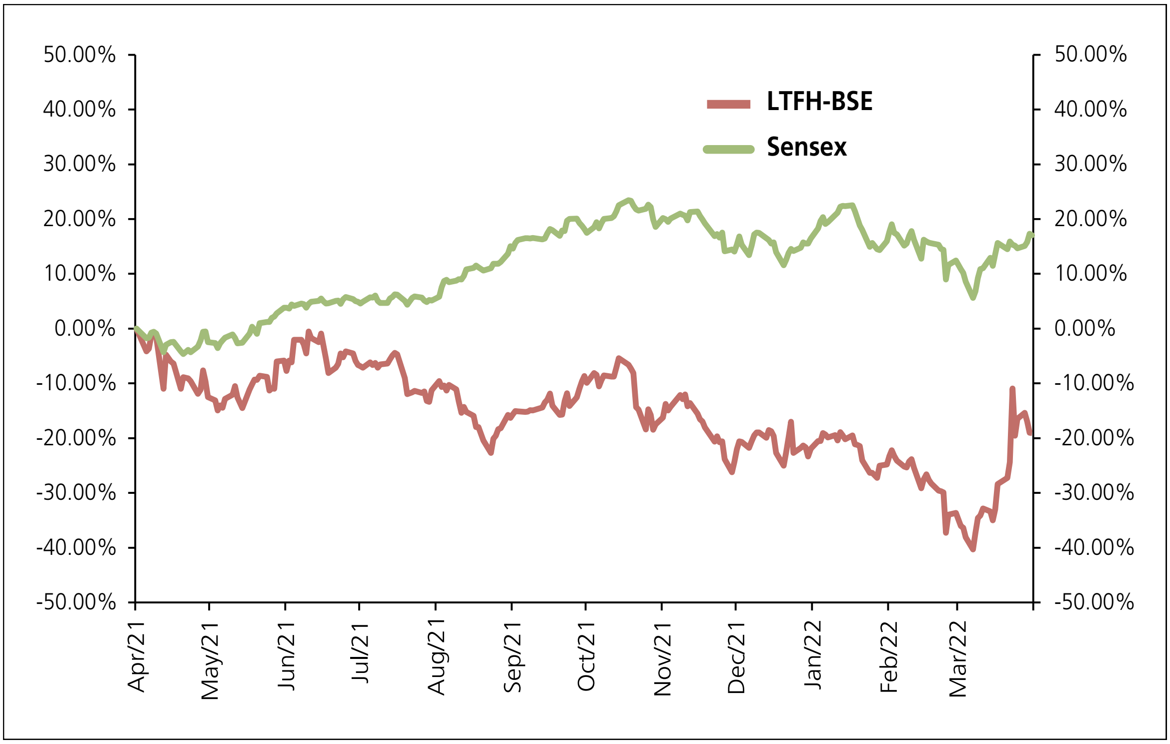
| | |
|---|---|
| Annual General Meeting | Monday, July 11, 2022 at 3:30 P.M. through video conferencing / other audio-visual means (deemed venue - Registered Office of the Company) |
| Financial Year | April 1, 2021 to March 31, 2022 |
| Record Date for Dividend | Monday, July 4, 2022 |
| Dividend Payment Date | The dividend of ₹ 0.50 per Equity Share of face value of ₹ 10 each, if approved by the Members at the ensuing AGM, will be credited / dispatched on or before August 10, 2022. |
| Listing on Stock Exchanges (Equity Shares) | 1. BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001.<br>2. National Stock Exchange of India Limited, Exchange Plaza, Plot No. C-1, Block G, Bandra - Kurla Complex, Bandra (East), Mumbai - 400 051.<br>The Company has paid the listing fees to the stock exchanges for FY22. |
| Listing of Preference Shares | All the series of cumulative, non-convertible compulsorily redeemable, preference shares issued by the Company on a private placement basis till date are listed on BSE Limited. |
| Stock Code (Equity) | BSE : 533519<br>NSE : L&TFH |
| Stock Code (Preference) | BSE : 715031 |
| CIN | L67120MH2008PLC181833 |

## AGM through electronic mode:

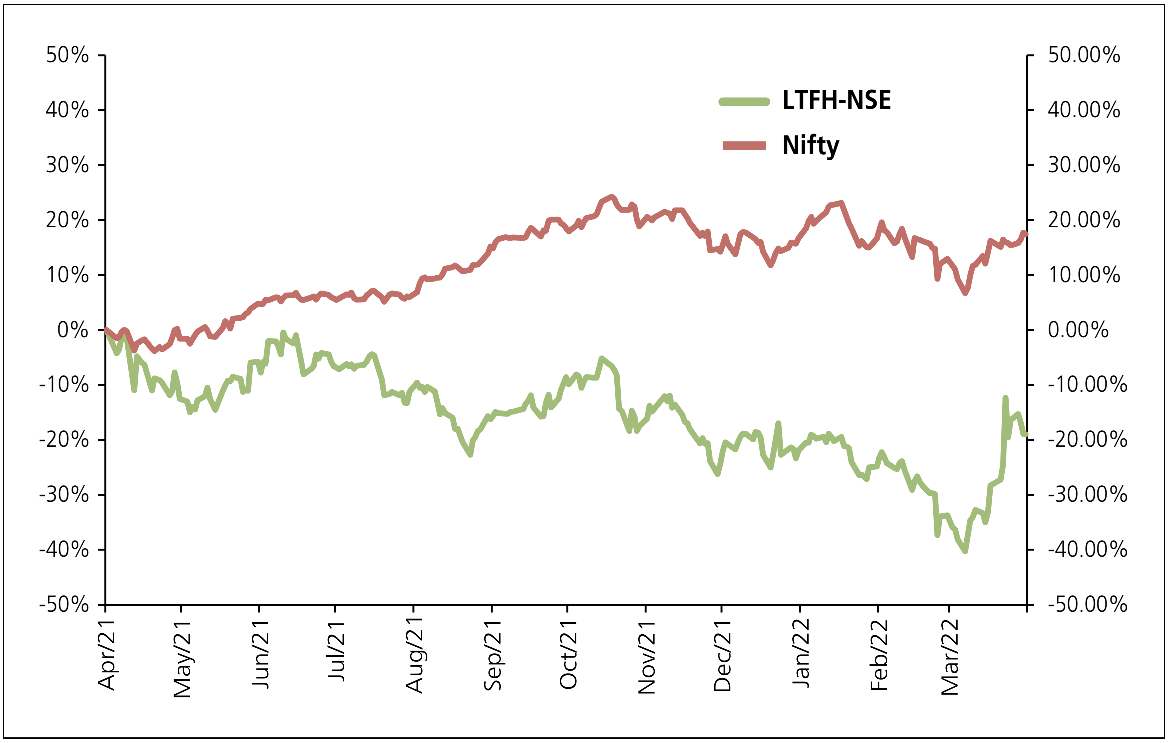
The Company will provide two way video conferencing facility to the members for participating in the Fourteenth AGM. For more details, please refer the Notice of the Fourteenth AGM, which is placed on the Company's website at *https://www.ltfs.com/investors.html* and on the website of Stock Exchanges.

## Market Price Data and Performance in comparison to broad based indices:

| Month | LTFH BSE Price (₹) | | | BSE SENSEX | | |
|---|---|---|---|---|---|---|
| | High | Low | Month Close | High | Low | Month Close |
| Apr-2021 | 100.40 | 86.00 | 87.05 | 50,375.77 | 47,204.50 | 48,782.36 |
| May-2021 | 94.60 | 84.35 | 93.70 | 52,013.22 | 48,028.07 | 51,937.44 |
| Jun-2021 | 101.10 | 88.70 | 92.90 | 53,126.73 | 51,450.58 | 52,482.71 |
| Jul-2021 | 96.00 | 85.45 | 88.30 | 53,290.81 | 51,802.73 | 52,586.84 |
| Aug-2021 | 90.85 | 76.05 | 83.30 | 57,625.26 | 52,804.08 | 57,552.39 |
| Sep-2021 | 92.25 | 81.25 | 90.90 | 60,412.32 | 57,263.90 | 59,126.36 |
| Oct-2021 | 96.00 | 80.10 | 82.10 | 62,245.43 | 58,551.14 | 59,306.93 |
| Nov-2021 | 88.60 | 72.30 | 75.30 | 61,036.56 | 56,382.93 | 57,064.87 |
| Dec-2021 | 83.60 | 71.55 | 77.70 | 59,203.37 | 55,132.68 | 58,253.82 |
| Jan-2022 | 81.65 | 70.25 | 74.80 | 61,475.15 | 56,409.63 | 58,014.17 |
| Feb-2022 | 77.80 | 61.80 | 66.00 | 59,618.51 | 54,383.20 | 56,247.28 |
| Mar-2022 | 90.30 | 58.50 | 80.55 | 58,890.92 | 52,260.82 | 58,568.51 |



| Month | LTFH NSE Price (₹) | | | CNX-NIFTY | | |
|---|---|---|---|---|---|---|
| | High | Low | Month Close | High | Low | Month Close |
| Apr-2021 | 100.50 | 86.00 | 87.05 | 15,044.35 | 14,151.40 | 14,631.10 |
| May-2021 | 94.60 | 84.35 | 93.70 | 15,606.35 | 14,416.25 | 15,582.80 |
| Jun-2021 | 101.10 | 88.95 | 92.90 | 15,915.65 | 15,450.90 | 15,721.50 |
| Jul-2021 | 95.80 | 85.40 | 88.30 | 15,962.25 | 15,513.45 | 15,763.05 |
| Aug-2021 | 90.60 | 76.10 | 83.30 | 17,153.50 | 15,834.65 | 17,132.20 |
| Sep-2021 | 92.30 | 81.25 | 90.95 | 17,947.65 | 17,055.05 | 17,618.15 |
| Oct-2021 | 95.95 | 80.05 | 82.05 | 18,604.45 | 17,452.90 | 17,671.65 |
| Nov-2021 | 88.65 | 72.35 | 75.25 | 18,210.15 | 16,782.40 | 16,983.20 |
| Dec-2021 | 83.60 | 71.50 | 77.70 | 17,639.50 | 16,410.20 | 17,354.05 |
| Jan-2022 | 81.65 | 70.20 | 74.80 | 18,350.95 | 16,836.80 | 17,339.85 |
| Feb-2022 | 77.75 | 61.80 | 65.95 | 17,794.60 | 16,203.25 | 16,793.90 |
| Mar-2022 | 90.10 | 58.50 | 80.60 | 17,559.80 | 15,671.45 | 17,464.75 |



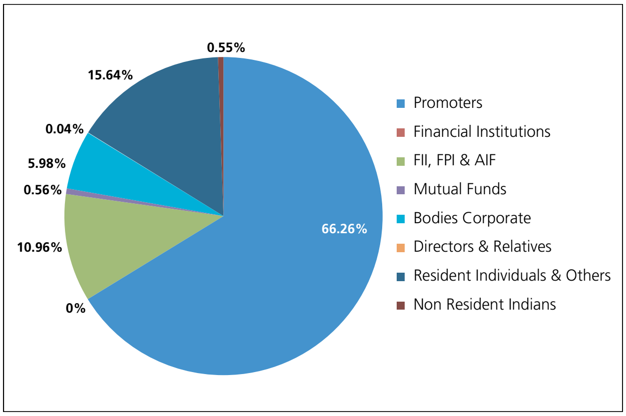
| | |
|---|---|
| **In case the securities are suspended from trading, the Board's Report shall explain the reason thereof** | Not applicable |
| **Registrar and Share Transfer Agent ("RTA")** | **M/s Link Intime India Private Limited**<br>C-101, 247 Park,<br>L. B. S. Marg, Vikhroli (West),<br>Mumbai 400 083, Maharashtra, India.<br>Tel: +91 22 4918 6000 Fax: +91 22 4918 6060<br>E-mail: rnt.helpdesk@linkintime.co.in; Toll Free: 1800 102 7796 |
| **Share Transfer System** | The Board has delegated the authority for approving transfer, transmission etc. of the Company's securities to the Share Transfer Committee.<br>The Company ensures that the yearly Compliance Certificate pursuant to Regulations 40(9) and 40(10) of the SEBI Listing Regulations are filed with the Stock Exchanges.<br>As per SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2022, with effect from January 24, 2022, transmission or transposition of securities held in physical or dematerialised form can be effected only in dematerialised form.<br>Therefore, Members holding shares in physical form are requested to take necessary action to dematerialize the holdings. |

## Distribution of Shareholding as on March 31, 2022:

| Category (Shares) | Shareholders | | Shareholding | |
|---|---|---|---|---|
| | Number | % | Number | % |
| Up to 500 | 6,74,054 | 83.39 | 9,01,55,367 | 3.64 |
| 501-1000 | 67,735 | 8.38 | 5,17,48,880 | 2.09 |
| 1001-2000 | 36,597 | 4.53 | 5,35,60,258 | 2.16 |
| 2001-3000 | 11,613 | 1.44 | 2,93,69,494 | 1.19 |
| 3001-4000 | 5,201 | 0.64 | 1,84,53,796 | 0.75 |
| 4001-5000 | 3,629 | 0.45 | 1,69,45,724 | 0.68 |
| 5001-10000 | 5,722 | 0.71 | 4,14,07,976 | 1.67 |
| 10001 and above | 3,760 | 0.47 | 2,17,23,93,993 | 87.81 |
| **Total** | **8,08,311** | **100.00** | **2,47,40,35,488** | **100.00** |

## Category of the Shareholders as on March 31, 2022

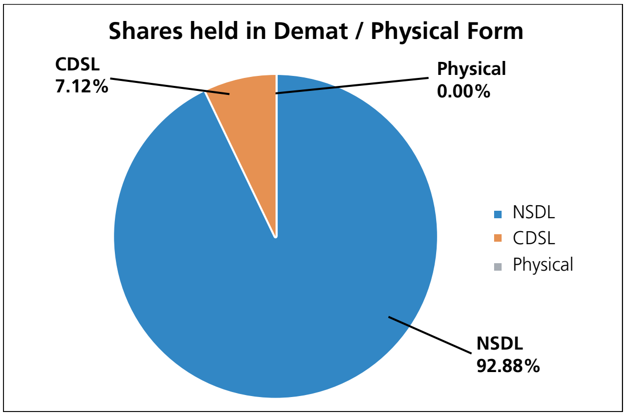
| Category | No. of Shares | % |
|---|---|---|
| Promoters | 1,63,92,29,920 | 66.26 |
| Financial Institutions | 90,456 | 0.00 |
| Foreign Institutional Investors, Foreign Portfolio Investors & Alternate Investment Funds | 27,12,34,376 | 10.96 |
| Mutual Funds | 1,39,49,886 | 0.56 |
| Bodies Corporate | 14,79,66,512 | 5.98 |
| Directors & Relatives | 9,71,702 | 0.04 |
| Resident Individuals & Others | 38,69,24,925 | 15.64 |
| Non-Resident Indians | 1,36,67,711 | 0.55 |
| **Total** | **2,47,40,35,488** | **100.00** |



## Dematerialization of Shares:

The Company's shares are required to be compulsorily traded on the Stock Exchanges in dematerialised form. The number of shares held in dematerialised and physical form are as under:

| Particulars | No. of Shares | % |
|---|---|---|
| **National Securities Depository Limited ("NSDL")** | 2,29,78,08,256 | 92.88 |
| **Central Depository Services (India) Limited ("CDSL")** | 17,61,97,681 | 7.12 |
| **Physical** | 29,551 | 0.00 |
| **TOTAL** | **2,47,40,35,488** | **100.00** |




| | |
|---|---|
| **Dematerialization of shares and liquidity** | As on March 31, 2022 almost the entire equity capital was held in the dematerialised form with NSDL and CDSL. Only 29,551 shares were held in physical form. |
| **Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity** | The Company does not have any outstanding GDRs / ADRs / Warrants or any Convertible instruments as on March 31, 2022. |
| **Commodity price risk or foreign exchange risk and hedging activities** | Commodity price risk: Not applicable<br>The Company has hedged its foreign currency risk by entering into a forward contract in relation to sale of its investments in the mutual fund business. |
| **Plant Locations** | As the Company is engaged in the business of Non-Banking Financial Services, this section is not applicable. |
| **Address for correspondence** | **Link Intime India Private Limited**<br>C 101, 247 Park, L. B. S. Marg, Vikhroli (West), Mumbai - 400 083, Maharashtra, India.<br>Tel: +91 22 4918 6000 Fax: +91 22 4918 6060<br>E-mail: rnt.helpdesk@linkintime.co.in<br>Toll Free: 1800 102 7796 |
| **Name and Address of the Compliance Officer** | **Apurva Rathod,**<br>Company Secretary and Compliance Officer<br>L&T Finance Holdings Limited<br>Brindavan, Plot No. 177, C.S.T Road, Kalina, Santacruz (East), Mumbai - 400 098, Maharashtra, India.<br>Phone: +91 22 6212 5000<br>Fax: +91 22 6212 5553<br>E-mail: igrc@ltfs.com |

## Unclaimed shares lying in the Suspense Account:

In terms of Regulation 34 and Schedule V of the SEBI Listing Regulations, the following are the details in respect of Equity Shares lying in the suspense account which were issued in dematerialised form:

| Sr. No. | Particulars | No. of Shareholders | No. of Equity Shares Outstanding |
|---|---|---|---|
| (i) | Aggregate number of shareholders and the outstanding shares in the suspense account lying at the beginning of the year, i.e., April 1, 2021. | 621 | 4,64,364 |
| (ii) | Number of shareholders who approached the Company for transfer of shares from suspense account during the year 2021-22. | 472 | 4,48,699 |
| (iii) | Number of shareholders to whom shares were transferred from suspense account during the year 2021-22. | 472 | 4,48,699 |
| (iv) | Aggregate number of shareholders and the outstanding shares in the suspense account lying at the end of the year i.e., March 31, 2022[(1)]. | 149 | 15,665 |

(1) The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares

### Transfer of amounts / shares to Investor Education and Protection Fund ("IEPF"):

Pursuant to the provisions of Sections 124 and 125 of the Act read with the IEPF (Accounting, Audit, Transfer and Refund) Rules, 2016, dividend / interest / refund of applications which remains unclaimed / unpaid for a period of 7 years is required to be transferred to IEPF. Further, the IEPF Rules mandate the companies to transfer all shares on which dividend remains unclaimed / unpaid for a period of 7 consecutive years to the demat account of the IEPF Authority.

During the year under review, the Company has transferred to IEPF a sum of ₹ 21,18,659 being the amount towards unpaid / unclaimed dividend on the Equity Shares of the Company. The unclaimed / unpaid dividend amount transferred is out of the dividend declared in FY15.

Further, 60,301 shares in respect of which the dividend was unpaid / unclaimed for a period of 7 consecutive years was also transferred to IEPF on September 25, 2021.

For the Company, the amount which is unpaid / unclaimed for a period exceeding 7 years is due to be transferred to IEPF by October 14, 2022. Subsequently, the shares in respect of which dividend is unpaid / unclaimed for a period of 7 consecutive years will also be transferred to IEPF. The details of unpaid and unclaimed amounts lying with the Company as on July 28, 2021 (date of last AGM) are available on the website of the Company at *https://www.ltfs.com/investors.html* (click-Details of Unpaid and Unclaimed Dividend) and Ministry of Corporate Affairs at *https://www.iepf.gov.in.* The Company requests the Members to claim the unclaimed dividend within the prescribed period. The Members can contact Link Intime India Private Limited, the Registrar and Share Transfer Agents of the Company for claiming the unclaimed amount standing to the credit in their account. The Members / claimants whose shares or unclaimed dividends get transferred to IEPF may claim the shares or apply for refund from the IEPF Authority by following the refund procedure as detailed on the website of IEPF Authority at *http://www.iepf.gov.in/IEPF/refund.html*.

### Securities Dealing Code:

The Company has framed the Securities Dealing Code in line with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 2015. The objective of the Code is to prevent purchase and / or sale of shares of the Company by an insider on the basis of unpublished price sensitive information.

Under this Code, Designated Persons are prohibited from dealing in the shares of the Company during the closure of Trading Window. They are required to obtain compliance approval when trading in securities beyond a specified limit. They are prohibited from executing a contra trade for a period of six months and from taking positions in the derivatives segment. They are also required to make relevant periodic disclosures as defined in the Code.

Ms. Vinda Wagh, Head – Group Regulatory Compliance has been designated as the Compliance Officer for monitoring compliances with this Code. Ms. Apurva Rathod, Company Secretary has been designated as the Chief Investor Relations Officer under the Code to deal with dissemination of information and disclosure of unpublished price sensitive information.

### Secretarial Audit:

The Board of Directors of the Company at its meeting held on April 29, 2021 had appointed M/s Alwyn Jay & Co., Practicing Company Secretary as the Secretarial Auditor of the Company for FY22.

As stipulated by SEBI, a Practicing Company Secretary carries out Reconciliation of Share Capital Audit to reconcile the total admitted capital with NSDL and CDSL and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges. The Audit confirms that the total listed and paid up capital is in agreement with the aggregate of the total number of shares in dematerialised form and in physical form as at March 31, 2022.

### Debenture Trustee:

The Debenture Trustee of the Company is:

Catalyst Trusteeship Limited
GDA House, Plot No 85
Bhusari Colony (Right), Paud Road, Pune - 411 038
Tel: +91 020 6680 7200 / 7223 / 7224
Fax: +91 020 2528 0275
E-mail: dt@ctltrustee.com
Website: *www.catalysttrustee.com*

## Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

[Issued in accordance with the provisions of Regulation 17(8) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015]

**To the Board of Directors of L&T Finance Holdings Limited**

Dear Sirs/ Madams,

We have reviewed the consolidated financial statements read with the cash flow statement of L&T Finance Holdings Limited for the year ended March 31, 2022 and that to the best of our knowledge and belief, we state that;

a) (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the period which are fraudulent, illegal or in violation of the Company's code of conduct.

c) We accept responsibility for establishing and maintaining internal controls for financial reporting. We have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies, if any, in the design or operation of such internal controls of which we are aware and steps taken or proposed to be taken for rectifying these deficiencies.

d) We have indicated to the Auditors and the Audit Committee:

(i) that there were no significant changes in internal control over financial reporting during the period;

(ii) that there were no significant changes in accounting policies made during the period; and

(iii) that there were no instances of significant fraud of which we have become aware of.

Yours sincerely,

**Dinanath Dubhashi**
Managing Director
& Chief Executive Officer
DIN: 03545900

**Sachinn Joshi**
Chief Financial Officer

**Place**: Mumbai
**Date**: April 29,2022

## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

### [Pursuant to Regulation 34(3) read with sub-clause (10)(i) of Clause C of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,

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

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of **L&T Finance Holdings Limited** having **CIN L67120MH2008PLC181833** and having registered office at Brindavan, Plot No. 177, C.S.T Road, Kalina, Santacruz (East), Mumbai - 400098 (hereinafter referred to as **'the Company'**), produced before us by the Company for the purpose of issuing this certificate, in accordance with Regulation 34(3) read with sub-clause 10(i) of clause C of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company, we hereby certify that none of the Directors on the Board of the Company as stated below for the financial year ending on **March 31, 2022** have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

| Sr. No. | Name of the Director | DIN | Designation | Date of appointment / re-appointment |
|---|---|---|---|---|
| 1. | Sekharipuram Narayanan Subrahmanyan | 02255382 | Director | 28/02/2022 |
| 2. | Dinanath Mohandas Dubhashi | 03545900 | Managing Director | 14/04/2021 |
| 3. | Shailesh Vishnubhai Haribhakti | 00007347 | Independent Director | 1/04/2019 |
| 4. | Ramamurthi Shankar Raman | 00019798 | Non-Executive Director | 01/05/2008 |
| 5. | Pradeep Vasudeo Bhide | 03304262 | Independent Director | 01/04/2019 |
| 6. | Thomas Mathew Thumpeparambil | 00130282 | Independent Director | 01/07/2020 |
| 7. | Nishi Vasudeva | 03016991 | Independent Director | 15/06/2017 |
| 8. | Rajani Rajiv Gupte | 03172965 | Independent Director | 28/06/2018 |
| 9. | Banavar Anantharamaiah Prabhakar | 02101808 | Non- Executive Director | 28/06/2018 |
| 10. | Pavninder Singh | 03048302 | Nominee Director | 15/06/2017 |

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**Place:** Mumbai
**Date:** April 29, 2022

**ALWYN JAY & Co.**
Company Secretaries

**Jay D'Souza FCS.3058**
(Partner)
Certificate of Practice No.6915
**UDIN : F003058D000239602**

## PRACTICING COMPANY SECRETARIES' CERTIFICATE ON COMPLIANCE WITH THE CORPORATE GOVERNANCE REQUIREMENTS UNDER SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2015

To,

The Members of
**L&T Finance Holdings Limited**

1. We have examined the compliances of the conditions of Corporate Governance by **L&T Finance Holdings Limited** ("the Company") for the financial year ended **March 31, 2022**, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paras C, D and E of Schedule V of SEBI (Listing Obligations and Disclosures Requirements) Regulations 2015 ('SEBI Listing Regulations').
2. The compliance of the conditions of Corporate Governance is the responsibility of the management of the Company. Our examination was limited to review of procedures and implementation thereof, as adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and according to the explanations given to us and representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the financial year ended March 31, 2022.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**Place:** Mumbai
**Date:** April 29, 2022

**ALWYN JAY & Co.**
Company Secretaries

**Jay D'Souza FCS.3058**
(Partner)
Certificate of Practice No.6915
**UDIN : F003058D000239668**

# Independent Auditors' Report

To
The Members of
**L&T Finance Holdings Limited**

**Report on the audit of the Standalone Ind AS Financial Statements**

**Opinion**

1. We have audited the accompanying standalone Ind AS financial statements of L&T Finance Holdings Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2022, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone Ind AS financial statements, including a summary of significant accounting policies and other explanatory information ("the Standalone Ind AS Financial Statements").

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone Ind AS Financial Statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2022, and its profit and other comprehensive income, changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

3. We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements section of our report. We are independent of the Company 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 Standalone Ind AS Financial Statements under the provisions of the Act, and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone Ind AS Financial Statements.

**Key Audit Matters**

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Ind AS Financial Statements of the year. These matters were addressed in the context of our audit of the Standalone Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| **Impairment of Investments in subsidiaries:**<br><br>We have identified impairment testing of investments in subsidiaries as a Key Audit Matter due to the magnitude of the carrying value of investments in subsidiaries of the Company, which were more than 88% of the total assets of the Company as on 31 March 2022. Considering that the Company is a Core Investment Company ('CIC') which is primarily required to hold investments and loans in group companies as per Reserve Bank of India Master Directions for CICs, impairment testing of investments in such group companies continues to remain an area of focus for the audit. | Our audit procedures included the following:<br><br>**Design / controls**<br><br>➢ Understanding of the process, evaluating the design and testing the operating effectiveness in respect of impairment assessment of investments done by management.<br><br>➢ Evaluating management's controls over collation of relevant information used for determining estimates for impairment value of investments. |

| Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| The key areas where we identified greater levels of management judgement and therefore increased levels of audit focus in the Company's estimation of impairment are:<br><br>➢ As part of such impairment assessment, management considers financial information, liquidity and solvency position of investments in subsidiaries. Management also considers other factors such as assessment of the investee company's operations, business performance and modifications, if any, in the auditors' report of such subsidiaries.<br><br>Hence, we determined that the impairment of investments in subsidiaries which involves management judgement, with a potential range of reasonable outcomes greater than our materiality for the Standalone Ind AS Financial Statements as a whole. | **Substantive tests**<br><br>➢ Testing appropriate implementation of policy of impairment by management.<br><br>➢ Reconciling the financial information mentioned in impairment assessment to underlying source details. Also, testing the reasonableness of management's estimates considered in such assessment.<br><br>➢ Obtaining and reading latest audited/ management certified financial statements of subsidiaries and noting key financial attributes / potential indicators of impairment.<br><br>➢ Assessing the factual accuracy and appropriateness of the disclosures made in the Standalone Ind AS Financial Statements. |

**Other Matter**

5. Attention is drawn to the fact that the standalone Ind AS financial statements of the Company for the year ended 31 March 2021 were audited by Deloitte Haskins & Sells LLP and B. K. Khare & Co. ('the erstwhile joint auditors') whose report dated 29 April 2021, expressed an unmodified opinion on those standalone Ind AS financial statements. Our opinion is not modified in respect of this matter

**Other Information**

6. The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report but does not include the Standalone Ind AS Financial Statements and our auditors' report thereon.

7. Our opinion on the Standalone Ind AS Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

8. In connection with our audit of the Standalone Ind AS Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Ind AS Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the other Information and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charges with governance as required under SA 720 'The Auditor's Responsibilities Relating to Other Information'. We have nothing to report in this regard.

**Management's responsibility for the Standalone Ind AS Financial Statements**

9. The Company's Management and Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation of these Standalone Ind AS Financial Statements that give a true and fair view of the state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian accounting standards ("Ind AS") specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company 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 Standalone Ind AS Financial Statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

10. In preparing the Standalone Ind AS Financial Statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

11. The Board of Directors are also responsible for overseeing the Company's financial reporting process.

**Auditor's responsibilities for the audit of the Standalone Ind AS Financial Statements**

12. Our objectives are to obtain reasonable assurance about whether the Standalone Ind AS 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 Standalone Ind AS Financial Statements.

13. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

13.1. Identify and assess the risks of material misstatement of the Standalone Ind AS 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.

13.2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to Standalone Ind AS Financial Statements in place and the operating effectiveness of such controls.

13.3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

13.4. Conclude on the appropriateness of the 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Ind AS 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 Company to cease to continue as a going concern.

13.5. Evaluate the overall presentation, structure and content of the Standalone Ind AS Financial Statements, including the disclosures, and whether the Standalone Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

14. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

15. 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.

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Ind AS Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

17. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

18. As required by Section 143(3) of the Act, we report that:

18.1. 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.

18.2. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

18.3. The standalone balance sheet, the standalone statement of profit and loss including other comprehensive income, the statement of changes in equity and the standalone cash flow statement dealt with by this Report are in agreement with the books of account.

18.4. In our opinion, the aforesaid Standalone Ind AS Financial Statements comply with the Ind AS specified under Section 133 of the Act.

18.5. On the basis of the written representations received from the directors as on 31 March 2022 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2022 from being appointed as a director in terms of Section 164(2) of the Act.

18.6. With respect to the adequacy of the internal financial controls with reference to Standalone Ind AS Financial Statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

18.7. In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the year under report is in accordance with the provisions of Section 197 of the Act read with Schedule V to the Act.

19. 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, in our opinion and to the best of our information and according to the explanations given to us:

19.1. The Company has disclosed the impact of pending litigations on its financial position. Refer note no. 44 to the Standalone Ind AS Financial Statements.

19.2. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses. Refer note no. 44 to the Standalone Ind AS Financial Statements.

19.3. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

19.4. The management has represented to us to the best of their knowledge and belief that no funds (which are material either individually or in aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries. Based on reasonable audit procedures adopted by us, nothing has come to our notice that such representation contains any material misstatement.

19.5. The management has also represented to us to the best of their knowledge and belief that no funds (which are material either individually or in aggregate) have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries. Based on reasonable audit procedures adopted by us, nothing has come to our notice that such representation contains any material misstatement.

19.6. In our opinion and according to the information and explanations given to us, the dividend declared by the Company is in compliance with Section 123 of the Act. Refer note no. 54(7) to the Standalone Ind AS Financial Statements.

**For Khimji Kunverji & Co LLP**
Chartered Accountants
Firm Registration Number: 105146W/W100621

**Hasmukh B. Dedhia**
Partner
ICAI Membership No: 033494
UDIN: 22033494AIBFRA9108

Place: Mumbai
Date: 29 April 2022

# Annexure 'A' to the Independent Auditors' Report

**Annexure "A" to the Independent Auditor's Report on the Standalone Ind AS Financial Statements of L&T Finance Holding Limited for the year ended 31 March 2022**

(Referred to in paragraph 17 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment ("PPE").

The Company does not have any intangible assets.

(b) The PPE were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipment at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The Company does not have any immovable properties of freehold or leasehold land and building and hence reporting under clause (i)(c) of the Order is not applicable.

(d) In our opinion and according to the information and explanations given to us, the Company has not revalued its PPE (including Right of Use assets) during the year. The Company does not have any intangible assets.

(e) According to the information and explanations given to us and on the basis of our examination of the records of the Company and as stated in Note No 56(3) to the Standalone Ind AS Financial Statements, no proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

ii. (a) The Company is in the business of providing loans and does not have any physical inventories. Accordingly, reporting under clause (ii)(a) of the Order is not applicable.

(b) In our opinion and according to the information and explanations given to us, at any point of time of the year, the Company has not been sanctioned working capital facility in excess of ₹ 5 crores from banks or financial institutions on the basis of security of current assets, and hence reporting under clause (ii)(b) of the Order is not applicable.

iii. (a) Since the Company's principal business is to give loans, the provisions of clause (iii)(a) of the Order are not applicable it.

(b) In our opinion and according to the information and explanations given to us, the investments made, guarantees provided, security given and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are, prima facie, not prejudicial to the Company's interest.

(c) In our opinion and according to the information and explanations given to us, in respect of loans and advances in the nature of loans, the schedule of repayment of principal and payment of interest has been stipulated and the repayments or receipts are regular during the year.

(d) In our opinion and according to the information and explanations given to us, no amount is overdue in respect of loans and advances in the nature of loans.

(e) Since the Company's principal business is to give loans, the provisions of clause 3(iii)(e) of the Order are not applicable to it.

(f) In our opinion and according to the information and explanations given to us, the Company has granted loans or advances in the nature of loans to Promoters/Related Parties (as defined in section 2(76) of the Act) which are either repayable on demand or without specifying any terms or period of repayment.

(₹ In crores)

| | All Parties | Promoters | Related Parties |
|---|---|---|---|
| Aggregate amount of loans/ advances in nature of loans<br>- Repayable on demand (A)<br>- Agreement does not specify any terms or period of repayment (B) | 1,150.25<br>- | -<br>- | 1,150.25<br>- |
| Total (A+B) | 1,150.25 | - | 1,150.25 |
| Percentage of loans/ advances in nature of loans to the total loans | 100% | - | 100% |

iv. In our opinion and according to the information and explanations given to us, the Company has complied with the applicable provisions of sections 185 and 186 of the Act with respect to the loans given, investments made, guarantees given and security provided.

v. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposit or amounts which are deemed to be deposits from the public during the year in terms of directives issued by the Reserve Bank of India or the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under. Hence, reporting under clause (v) of the Order is not applicable.

vi. The maintenance of cost records has not been prescribed for the activities of the Company by the Central Government under section 148(1) of the Companies Act, 2013.

vii. (a) In our opinion and according to the information and explanations given to us, the amounts deducted/accrued in the books of account in respect of undisputed statutory dues including Goods and Services Tax, provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues have generally been regularly deposited by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, Goods and Services Tax, duty of customs, cess and other material statutory dues were in arrears as at 31 March 2022 for a period of more than six months from the date they became payable.

(b) In our opinion and according to the information and explanations given to us, there are no statutory dues which have not been deposited with the appropriate authority on account of any dispute.

viii. In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, we confirm that we have not come across any transactions recorded in the books of account which reflect income surrendered or disclosed during the year in the tax assessments under the Income Tax Act, 1961. Refer Note No.56(4) to the Standalone Ind AS Financial Statements.

ix. (a) In our opinion and according to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not defaulted in repayment of loans or other borrowings to financial institutions, banks and dues to debenture holders or in payment of interest thereon to any lender during the year. The Company does not have any borrowings from Government.

(b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared wilful defaulter by any bank or financial institution or government or any government authority or any other lender. Refer Note No. 56(5) to the Standalone Ind AS Financial Statements.

(c) The Company has neither taken any term loan during the year nor there are unutilized term loans at the beginning of the year; hence, reporting under clause (ix)(c) of the Order is not applicable.

(d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have, prima facie, been used for long-term purposes by the Company.

(e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.

(f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.

x. (a) In our opinion and according to the information and explanations given to us and procedures performed by us, the money raised by way of further public offer by the Company during the previous year have been utilized for the purpose for which they were raised during the year. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.

(b) In our opinion and according to the information and explanations given to us, the Company has not made any preferential allotment / private placement of shares / fully / partly / optionally convertible debentures during the year.

xi. (a) In our opinion and according to the information and explanations given to us, there has been no fraud by the Company or any material fraud on the Company that has been noticed or reported during the year.

(b) According to the information and explanations given to us, no report under sub-section (12) of section 143 of the Act has been filed by the auditors in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government.

(c) We have taken into consideration the whistle blower complaints received by the company during the year while determining the nature, timing and extent of audit procedures.

xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Accordingly, reporting under clause (xii) of the Order is not applicable to the Company.

xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.

xiv. (a) In our opinion and based on our examination, the Company has an internal audit system commensurate with the size and nature of its business.

(b) We have considered, during the course of our audit, the reports of the Internal Auditor for the period under audit in accordance with the guidance provided in SA 610 "Using the work of Internal Auditors".

xv. According to the information and explanations given to us, in our opinion, during the year, the Company has not entered into any non-cash transactions with its directors or persons connected with its directors.

xvi. (a) In our opinion, the Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and the Company has obtained the required registration.

(b) The Company has not conducted any Non-Banking Financial or Housing Finance activities without obtaining a valid CoR from the Reserve Bank of India as per the Reserve Bank of India Act, 1934.

(c) The Company is a Core Investment Company ("CIC") as defined in the regulations made by Reserve Bank of India. As per the information and explanations provided in course of our audit, the Company continues to fulfil the criteria of a CIC.

(d) As per information provided by the management of the Company, the Group has two CIC's which are registered with Reserve Bank of India.

xvii. The Company has not incurred any cash losses in the financial year and in the immediately preceding financial year.

xviii. There has been no resignation of the statutory auditors of the Company during the year. As per information provided by the management, there have been no issues, objections or concerns raised by the outgoing auditors.

xix. According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.

xx. In our opinion, as per section 135 of the Act, no amount was required to be spent by the Company on Corporate Social Responsibility (CSR) related activities during the year. Accordingly, reporting under clause (xx) of the Order is not applicable to the Company.

xxi. Reporting under clause xxi of the Order is not applicable at the standalone level.

**For Khimji Kunverji & Co LLP**
Chartered Accountants
Firm Registration Number: 105146W/W100621

**Hasmukh B. Dedhia**
Partner
ICAI Membership No: 033494
UDIN: 22033494AIBFRA9108

Place: Mumbai
Date: 29 April 2022

# Annexure 'B' to the Independent Auditors' Report

**Annexure "B" to the Independent Auditors' report on the Standalone Ind AS Financial Statements of L&T Finance Holdings Limited for the year ended 31 March 2022**

(Referred to in paragraph "18.6" under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls with reference to the aforesaid Standalone Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

## Opinion

1. We have audited the internal financial controls with reference to the Standalone Ind AS Financial Statements of L&T Finance Holdings Limited ("the Company") as at 31 March 2022 in conjunction with our audit of the Standalone Ind AS Financial Statements of the Company for the year ended on that date.

2. In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to the Standalone Financial Statements and such internal financial controls were operating effectively as at 31 March 2022, based on the internal controls over financial reporting criteria established by the Company 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 ("the Guidance Note").

## Management's responsibility for Internal Financial Controls

3. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 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 Act.

## Auditor's responsibility

4. Our responsibility is to express an opinion on the Company's internal financial controls with reference to the Standalone Ind AS Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ("SA"), prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the Standalone Ind AS Financial Statements. Those SAs and the Guidance Note require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the Standalone Ind AS Financial Statements were established and maintained and whether such controls operated effectively in all material respects.

5. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to the Standalone Ind AS Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to the Standalone Ind AS Financial Statements included obtaining an understanding of internal financial controls with reference to the Standalone Ind AS Financial Statements, 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 Standalone Ind AS Financial Statements, whether due to fraud or error.

6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to the Standalone Ind AS Financial Statements.

## Meaning of Internal Financial Controls with

**reference to the Standalone Ind AS Financial Statements**

7. A Company's internal financial controls with reference to the Standalone Ind AS Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Standalone Ind AS Financial Statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial controls with reference to the Standalone Ind AS Financial Statements include 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 Standalone Ind AS 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 Standalone Ind AS Financial Statements.

**Inherent Limitations of Internal Financial Controls with reference to the Standalone Ind AS Financial Statements**

8. Because of the inherent limitations of internal financial controls with reference to the Standalone Ind AS Financial Statements, 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 with reference to the Standalone Ind AS Financial Statements to future periods are subject to the risk that the internal financial controls with reference to the Standalone Ind AS Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**For Khimji Kunverji & Co LLP**
Chartered Accountants
Firm Registration Number: 105146W/W100621

**Hasmukh B. Dedhia**
Partner
ICAI Membership No: 033494
UDIN: 22033494AIBFRA9108

Place: Mumbai
Date: 29 April 2022

# Standalone Balance Sheet as at March 31, 2022

(₹ in crore)

| Particulars | Note No. | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **ASSETS:** | | | |
| **(1) Financial assets** | | | |
| (a) Cash and cash equivalents | **2** | 141.20 | 1,398.10 |
| (b) Bank balance other than (a) above | **3** | 30.21 | 29.89 |
| (c) Derivative financial instruments | **4** | 3.08 | - |
| (d) Receivables | **5** | | |
| (I) Trade receivables | | - | - |
| (II) Other receivables | | - | 18.16 |
| (e) Loans | **6** | 1,150.25 | 1,297.19 |
| (f) Investments | **7** | 9,202.12 | 10,069.68 |
| (g) Other financial assets | **8** | 3.27 | 3.48 |
| **(2) Non-financial assets** | | | |
| (a) Current tax assets (net) | **9** | 25.17 | 20.47 |
| (b) Deferred tax assets (net) | **10** | - | 0.34 |
| (c) Property, plant and equipment | **11** | 0.56 | 0.93 |
| (d) Other non-financial assets | **12** | 0.60 | 1.44 |
| **(3)** Group(s) of assets classified as held for sale | **43** | 867.56 | - |
| **TOTAL ASSETS** | | **11,424.02** | **12,839.68** |
| **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 | | 3.83 | 4.49 |
| (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 | | 7.29 | 8.74 |
| (b) Debt securities | **14** | - | 652.98 |
| (c) Borrowings (other than debt securities) | **15** | 5.00 | - |
| (d) Subordinated liabilities | **16** | 99.82 | 1,120.24 |
| (e) Other financial liabilities | **17** | 7.45 | 5.03 |
| **(2) Non-financial liabilities** | | | |
| (a) Current tax liabilities (net) | **18** | 26.23 | 27.98 |
| (b) Provisions | **19** | 1.00 | 1.12 |
| (c) Deferred tax liabilities (net) | **20** | 0.32 | - |
| (d) Other non-financial liabilities | **21** | 1.95 | 8.81 |
| **(3) Equity** | | | |
| (a) Equity share capital | **22** | 2,474.04 | 2,469.45 |
| (b) Other equity | **23** | 8,797.09 | 8,540.84 |
| **TOTAL LIABILITIES AND EQUITY** | | **11,424.02** | **12,839.68** |
| Significant accounting policies | **1** | | |
| See accompanying notes forming part of the financial statements | **2 to 59** | | |

In terms of our report attached of even date
**For Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W-100621

**Hasmukh Dedhia**
Partner
Membership no. 033494

Place : Mumbai
Date : April 29, 2022

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Standalone Statement of Profit and Loss for the year ended March 31, 2022

(₹ in crore)

| Particulars | | Note No. | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|---|
| **Revenue from operations** | | | | |
| (i) | Interest income | **24** | 84.05 | 73.30 |
| (ii) | Dividend income | **25** | 251.82 | 97.96 |
| **(I)** | **Total revenue from operations** | | **335.87** | **171.26** |
| (II) | Other income | **26** | 14.59 | 20.16 |
| **(III)** | **Total income (I+II)** | | **350.46** | **191.42** |
| **Expenses** | | | | |
| (i) | Finance costs | **27** | 73.49 | 192.96 |
| (ii) | Impairment on financial instruments | **28** | 0.02 | 7.59 |
| (iii) | Employee benefit expenses | **29** | 14.70 | 13.70 |
| (iv) | Depreciation, amortization and impairment | **30** | 0.37 | 0.58 |
| (v) | Other expenses | **31** | 7.45 | 12.48 |
| **(IV)** | **Total expenses** | | **96.03** | **227.31** |
| **(V)** | **Profit/(Loss) before exceptional items and tax (III-IV)** | | **254.43** | **(35.89)** |
| (VI) | Exceptional items | | - | 224.68 |
| **(VII)** | **Profit before tax (V+VI)** | | **254.43** | **188.79** |
| **(VIII)** | **Tax expense / (benefit):** | | | |
| | (1) Current tax | | 36.40 | 72.79 |
| | (2) Deferred tax | | (0.15) | (0.05) |
| **(IX)** | **Profit for the year (VII-VIII)** | | **218.18** | **116.05** |
| **(X)** | **Other comprehensive income** | | | |
| **A** | Items that will not be reclassified to profit or loss | | | |
| | (i) Remeasurements of the defined benefit plans (net of tax) | | 0.11 | 0.11 |
| **B** | Items that will be reclassified to profit or loss | | | |
| | (i) The effective portion of gains and loss on hedging instruments in a cash flow hedge (net of tax) | | 2.31 | - |
| | **Other comprehensive income** | | **2.42** | **0.11** |
| **(XI)** | **Total comprehensive income for the year (IX+X)** | | **220.60** | **116.16** |
| **(XII)** | **Earnings per equity share** | **41** | | |
| | Basic (₹) | | 0.88 | 0.54 |
| | Diluted (₹) | | 0.88 | 0.53 |
| Significant accounting policies | | **1** | | |
| See accompanying notes forming part of the financial statements | | **2 to 59** | | |

In terms of our report attached of even date
**For Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W-100621

**Hasmukh Dedhia**
Partner
Membership no. 033494

Place : Mumbai
Date : April 29, 2022

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Standalone Statement of Changes in Equity for the year ended March 31, 2022

## A. Equity share capital

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | 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 | 2,469,445,704 | 2,469.45 | 2,004,833,610 | 2,004.83 |
| Changes in equity share capital due to prior period errors | - | - | - | - |
| Restated balance at the beginning of the current reporting period | - | - | - | - |
| Add: Shares issued during the year | | | | |
| - against rights issue | - | - | 461,325,021 | 461.33 |
| - against employee stock option | 4,589,784 | 4.59 | 3,287,073 | 3.29 |
| **Issued, subscribed and fully paid up equity shares outstanding at the end of the year** | **2,474,035,488** | **2,474.04** | **2,469,445,704** | **2,469.45** |

## B. Other equity

(₹ in crore)

| Particulars | Securities premium account | General Reserve | Reserve u/s 45-IC of Reserve Bank of India Act, 1934 | Employee stock option outstanding account | Retained earnings | Impairment Reserve | Cash flow hedging reserve | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at April 1, 2020** | 5,144.13 | 3.96 | 474.63 | 181.27 | 31.68 | 4.35 | - | 5,840.02 |
| Change in accounting policy / prior period errors (a) | - | - | - | - | - | - | - | - |
| Restated balance at the beginning of the current reporting period (b) | - | - | - | - | - | - | - | - |
| Profit for the year (c) | - | - | - | - | 116.05 | - | - | 116.05 |
| Actuarial loss on defined benefit plan (gratuity) net of income tax (d) | - | - | - | - | 0.11 | - | - | 0.11 |
| **Total comprehensive income for the year (a+b+c+d)** | **-** | **-** | **-** | **-** | **116.16** | **-** | **-** | **116.16** |
| Issue of equity shares | 2,573.54 | - | - | - | - | - | - | 2,573.54 |
| Share issue expenses | (10.28) | - | - | - | - | - | - | (10.28) |
| Employee stock option (net) | - | - | - | 21.40 | - | - | - | 21.40 |
| Transfer to general reserve | - | 2.91 | - | (2.91) | - | - | - | - |
| Transfer from retained earnings | - | - | 23.21 | - | (23.80) | 0.59 | - | - |
| **Balance at March 31, 2021** | **7,707.39** | **6.87** | **497.84** | **199.76** | **124.04** | **4.94** | **-** | **8,540.84** |
| **Balance at April 1, 2021** | **7,707.39** | **6.87** | **497.84** | **199.76** | **124.04** | **4.94** | **-** | **8,540.84** |

# Standalone Statement of Changes in Equity for the year ended March 31, 2022

(₹ in crore)

| Particulars | Securities premium account | General Reserve | Reserve u/s 45-IC of Reserve Bank of India Act, 1934 | Employee stock option outstanding account | Retained earnings | Impairment Reserve | Cash flow hedging reserve | Total |
|---|---|---|---|---|---|---|---|---|
| Change in accounting policy / prior period errors (a) | - | - | - | - | - | - | - | - |
| Restated balance at the beginning of the current reporting period (b) | - | - | - | - | - | - | - | - |
| Profit for the year (c) | - | - | - | - | 218.18 | - | - | 218.18 |
| Actuarial loss on defined benefit plan (gratuity) net of income tax (d) | - | - | - | - | 0.11 | - | - | 0.11 |
| Other Comprehensive income for the year (net of tax) (e) | - | - | - | - | - | - | 2.31 | 2.31 |
| **Total comprehensive income for the year (a+b+c+d+e)** | **-** | **-** | **-** | **-** | **218.29** | **-** | **2.31** | **220.60** |
| Issue of equity shares | 44.75 | - | - | - | - | - | - | 44.75 |
| Share issue expenses | (0.52) | - | - | - | - | - | - | (0.52) |
| Employee stock option (net) | - | - | - | (8.58) | - | - | - | (8.58) |
| Transfer to general reserve | - | 8.50 | - | (8.50) | - | - | - | - |
| Transfer from retained earnings | - | - | 43.63 | - | (43.63) | - | - | - |
| **Balance at March 31, 2022** | **7,751.62** | **15.37** | **541.47** | **182.68** | **298.70** | **4.94** | **2.31** | **8,797.09** |

In terms of our report attached of even date
**For Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W-100621

**Hasmukh Dedhia**
Partner
Membership no. 033494

Place : Mumbai
Date : April 29, 2022

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Standalone Statement of Cash Flows for the year ended March 31, 2022

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Profit before tax | 254.43 | 188.79 |
| **Adjustments for:** | | |
| Depreciation, amortization and impairment | 0.37 | 0.58 |
| Impairment on financial instruments | 0.02 | 7.59 |
| Share based payment to employees | 4.47 | 6.42 |
| Contribution to gratuity | 0.14 | 0.14 |
| Contribution to superannuation fund | 0.26 | 0.25 |
| Gain from sale of investment in subsidiary | - | (224.68) |
| **Operating profit / (loss) before working capital changes** | **259.69** | **(20.91)** |
| **Changes in working capital:** | | |
| Decrease / (increase) in financial assets | 165.29 | (169.71) |
| Decrease / (increase) in non-financial assets | 1.33 | (0.16) |
| Increase in financial liabilities | 4.44 | 10.06 |
| Increase in non-financial liabilities | 20.25 | 53.64 |
| **Cash generated / (used in) from operations** | **451.00** | **(127.08)** |
| Net income tax paid | (42.85) | (43.32) |
| **Net cash generated / (used in) from operating activities (A)** | **408.15** | **(170.40)** |
| **B. Cash flow from investing activities** | | |
| Purchase of property, plant and equipment | - | (0.67) |
| Investment in subsidiaries | - | (2.52) |
| Change in other bank balance not available for immediate use | (0.77) | (27.16) |
| Net proceeds from sale of investments | - | 302.53 |
| **Net cash (used in) / generated from investing activities (B)** | **(0.77)** | **272.18** |
| **C. Cash flow from financing activities** | | |
| Proceeds from issue of equity shares including securities premium | 8.32 | 3,005.06 |
| Payment on redemption of Preference shares | (1,024.10) | (600.00) |
| Share issue expenses | (0.52) | (10.28) |
| Repayment of borrowings | (647.98) | (1,294.04) |

# Standalone Statement of Cash Flows for the year ended March 31, 2022

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Proceeds from borrowings | - | 195.00 |
| **Net cash (used in) / generated from financing activities (C)** | **(1,664.28)** | **1,295.74** |
| **Net (decrease) / increase in cash and cash equivalents (A+B+C)** | **(1,256.90)** | **1,397.52** |
| **Cash and cash equivalent at the beginning of the year** | **1,398.10** | **0.58** |
| **Cash and cash equivalent at the end of the year** | **141.20** | **1,398.10** |
| **Note:** | | |
| 1. Statement of cash flows has been prepared under the indirect method as set out in the Ind AS 7 "Statement of Cash Flows" as specified in the Companies (Indian Accounting Standards) Rules, 2015, as amended. | | |
| 2. Net cash used in operating activity is determined after adjusting the following: | | |
| Interest received | 43.18 | 67.47 |
| Dividend received | 251.82 | 97.96 |
| Interest paid | 67.79 | 179.86 |

In terms of our report attached of even date
**For Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W-100621

**Hasmukh Dedhia**
Partner
Membership no. 033494

Place : Mumbai
Date : April 29, 2022

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Notes forming part of standalone financial statements

**1. Brief Profile:**

**1.1** L&T Finance Holdings Limited (the "Company" or "LTFH") is a subsidiary of Larsen & Toubro Limited. The Company is registered with the Reserve Bank of India ("RBI") as a Systemically Important Non-Deposit Accepting Core Investment Company ("NBFC-CIC"). As an NBFC-CIC, the Company is a primary holding company, holding investments in its subsidiaries and other group companies and carries out only such activities as are permitted under the guidelines issued by RBI for NBFC-CICs.

**2. Significant Accounting Policies:**

**2.1 Statement of compliance:**

The financial statements 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 the 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 the Reserve Bank of Indi (RBI) and the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied.

**2.2 Basis of preparation:**

The 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 Company can access at reporting date
- Level 2 inputs are inputs, other than quoted prices included within level 1, which are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the valuation of assets or liabilities

**2.3 Presentation of financial statements:**

The Balance Sheet, Statement of changes in Equity for the year 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.

**2.4 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.

# Notes forming part of standalone financial statements

**2.5 Financial instruments:**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company 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 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:**

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company'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 Company has more than one business model for managing its financial instruments which reflect how the Company manages its financial assets in order to generate cash flows. The Company's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company considers all relevant information available when making the business model assessment. However, this assessment is performed on the basis of scenarios that the Company reasonably expects to occur and not so-called 'worst case' or 'stress case' scenarios. The Company 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 Company 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 Company 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 result in reclassifying the financial assets.

The Company 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 Company 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.

# Notes forming part of standalone financial statements

**(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.

**(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.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

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 a group of similar financial assets) is primarily de-recognised when:

- The rights to receive cash flows from the asset have expired, or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 Company has 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

# Notes forming part of standalone financial statements

related obligation expires or is discharged or cancelled.

## 2.6 Impairment:

The Company recognises 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. The Company assesses 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, the Company 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 Company considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation: or
- the borrower is unlikely to pay its credit obligations to the Company in full.

The forbearance granted to borrowers in accordance with COVID 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.

When 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. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

The Company 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.

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 Company under the contract and the cash flows that the Company 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 Company expects to receive from the holder, the debtor or any other party.

The Company 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 Company 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 Company 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 Company 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 Company 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 Company'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 (PD) will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

**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

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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 Company 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 Company: or
- the borrower is unlikely to pay its credit obligations to the Company in full.

The Company 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 instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument.

The 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 Company under the contract and the cash flows that the Company 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 Company expects to receive from the holder, the debtor or any other party.

The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics.

## 2.7 Write off:

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company 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 Company may apply enforcement activities to financial assets written off. Recoveries resulting from the enforcement activities will result in impairment gains.

## 2.8 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).

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company'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 Company considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI,
- Change in currency or change of counterparty,
- 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 Company 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) When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company 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 Company's ability to collect the modified cash flows taking into account the Company's previous experience of similar forbearance action, as well as various behavioral 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.

Where a modification does not lead to derecognition the Company calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Company 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 Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised

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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 the Company retains an option to repurchase part of a transferred asset), the Company 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 FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

### 2.9 Presentation of allowance for ECL in the Balance Sheet:

Loss allowances for ECL are presented in the statement of financial position 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 Balance Sheet as the carrying amount is at fair value.

### 2.10 Derivative financial instruments:

The Company enters into swap contracts and other derivative financial instruments to hedge its exposure to foreign exchange and interest rates. The Company 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. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

### 2.11 Revenue recognition:

Revenue is recognised to the extent that it is

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probable that the economic benefits will flow to the Company 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 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 the Company's right to receive dividend is established by the reporting date and no significant uncertainty as to collectability exists.

**(ii) 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 Company 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.

**(iii) 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.

**(iv) 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.

**2.12 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.

**2.13 Property, plant and equipment (PPE):**

PPE is recognised when it is probable that future economic benefits associated with the item will flow to the Company 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

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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 Company's accounting policy.

Land and buildings held for use are stated in the balance sheet at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

PPE not ready for the intended uses 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.

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.

**2.14 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 amortization 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.

**2.15 Impairment of tangible and intangible assets other than goodwill:**

As at the end of each accounting year, the Company 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

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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.

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.

**2.16 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 Company'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 Company, 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 the Company 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

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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 Company 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 Company's offer of the termination benefit is accepted or when the Company recognises the related restructuring costs whichever is earlier

**2.17 Leases:**

The Company 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. 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 (Refer note no 30 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 Company 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 Company's net investment in the lease. A lease which is not classified as a finance lease is an operating lease. Accordingly, the Company recognises lease payments as income on a straight-line basis in case of assets given on operating leases. The Company presents underlying assets subject to operating lease in its balance sheet under the respective class of asset.

**2.18 Cash and bank balances:**

Cash and bank balances also include 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.

**2.19 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.

# Notes forming part of standalone financial statements

- 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.

## 2.20 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.

## 2.21 Foreign currencies:

(i) The functional currency and presentation currency of the Company is Indian Rupee. Functional currency of the Company and foreign operations has been determined based on the primary economic environment in which the Company and its foreign operations operate considering the currency in which funds are generated, spent and retained.

(ii) Transactions in currencies other than the Company'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.

## 2.22 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 Company'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 profit 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

# Notes forming part of standalone financial statements

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 Company 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.

**2.23 Provisions, contingent liabilities and contingent assets:**

Provisions are recognised only when:

(i) the Company 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.

**2.24 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.

**2.25 Earnings per share:**

The Company 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 Company by the weighted average number of ordinary shares outstanding during the year.

# Notes forming part of standalone financial statements

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.

**2.26 Key source of estimation:**

The preparation of financial statements in conformity with Ind AS requires that the management of the Company 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.

# Notes forming part of standalone financial statements

## 2 Cash and cash equivalents

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Balance with banks in current accounts | 27.27 | 1.17 |
| **Others** | | |
| Bank deposits with original maturity less than three months | 113.93 | 1,396.93 |
| **Total** | **141.20** | **1,398.10** |

*includes ₹ 112.98 (PY ₹ 1,395.99 crore) towards unutilised funds raised through public issue

## 3 Bank balance other than note 2 above

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Unclaimed dividend on equity shares | 1.34 | 1.56 |
| Unclaimed redemption proceeds and dividend on preference shares | 0.94 | 1.07 |
| Unclaimed proceeds on right issue | - | 0.10 |
| Balances with banks to the extent held as margin money or security against borrowing, guarantees, other commitments | 27.93 | 27.16 |
| **Total** | **30.21** | **29.89** |

## 4 Derivative financial instruments

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Part I** | | |
| **(i) Currency derivatives:** | | |
| **Notional Amounts** | | |
| - Currency forward | 2,766.43 | - |
| **Fair value assets** | | |
| - Currency forward | 3.08 | - |
| **Total derivative financial instruments** | **3.08** | **-** |
| **Part II** | | |
| Included in above (Part I) are derivatives held for hedging and risk management purposes as follows: | | |
| **(i) Cash flow hedging:** | | |
| **Notional Amounts** | | |
| - Currency forward | 2,766.43 | - |
| **Fair value assets** | | |
| - Currency forward | 3.08 | **-** |
| **Total derivative financial instruments (i)+(ii)+(iii)+(iv)** | **3.08** | **-** |

# Notes forming part of standalone financial statements

## 5 Receivables

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Trade receivables (considered good - unsecured)** | **-** | **-** |
| **Total trade receivables** | **-** | **-** |
| | | |
| **Other receivables** | | |
| Receivables from related parties (Refer note 40) | - | 18.16 |
| Total other receivables | - | **18.16** |
| **Total** | **-** | **18.16** |

## 5a Ageing of trade receivables as at March 31, 2022

(₹ in crore)

| Particulars | Outstanding for following periods from due date of payment | | | | | Total |
|---|---|---|---|---|---|---|
| | Less than 6 Months | 6 Months - 1 Year | 1-2 years | 2-3 years | More than 3 years | |
| Undisputed Trade Receivable Considered Good | - | - | - | - | - | - |
| Undisputed Trade Receivable which have significant increase in credit risk | - | - | - | - | - | - |
| Undisputed Trade Receivable credit impaired | - | - | - | - | - | - |
| Disputed Trade Receivable Considered Good | - | - | - | - | - | - |
| Disputed Trade Receivable which have significant increase in credit risk | - | - | - | - | - | - |
| Disputed Trade Receivable credit impaired | - | - | - | - | - | - |

## 5a Ageing of trade receivables as at March 31, 2021

(₹ in crore)

| Particulars | Outstanding for following periods from due date of payment | | | | | Total |
|---|---|---|---|---|---|---|
| | Less than 6 Months | 6 Months - 1 Year | 1-2 years | 2-3 years | More than 3 years | |
| Undisputed Trade Receivable Considered Good | - | - | - | - | - | - |
| Undisputed Trade Receivable which have significant increase in credit risk | - | - | - | - | - | - |
| Undisputed Trade Receivable credit impaired | - | - | - | - | - | - |
| Disputed Trade Receivable Considered Good | - | - | - | - | - | - |
| Disputed Trade Receivable which have significant increase in credit risk | - | - | - | - | - | - |
| Disputed Trade Receivable credit impaired | - | - | - | - | - | - |

# Notes forming part of standalone financial statements

## 6 Loans

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(A) At amortised cost** | | |
| Loans to related parties (Refer note 40) | 1,150.47 | 1,297.44 |
| Less: Impairment loss allowance | (0.22) | (0.25) |
| **Total** | **1,150.25** | **1,297.19** |
| **(B) At amortised cost** | | |
| -Unsecured | 1,150.47 | 1,297.44 |
| Less: Impairment loss allowance | (0.22) | (0.25) |
| **Total** | **1,150.25** | **1,297.19** |
| **(C)** | | |
| **(I) Loans in India** | | |
| **(i) At amortised cost** | | |
| - Others | 1,150.47 | 1,297.44 |
| Less: Impairment loss allowance | (0.22) | (0.25) |
| **Total net loans at amortised cost** | **1,150.25** | **1,297.19** |

## 6a Details of Loans repayable on demand given to KMP / Related Parties

(₹ in crore)

| Type of Borrower | Amount of Loan Outstanding as on March 31, 2022 (₹ in crore) | Percentage to the Total Loan as on March 31, 2022 % | Amount of Loan Outstanding as on March 31, 2021 (₹ in crore) | Percentage to the Total Loan as on March 31, 2021 % |
|---|---|---|---|---|
| Promoters | - | - | - | - |
| Directors | - | - | - | - |
| Key Managerial Personnels | - | - | - | - |
| Related Parties | 1,150.25 | 100% | 1,297.19 | 100% |
| **Total** | **1,150.25** | **100%** | **1,297.19** | **100%** |

## 7 Investments

(₹ in crore)

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| **(A) At cost** | | | | |
| **Investment in subsidiaries (unquoted)** | | | | |
| L&T Financial Consultants Limited (Equity Shares of ₹ 10 each fully paid) | 18,750,000 | 18.75 | 18,750,000 | 18.75 |
| L&T Finance Limited (Equity Shares of ₹ 10 each fully paid) | 2,684,172,360 | 9,037.47 | 2,684,172,360 | 9,037.47 |
| L&T Investment Management Limited (Equity Shares of ₹ 10 each fully paid) (Refer note 43) | - | - | 251,824,329 | 867.56 |

# Notes forming part of standalone financial statements

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| L&T Mutual Fund Trustee Limited (Equity Shares of ₹ 10 each fully paid) | 150,000 | 0.15 | 150,000 | 0.15 |
| L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) (Equity Shares of ₹ 10 each fully paid) | 114,491,100 | 145.75 | 114,491,100 | 145.75 |
| **Total** | | **9,202.12** | | **10,069.68** |
| **(B)** | | | | |
| **(I) Investments outside India** | | | | |
| (i) At amortised cost | | - | | - |
| **(II) Investments in India** | | | | |
| (i) At amortised cost | | 9,202.12 | | 10,069.68 |
| **Total** | | **9,202.12** | | **10,069.68** |
| **(C)** | | | | |
| **Less: Allowance for impairment loss** | | - | | - |
| **(D) Total (B-C)** | | **9,202.12** | | **10,069.68** |

## 8 Other financials assets

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Security deposits | 0.14 | 0.28 |
| Others | 3.18 | 3.20 |
| Less: Impairment loss allowance | (0.05) | - |
| **Total** | **3.27** | **3.48** |

## 9 Current tax assets (net)

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Advance income tax (net of provision for tax) | 25.17 | 20.47 |
| **Total** | **25.17** | **20.47** |

## 10 Deferred tax assets (net)

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Deferred tax assets | - | 0.34 |
| **Total** | **-** | **0.34** |

# Notes forming part of standalone financial statements

## 11 Property, plant and equipment

(₹ in crore)

| Assets | Gross carrying amount** | | | | Accumulated depreciation** | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 01, 2021 | Additions | Deductions | As at March 31, 2022 | As at April 01, 2021 | For the Year | Deductions | As at March 31, 2022 | As at March 31, 2022 | As at March 31, 2021 |
| Computers* | 0.01 | - | - | 0.01 | 0.00 | - | - | 0.00 | 0.00 | 0.00 |
| Office Equipments* | 0.00 | - | - | 0.00 | 0.00 | - | - | 0.00 | 0.00 | 0.00 |
| Vehicles | 1.56 | - | - | 1.56 | 0.64 | 0.37 | - | 1.01 | 0.55 | 0.93 |
| | **1.57** | **-** | **-** | **1.57** | **0.64** | **0.37** | **-** | **1.01** | **0.56** | **0.93** |

### Property, plant and equipment

(₹ in crore)

| Assets | Gross carrying amount** | | | | Accumulated depreciation** | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 01, 2020 | Additions | Deductions | As at March 31, 2021 | As at April 01, 2020 | For the Year | Deductions | As at March 31, 2021 | As at March 31, 2021 | As at March 31, 2020 |
| Computers* | 0.01 | - | - | 0.01 | 0.00 | - | - | 0.00 | 0.00 | 0.00 |
| Office Equipments* | 0.00 | - | - | 0.00 | 0.00 | - | - | 0.00 | 0.00 | 0.00 |
| Vehicles | 0.90 | 0.67 | - | 1.56 | 0.32 | 0.32 | - | 0.64 | 0.93 | 0.58 |
| | **0.91** | **0.67** | **-** | **1.57** | **0.32** | **0.32** | **-** | **0.64** | **0.93** | **0.58** |

* amounts less than ₹ 50,000

** The Company has not revalued its property, plant and equipment during the year and hence there is no movement for revaluation shown separately.

## 12 Other non-financials assets

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Prepaid expenses | 0.08 | 0.13 |
| Goods and service tax credit (input) receivable | 0.24 | 0.80 |
| Gratuity asset (Refer note 39) | 0.21 | - |
| Other non financial assets | 0.07 | 0.51 |
| **Total** | **0.60** | **1.44** |

## 13 Payables

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Trade payables** | | |
| Micro enterprises and small enterprises | - | - |
| Due to others | 3.83 | 4.49 |
| **Total trade payables** | **3.83** | **4.49** |

# Notes forming part of standalone financial statements

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Other payables** | | |
| Micro enterprises and small enterprises | - | - |
| Due to related parties (Refer note 40) | 7.29 | 8.74 |
| **Total trade payables** | **7.29** | **8.74** |
| **Total** | **11.12** | **13.23** |

## 13a Ageing of trade payables as at March 31, 2022

(₹ in crore)

| Particulars | | Outstanding for following periods from due date of payment | | | | |
|---|---|---|---|---|---|---|
| | | Less than 1 years | 1-2 years | 2-3 years | More than 3 years | Total |
| (i) | MSME | - | - | - | - | - |
| (ii) | Others | 0.37 | - | - | - | 0.37 |
| (iii) | Disputed dues- MSME | - | - | - | - | - |
| (iv) | Disputed dues- Others | - | - | - | - | - |

(₹ in crore)

| Particulars | | Unbilled dues | Not due | Total |
|---|---|---|---|---|
| (i) | MSME | - | - | - |
| (ii) | Others | 3.46 | - | 3.46 |
| (iii) | Disputed dues- MSME | - | - | - |
| (iv) | Disputed dues- Others | - | - | - |

## 13a Ageing of trade payables as at March 31, 2021

(₹ in crore)

| Particulars | | Outstanding for following periods from due date of payment | | | | |
|---|---|---|---|---|---|---|
| | | Less than 1 years | 1-2 years | 2-3 years | More than 3 years | Total |
| (i) | MSME | - | - | - | - | - |
| (ii) | Others | 0.38 | - | - | - | 0.38 |
| (iii) | Disputed dues- MSME | - | - | - | - | - |
| (iv) | Disputed dues- Others | - | - | - | - | - |

(₹ in crore)

| Particulars | | Unbilled dues | Not due | Total |
|---|---|---|---|---|
| (i) | MSME | - | - | - |
| (ii) | Others | 4.11 | - | 4.11 |
| (iii) | Disputed dues- MSME | - | - | - |
| (iv) | Disputed dues- Others | - | - | - |

# Notes forming part of standalone financial statements

## 14 Debt securities

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(A) At amortised cost:** | | |
| Commercial paper (net) (Refer note 14a) | - | 448.75 |
| Redeemable non convertible debentures (Refer note 14b) | - | 204.23 |
| **Total** | **-** | **652.98** |
| **(B) Debt securities In India** | | |
| At amortised cost | - | 652.98 |
| **Total** | **-** | **652.98** |

## 14a Commercial paper (net) : unsecured

(₹ in crore)

| Particulars | Tenure | Interest Range | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|
| Bullet | upto 1 year | 3.50% to 4.50% | - | 448.75 |
| **Total** | | | **-** | **448.75** |

## 14b Redeemable non convertible debentures :

(₹ in crore)

| Particulars | Tenure | Interest Range | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|
| Bullet | Upto 3 year | 7.50% to 8.50% | - | 204.23 |
| **Total** | | | **-** | **204.23** |

## 15 Borrowings (other than debt securities)

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(A) At amortised cost** | | |
| **(I) from Banks** | | |
| Loan repayable on demand from a bank | 5.00 | - |
| **Total** | **5.00** | **-** |
| **(B) Borrowings (other than debt securities) in India** | | |
| At Amortised Cost | 5.00 | - |
| **Total** | **5.00** | **-** |

## 15a Loan repayable on demand from banks (cash credit) : unsecured

(₹ in crore)

| Particulars | Tenure | Interest Range | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|
| Bullet | upto 5 years | 1.50% to 12.50% | 5.00 | - |
| **Total** | | | **5.00** | **-** |

# Notes forming part of standalone financial statements

**15b Loan from related parties : unsecured**

(₹ in crore)

| Particulars | Tenure | Interest Range | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|
| Bullet | - | - | - | - |
| **Total** | | | **-** | **-** |

**15c :**

The Company has not borrowed any amount from bank or financial institutions for specific purpose. Hence the disclosures pertaining to security of current assets against borrowings is not applicable.

**16 Subordinated liabilities**

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(A) Subordinated liabilities** | | |
| At amortised cost | | |
| Cumulative compulsorily redeemable preference shares (CRPS) to the extent that do not qualify as equity (refer footnote) | 99.82 | 1,120.24 |
| **Total** | **99.82** | **1,120.24** |
| **(B) Subordinated liabilities in India** | | |
| At amortised cost | 99.82 | 1,120.24 |
| **Total** | **99.82** | **1,120.24** |

**Footnote:**

i. **Terms/rights attached to CRPS**

The CRPS do not have voting rights other than in respect of matters directly affecting it. In the event of any due and payable dividends remain unpaid for aggregate period of at least 2 years prior to the start of any general meeting of the equity shareholders, CRPS holders shall have voting rights in line with their voting rights of the equity shareholders. The CRPS will be redeemed at the end of 3 to 5 years from the date of allotment and the payment of dividend would be in accordance with the terms agreed at the time of issuance of Preference Shares. On winding or repayment of capital, CRPS holders enjoy preferential rights vis a vis equity shareholders, for repayment of capital paid up and shall include any unpaid dividends and any fixed premium, if applicable.

ii. During the year ended March 31, 2022, the Company has paid a dividend of ₹ 53.16 crore on CRPS of ₹ 100 each fully paid (previous year ₹ 95.96 crore).

# Notes forming part of standalone financial statements

**iii. Details for CRPS:**

(₹ in crore)

| Particulars | Date of allotment | Date of redemption | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|---|
| **CRPS bearing interest rate:** | | | | |
| 8.95% | 12-Oct-18 | 12-Oct-21 | - | 249.65 |
| 8.15% | 8-May-15 | 8-May-20 | - | - |
| 8.00% | 17-May-19 | 17-Nov-22 | - | 144.94 |
| 7.95% | 3-Jun-19 | 2-Dec-22 | - | 63.48 |
| 7.95% | 16-Sep-19 | 16-Dec-22 | 99.82 | 99.59 |
| 7.95% | 20-Sep-19 | 20-Jan-23 | - | 149.41 |
| 7.95% | 27-Sep-19 | 10-Feb-23 | - | 149.40 |
| 7.60% | 5-Dec-19 | 5-Dec-22 | - | 59.74 |
| 7.50% | 23-Dec-19 | 23-Jun-23 | - | 81.61 |
| 7.50% | 23-Dec-19 | 22-Dec-23 | - | 122.42 |
| **Total** | | | **99.82** | **1,120.24** |

## 17 Other financial liabilities

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Unclaimed redemption proceeds and dividend on preference shares | 0.94 | 1.07 |
| Unclaimed dividend on equity shares | 1.34 | 1.56 |
| Employee benefits payable | 5.17 | 2.30 |
| Unclaimed proceeds for rights issue | - | 0.10 |
| **Total** | **7.45** | **5.03** |

## 18 Current tax liabilities (net)

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Provision for tax (net) | 26.23 | 27.98 |
| **Total** | **26.23** | **27.98** |

## 19 Provisions

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Provision for employee benefits** | | |
| Compensated absences | 0.19 | 0.27 |
| Super annuation fund | 0.81 | 0.81 |
| Gratuity (Refer note 39) | - | 0.04 |
| **Total** | **1.00** | **1.12** |

# Notes forming part of standalone financial statements

## 20 Deferred tax liabilities (net)

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Deferred tax liablities (net) | 0.32 | - |
| **Total** | **0.32** | **-** |

## 21 Other non-financial liabilities

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Statutory dues | 1.95 | 8.81 |
| **Total** | **1.95** | **8.81** |

## 22 Equity share capital

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Subscribed and paid up equity share capital | 2,474.04 | 2,469.45 |
| **Total** | **2,474.04** | **2,469.45** |

### (I) Share capital authorised, issued and subscribed and paid up

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | (₹ in crore) | No. of Shares | (₹ in crore) |
| **Authorised:** | | | | |
| Equity Shares of ₹ 10 each | 5,000,000,000 | 5,000.00 | 5,000,000,000 | 5,000.00 |
| Preference shares of ₹ 100 each | 500,000,000 | 5,000.00 | 500,000,000 | 5,000.00 |
| **Issued, subscribed and paid up:** | | | | |
| Equity shares of ₹ 10 each fully paid up | 2,474,035,488 | 2,474.04 | 2,469,445,704 | 2,469.45 |

### (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 ensuing 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.

# Notes forming part of standalone financial statements

**(III) Reconciliation of the shares outstanding at the beginning and at the end of the year**

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | (₹ in crore) | No. of Shares | (₹ in crore) |
| **At the beginning of the year** | **2,469,445,704** | **2,469.45** | **2,004,833,610** | **2,004.83** |
| Issued during the year | | | | |
| - Against right issue | - | - | 461,325,021 | 461.33 |
| - Against employee stock option | 4,589,784 | 4.59 | 3,287,073 | 3.29 |
| **Outstanding at the end of the year** | **2,474,035,488** | **2,474.04** | **2,469,445,704** | **2,469.45** |

**(IV) Equity shares in the Company held by the holding company**

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | (₹ in crore) | No. of Shares | (₹ in crore) |
| Larsen & Toubro Limited and it's nominee | 1,639,229,920 | 1,639.23 | 1,571,004,573 | 1,571.00 |
| | **1,639,229,920** | **1,639.23** | **1,571,004,573** | **1,571.00** |

**(V) Details of shareholders holding more than 5% shares in the company**

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | % holding | No. of Shares | % holding |
| Larsen & Toubro Limited and it's nominee | 1,639,229,920 | 66.26% | 1,571,004,573 | 63.62% |

**(VI) Details of shares held by promoters in the company as at March 31, 2022**

| Particulars | No. of Shares | % of total shares | % Change during the year |
|---|---|---|---|
| Larsen & Toubro Limited and it's nominee | **1,639,229,920** | **66.26%** | **2.64%** |

**(VII) Details of shares held by promoters in the company as at March 31, 2021**

| Particulars | No. of Shares | % of total shares | % Change during the year |
|---|---|---|---|
| Larsen & Toubro Limited and it's nominee | **1,571,004,573** | **63.62%** | **-0.10%** |

**(VIII) Details of shares reserved to be issued under ESOP**

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | ( ₹ in crore) | No. of Shares | ( ₹ in crore) |
| Equity shares of ₹ 10 each | 41,106,290 | 41.11 | 41,760,601 | 41.76 |
| | **41,106,290** | **41.11** | **41,760,601** | **41.76** |

**(IX) Capital Management**

- The objective of the Company's Capital Management is to maximise shareholder value, safeguard business continuity and support the growth of its subsidiaries. The Company 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. The debt equity ratio is 0.01 as at March 31, 2022 (as at March 31, 2021 is 0.16)
- The Company has not paid any dividend during the financial year 2021-22 (PY 2020-21 - ₹ Nil). Refer note 54(7) for dividend proposed by the Board of directors for financial year 2021-22.

# Notes forming part of standalone financial statements

## (X) Employee stock option scheme

- 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 w.e.f. July 10, 2019 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.
- 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.
- 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 w.e.f. July 10,2019 ₹ 10 respectively.
- During the year ended March 31, 2022, 3,17,000 and 42,72,784 options were allotted under the scheme 2010 and 2013 respectively.
- The details of the grants are summarised below:

| Particulars | Scheme 2010 | | Scheme 2013 | |
|---|---|---|---|---|
| | 2021-22 | 2020-21 | 2021-22 | 2020-21 |
| Options granted and outstanding at the beginning of the year | 1,928,500 | 2,920,500 | 39,832,101 | 45,195,840 |
| Options granted during the year | - | - | 10,789,685 | 2,131,627 |
| Options cancelled/ lapsed during the year | 663,250 | 307,500 | 6,190,962 | 4,892,793 |
| Options exercised during the year | 317,000 | 684,500 | 4,272,784 | 2,602,573 |
| Options granted and outstanding at the end of the year of which: | | | | |
| - Options vested | 719,000 | 537,000 | 21,622,255 | 18,171,874 |
| - Options yet to vest | 229,250 | 1,391,500 | 18,535,785 | 21,660,227 |
| Weighted average remaining contractual life of options (in years) | 3.56 | 4.02 | 5.64 | 4.81 |

- During the year, the Company has debited to the Statement of Profit and Loss ₹ 4.47 crore (previous year ₹ 6.42 crore) {net of recovery from its subsidiary companies during the year ₹ 21.95 crore (Previous year ₹ 48.09 crore)} towards the stock options granted to their employees, pursuant to the employee stock option schemes.
- Weighted average fair values of options granted during the year is ₹ 72.69 (Previous year: ₹ 33.15) per options.
- 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:

# Notes forming part of standalone financial statements

| Particulars | 2021-22 | 2020-21 |
|---|---|---|
| Weighted average risk-free interest rate | 4.59% | 2.70% |
| Weighted average expected life of options | 2.68 years | 1.73 years |
| Weighted average expected volatility | 39.50% | 25.26% |
| Weighted average expected dividend over the life of the options (₹) | 2.60 per option | 1.68 per option |
| Weighted average share price (₹) | 83.71 per option | 39.61 per option |
| Weighted average exercise price (₹) | 10 per option | 5.82 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. | |

## 23 Other equity

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Retained earning [1] | 298.79 | 124.04 |
| Securities premium account [2] | 7,751.62 | 7,707.39 |
| Reserve u/s 45 1C of RBI Act 1934 [3] | 541.47 | 497.84 |
| General reserve [4] | 15.37 | 6.87 |
| Employee stock option outstanding account [5] | 182.68 | 199.76 |
| Impairment reserve [6] | 4.94 | 4.94 |
| Cash flow hedging reserve[7] | 2.31 | - |
| **Total** | **8,797.09** | **8,540.84** |

**Notes:**

1. **Retained earnings:** Retained earnings represent the amount of accumulated earnings of the Company.
2. **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.
3. **Reserve u/s 45 IC of the Reserve Bank of India Act, 1934:** The Company 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.
4. **General reserve:** Under the erstwhile Companies Act 1956, general reserve was created through an annual transfer of net income at a specified percentage in accordance with applicable regulations. Consequent to introduction of Companies Act 2013, the requirement to mandatorily transfer a specified percentage of the net profit to general reserve has been withdrawn. However, the amount previously transferred to the general reserve can be utilised only in accordance with the specific requirements of Companies Act, 2013.
5. **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.

# Notes forming part of standalone financial statements

6. **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. Where 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.

7. **Cash flow hedge reserves:** The Company has designated its hedging instruments as cash flow hedges and any effective portion of cashflow hedge is maintained in the said reserve. In case the hedging becomes ineffective, the amount is recognised in the Statement of Profit and Loss.

## 24 Interest income

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **Financial assets measured at amortised cost:** | | |
| Interest on loans | 60.21 | 68.78 |
| Interest on deposits with banks | 23.84 | 4.52 |
| **Total** | **84.05** | **73.30** |

## 25 Dividend income

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Dividend from a subsidiary company | 251.82 | 97.96 |
| **Total** | **251.82** | **97.96** |

## 26 Other income

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Management fees | 14.58 | 17.94 |
| Interest on income tax refund | - | 2.20 |
| Other income | 0.01 | 0.02 |
| **Total** | **14.59** | **20.16** |

# Notes forming part of standalone financial statements

## 27 Finance cost

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **On financial liabilities measured at amortised cost** | | |
| Interest on borrowings (other than debt securities) | 0.01 | 2.68 |
| Interest on debt securities | 6.93 | 90.34 |
| Interest on subordinated liabilities | 60.74 | 95.96 |
| Other interest expenses | 5.81 | 3.98 |
| **Total** | **73.49** | **192.96** |

## 28 Impairment on financial instruments

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **On financial instruments measured at amortised cost:** | | |
| Loans | (0.03) | 0.03 |
| Investments / other receivables | 0.05 | 7.56 |
| **Total** | **0.02** | **7.59** |

## 29 Employee benefits expenses

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Salaries | 9.49 | 6.55 |
| Contribution to provident fund | 0.26 | 0.29 |
| Contribution to gratuity (Refer note 39) | 0.14 | 0.14 |
| Contribution to superannuation fund | 0.26 | 0.25 |
| Share based payment to employees | 4.47 | 6.42 |
| Staff welfare expenses | 0.08 | 0.05 |
| **Total** | **14.70** | **13.70** |

## 30 Depreciation, amortization and impairment

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Depreciation on property, plant and equipment | 0.37 | 0.32 |
| Depreciation on right of use assets | - | 0.26 |
| **Total** | **0.37** | **0.58** |

# Notes forming part of standalone financial statements

## 31 Other expenses

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Rent rates & taxes | 0.25 | 0.25 |
| Auditor's remuneration (Refer note below) | 0.26 | 0.28 |
| Legal and professional charges | 3.34 | 5.28 |
| Repairs and maintenance | 0.10 | 0.09 |
| Directors sitting fees | 0.89 | 0.46 |
| Advertising and publicity | - | 0.07 |
| Telephone and postage | - | 0.02 |
| Printing and stationery | - | 0.05 |
| Listing and custodian charges | 0.33 | 1.09 |
| Brand license fees | 0.11 | 3.06 |
| Remuneration to non executive directors | 1.76 | 0.96 |
| Travelling and conveyance | 0.15 | 0.06 |
| Membership fees | 0.06 | 0.08 |
| Donations (refer note 48) | - | 0.03 |
| Miscellaneous expenses | 0.20 | 0.70 |
| **Total** | **7.45** | **12.48** |

| | | |
|---|---|---|
| **Auditor's remuneration** | | |
| Audit fees | 0.10 | 0.10 |
| Limited review fees | 0.12 | 0.10 |
| Tax audit fees | 0.01 | 0.01 |
| Other services | 0.03 | 0.07 |
| Certification for issue of right shares | - | 1.06 |
| Less: Adjusted against securities premium account | - | (1.06) |
| **Total** | **0.26** | **0.28** |

## 32 Particulars in respect of loan to related parties and investment in subsidiaries as required by the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015:

### (a) Particulars in respect of loans and advances in the nature of loans given to subsidiaries:

(₹ in crore)

| S. No. | Name of subsidiaries | Balance as at* | | Maximum outstanding during | |
|---|---|---|---|---|---|
| | | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 |
| 1 | L&T Finance Limited | 1,037.59 | 1,075.54 | 1,075.34 | 1,565.04 |
| 2 | L&T Capital Markets (Middle East) Limited | - | - | - | 7.17 |
| 2 | L&T Financial Consultant Limited | 112.88 | 221.90 | 224.10 | 351.58 |
| | **Total** | **1,150.47** | **1,297.44** | **1,299.44** | **1,923.79** |

* above figures include interest accrued

# Notes forming part of standalone financial statements

**(b) Particulars in respect of investment in subsidiaries**

(₹ in crore)

| S. No. | Name of subsidiaries | Balance as at March 31, 2022 | Balance as at March 31, 2021 |
|---|---|---|---|
| 1 | L&T Finance Limited | 9,037.47 | 9,037.47 |
| 2 | L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) | 145.75 | 145.75 |
| 3 | L&T Investment Management Limited$ | - | 867.56 |
| 4 | L&T Financial Consultant Limited | 18.75 | 18.75 |
| 5 | L&T Mutual Fund Trustee Limited | 0.15 | 0.15 |
| | **Total** | **9,202.12** | **10,069.68** |

$ refer note 43

**33 Disclosure pertaining to corporate social responsibility expenses**

Amount required to be spent by the Company on Corporate Social Responsibility (CSR) related activities during the year is Nil (previous year Nil)

**34 Disclosure pursuant to Ind AS 116 "Leases"**

**I) Rights to use assets**

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Opening balance | - | 0.38 |
| Add: Additions during the year | - | - |
| Less: Deductions during the year | - | (0.12) |
| Less: Depreciation during the year | - | (0.26) |
| **Closing balance** | **-** | **-** |

**II) Lease liability**

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Opening balance | - | 0.42 |
| Add: Additions during the year | - | - |
| Less: Deductions during the year | - | (0.14) |
| Add: Interest accrued during the year | - | 0.02 |
| Less: Principal repayment during the year | - | (0.30) |
| **Closing balance** | **-** | **-** |

**III) Low Value Leases/Short Term Leases**

**Expenses recognised in the Statement of Profit and Loss Account**

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| -Low Value Assets | - | - |
| -Short term Leases | 0.22 | 0.22 |

# Notes forming part of standalone financial statements

**Actual Cashflow during the year for** (₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| -Low Value Assets | - | - |
| -Short term Leases | 0.22 | 0.22 |

**35 Disclosure pursuant to Ind AS 107 "Financial Instruments: Disclosures": Financial risk management**

The Company being a Core Investment Company as per the Core Investment Companies (RBI) Directions, 2016 is required to invest or lend majority of it's fund to subsidiaries. The Company's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance and support Company's operations. The Company's principal financial assets include inter corporate deposites, loans, cash and cash equivalents and other receivables.

The Company is exposed to market risk, credit risk, equity price risk, and liquidity risk.The Company's management oversees the management of these risks. The Company's senior management is supported by a Risk Management Committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Risk Committee provides assurance to the Company's senior management. The Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The major risks are summarised below:

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. In the case of the Company, market risk primarily impacts financial instruments measured at fair value through profit or loss.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not have exposure to the risk of changes in market interest rate as it has debt obligations with fixed interest rates which are measured at amortised cost.

**Credit risk**

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or a customer contract, leading to a financial loss. The Company is exposed to credit risk from its financing activities towards inter corporate deposits to subsidiaries, where no significant impact on credit risk has been identified.

**Equity price risk:**

The Company's investment in non-listed equity securities are accounted at cost in the financial statement net of impairment. The expected cash flow from these entities are regularly monitored to identify impairment indicators.

**Liquidity risk**

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. The Company's corporate treasury department is responsible for liquidity, funding as well as settlement management. In addition, processes and policies related to such risks are overseen by senior management. The Company manages its liquidity requirement by analysing the maturity pattern of the Company's cash flow of financial assets and financial liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through issuance of equity shares, commercial paper etc. The Company invests its surplus funds in debt schemes of mutual funds, which carry low mark to market risks.

# Notes forming part of standalone financial statements

**36 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, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | FVTPL | Amortised cost | FVTOCI | FVTPL | Amortised cost | FVTOCI |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | - | 141.20 | - | - | 1,398.10 | - |
| Bank balance other than above | - | 30.21 | - | - | 29.89 | - |
| Derivative financial instruments | - | - | 3.08 | - | - | - |
| Trade receivables | - | - | - | - | 18.16 | - |
| Loans | - | 1,150.25 | - | - | 1,297.19 | - |
| Other financial assets | - | 3.27 | - | - | 3.48 | - |
| **Total financial assets** | - | **1,324.93** | **3.08** | - | **2,746.82** | **-** |
| **Financial liabilities** | | | | | | |
| Trade payables | - | 3.83 | - | - | 4.49 | - |
| Other payables | - | 7.29 | - | - | 8.74 | - |
| Debt securities | - | - | - | - | 652.98 | - |
| Borrowings (other than debt securities) | - | 5.00 | - | - | - | - |
| Subordinated liabilities | - | 99.82 | - | - | 1,120.24 | - |
| Other financial liabilities | - | 7.45 | - | - | 5.03 | - |
| **Total financial liabilities** | - | **123.39** | **-** | - | **1,791.48** | **-** |

**(b) Fair value of financial assets and financial liabilities measured at amortised cost:**

(₹ in crore)

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| **Financial assets** | | | | |
| Loans* | 1,150.25 | 1,150.25 | 1,297.19 | 1,297.19 |
| **Total financial assets** | **1,150.25** | **1,150.25** | **1,297.19** | **1,297.19** |
| **Financial liabilities** | | | | |
| Debt securities | - | - | 652.98 | 667.89 |
| Borrowings (other than debt securities): | | | | |
| Cash credit | 5.00 | 5.00 | - | - |
| Subordinated liabilities | 99.82 | 100.99 | 1,120.24 | 1,154.93 |
| **Total financial liabilities** | **104.82** | **105.99** | **1,773.22** | **1,822.82** |

**Note:** Carrying amounts of cash and cash equivalents, other bank balances, trade receivables, other financial assets, trade payables, other payables and other financial liabilities as at March 31, 2022 and March 31, 2021 approximate the fair value because of their short term nature. The carrying amounts of loans given and borrowings taken for short term are considered to be close to the fair value.

* In the absence of unobservable market for these loan assets, the fair value have been determined from the perspective of the Company's asset considering the changes in performance and risk indicators (including delinquencies and interest rate)

# Notes forming part of standalone financial statements

**(c) Fair value hierarchy of financial assets and financial liabilities measured at amortised cost:**

(₹ in crore)

| As at March 31, 2022 | Level 1 | Level 2 | Level 3 | Total | Valuation Technique for level 3 items |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Loans | - | - | 1,150.25 | 1,150.25 | Carrying value approximately equal to fair value |
| **Total financial assets** | **-** | **-** | **1,150.25** | **1,150.25** | |
| **Financial liabilities** | | | | | |
| Debt securities | - | - | - | - | |
| Borrowings (other than debt securities) | | | | | |
| Cash credit | - | - | 5.00 | 5.00 | Carrying value approximately equal to fair value |
| Subordinated liabilities | - | - | 100.99 | 100.99 | Discounted cashflow approach |
| **Total financial liabilities** | **-** | **-** | **105.99** | **105.99** | |

(₹ in crore)

| As at March 31, 2021 | Level 1 | Level 2 | Level 3 | Total | Valuation Technique for level 3 items |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Loans | - | - | 1,297.19 | 1,297.19 | Carrying value approximately equal to fair value |
| **Total financial assets** | **-** | **-** | **1,297.19** | **1,297.19** | |
| **Financial liabilities** | | | | | |
| Debt securities | - | - | 667.89 | 667.89 | Discounted cashflow approach |
| Borrowings (other than debt securities) | | | | | |
| Cash credit | - | - | - | - | Discounted cashflow approach |
| Subordinated liabilities | - | - | 1,154.93 | 1,154.93 | Discounted cashflow approach |
| **Total financial liabilities** | **-** | **-** | **1,822.82** | **1,822.82** | |

# Notes forming part of standalone financial statements

## (d) Maturity profile of assets and liabilities

(₹ in crore)

| Particulars | March 31, 2022 | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 141.20 | - | 141.20 | 1,398.10 | - | 1,398.10 |
| Bank balance other than above | 30.21 | - | 30.21 | 29.89 | - | 29.89 |
| Derivative financial instruments | 3.08 | - | 3.08 | - | - | - |
| Receivables | - | - | - | 18.16 | - | 18.16 |
| Loans | 1,150.25 | - | 1,150.25 | 1,297.19 | - | 1,297.19 |
| Investments | - | 9,202.12 | 9,202.12 | - | 10,069.68 | 10,069.68 |
| Other financial assets | 3.27 | - | 3.27 | 3.48 | - | 3.48 |
| **Non-financial assets** | | | | | | |
| Current tax assets (net) | - | 25.17 | 25.17 | - | 20.47 | 20.47 |
| Deferred tax assets (net) | - | - | - | - | 0.34 | 0.34 |
| Property, plant and equipment | - | 0.56 | 0.56 | - | 0.93 | 0.93 |
| Other non-financial assets | 0.56 | 0.04 | 0.60 | 1.38 | 0.06 | 1.44 |
| Group(s) of assets classified as held for sale | 867.56 | - | 867.56 | - | - | - |
| **Total** | **2,196.13** | **9,227.89** | **11,424.02** | **2,748.20** | **10,091.48** | **12,839.68** |
| **Financial liabilities** | | | | | | |
| Payables | 11.12 | - | 11.12 | 13.23 | - | 13.23 |
| Debt securities | - | - | - | 457.98 | 195.00 | 652.98 |
| Borrowings (other than debt securities) | 5.00 | - | 5.00 | - | - | - |
| Subordinated liabilities | 99.82 | - | 99.82 | 249.65 | 870.59 | 1,120.24 |
| Lease liability | - | - | - | - | - | - |
| Other financial liabilities | 7.45 | - | 7.45 | 5.03 | - | 5.03 |
| **Non-financial liabilities** | | | | | | |
| Current tax liabilities (net) | 26.23 | - | 26.23 | 21.08 | 6.90 | 27.98 |
| Deferred tax liabilities (net) | 0.32 | - | 0.32 | - | - | - |
| Provisions | 0.03 | 0.97 | 1.00 | 0.27 | 0.85 | 1.12 |
| Other non-financial liabilities | 1.95 | - | 1.95 | 8.81 | - | 8.81 |
| **Total** | **151.92** | **0.97** | **152.89** | **756.05** | **1,073.34** | **1,829.39** |

# Notes forming part of standalone financial statements

**(e) The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities :**

**The amounts disclosed in the table are the contractual undiscounted cash flows:**

(₹ in crore)

| Particulars | March 31, 2022 | | | March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Within twelve months | After twelve months | Total | Within twelve months | After twelve months | Total |
| **Non-derivatives** | | | | | | |
| Borrowings | 105.00 | - | 105.00 | 700.00 | 1,069.10 | 1,769.10 |
| Borrowing future interest | 5.64 | - | 5.64 | 95.92 | 94.04 | 189.96 |

**(f) Foreign currency risk :**

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Liability – Currency swap contracts | USD 36,50,00,000 | - |
| Assets – future receivables against sale of investments (Refer note 43) | USD 42,50,00,000 | - |

**(g) Cash flow and fair value interest rate risk**

The Company's main interest rate risk arises from long-term borrowings with variable rates, which expose the Company to cash flow interest rate risk.

The Company's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

- Interest rate risk exposure

The exposure of the Company's borrowing to interest rate changes at the end of the reporting period are as follows:

(₹ in crore)

| Particulars | As at 31 March, 2022 | As at 31 March, 2021 |
|---|---|---|
| Variable rate borrowings | 5.00 | - |
| Fixed rate borrowings | 100.00 | 1769.10 |
| **Total borrowings** | **105.00** | **1769.10** |

# Notes forming part of standalone financial statements

As at the end of the reporting period, the Company had the following variable rate borrowings outstanding:

| Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Weighted average interest rate (%) | Balance (₹ in crore) | % of total loans | Weighted average interest rate (%) | Balance (₹ in crore) | % of total loans |
| Borrowings | 11.83% | 5.00 | 4.76% | - | - | - |
| Net exposure to cash flow interest rate risk | 11.83% | 5.00 | 4.76% | - | - | - |

An analysis by maturities is provided in above note. The percentage of total loans shows the proportion of loans that are currently at variable rates in relation to the total amount of borrowings.

| Particulars | Impact on profit after tax | | Impact on other components of equity | |
|---|---|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 | As at March 31, 2022 | As at March 31, 2021 |
| Interest rates – increase by 25 basis points * | (0.01) | - | - | - |
| Interest rates – decrease by 25 basis points* | 0.01 | - | - | - |

* Impact on P/L upto 1 year, holding all other variables constant

**(h) Expected credit loss - loans**

(₹ in crore)

| Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Estimated gross carrying amount at default | Expected Credit Loss | Carrying amount net of impairment provision | Estimated gross carrying amount at default | 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 | 1,150.47 | 0.22 | 1,150.25 | 1,297.44 | 0.25 | 1,297.19 |

# Notes forming part of standalone financial statements

**Reconciliation of loss allowance provision - Loans:**

(₹ in crore)

| Particulars | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|
| **Loss allowance as on March 31, 2020** | **0.22** | **-** | **-** |
| New assets originated or purchased | - | - | - |
| Amount written off | - | - | - |
| Transfers to Stage 1 | - | - | - |
| Transfers to Stage 2 | - | - | - |
| Transfers to Stage 3 | - | - | - |
| Impact on ECL of exposure transferred between stages during the year | - | - | - |
| Increase / (decrease) in provision on existing financial assets (net of recovery) | 0.03 | - | - |
| **Loss allowance as on March 31, 2021** | **0.25** | **-** | **-** |
| New assets originated or purchased | - | - | - |
| Amount written off | - | - | - |
| Transfers to Stage 1 | - | - | - |
| Transfers to Stage 2 | - | - | - |
| Transfers to Stage 3 | - | - | - |
| Impact on ECL of exposure transferred between stages during the year | - | - | - |
| Increase / (decrease) in provision on existing financial assets (net of recovery) | (0.03) | - | - |
| **Loss allowance as on March 31, 2022** | **0.22** | **-** | **-** |

**Reconciliation of gross carrying amount - Loans:**

(₹ in crore)

| Particulars | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|
| **Gross carrying amount as at March 31, 2020** | **1142.8** | **–** | **–** |
| New assets originated or purchased | – | – | – |
| Amount written off | – | – | – |
| Transfers to Stage 1 | – | – | – |
| Transfers to Stage 2 | – | – | – |
| Transfers to Stage 3 | – | – | – |
| Further disbursement (net of repayment) | 154.64 | – | – |
| **Gross carrying amount as at March 31, 2021** | **1297.44** | **–** | **–** |
| New assets originated or purchased | – | – | – |
| Amount written off | – | – | – |
| Transfers to Stage 1 | – | – | – |
| Transfers to Stage 2 | – | – | – |
| Transfers to Stage 3 | – | – | – |
| Further disbursement (net of repayment) | (146.97) | – | – |
| **Gross carrying amount as at March 31, 2022** | **1,150.47** | **–** | **–** |

# Notes forming part of standalone financial statements

## 37 Disclosure pursuant to Ind AS 108 "Operating segment

The company operates mainly in the business segment of investment activity.As such there are no reportable segments as per IND AS 108 on operating segment.

## 38 Disclosure pursuant to Ind AS 12 "Income Taxes"

### (a) Major components of tax expense/(income):

(₹ in crore)

| S. No. | Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|
| | **Statement of profit or loss:** | | |
| (a) | Profit or loss section: | | |
| | (i) Current income tax : | | |
| | Current income tax expense | 36.40 | 72.79 |
| | Tax expense in respect of earlier years | - | - |
| | | 36.40 | 72.79 |
| | (ii) Deferred tax: | | |
| | Tax expense on origination and reversal of temporary differences | (0.15) | (0.05) |
| | Effect on deferred tax balances due to the change in income tax rate [refer note 38]. | - | - |
| | | (0.15) | (0.05) |
| | **Income tax expense reported in the statement of profit and loss[(i)+(ii)]** | **36.25** | **72.74** |
| (b) | **Other Comprehensive Income (OCI) section:** | | |
| | (i) Items not to be reclassified to profit or loss in subsequent periods: | | |
| | (A) Current tax expense/(income): | - | - |
| | On re-measurement of defined benefit plans | - | - |
| | | - | - |
| | (B) Deferred tax expense/(income): | | |
| | On re-measurement of defined benefit plans | 0.03 | - |
| | | 0.03 | - |
| | (ii) Items to be reclassified to profit or loss in subsequent periods: | | |
| | (A) Current tax expense/(income): | - | - |
| | On gain/(loss) on cash flow hedges other than mark to market | - | - |
| | | - | - |
| | (B) Deferred tax expense/(income): | | |
| | Net gain/(loss) on cost of hedging reserve | 0.78 | - |
| | | 0.78 | - |
| | **Income tax expense reported in the other comprehensive income [(i)+(ii)]** | **0.81** | - |

# Notes forming part of standalone financial statements

**(b) Reconciliation of Income tax expense and accounting profit multiplied by domestic tax rate applicable in India:**

(₹ in crore)

| S.No. | Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|
| (a) | **Profit before tax** | **254.43** | **188.79** |
| (b) | Corporate tax rate as per Income tax Act, 1961 | 25.168% | 25.168% |
| (c) | **Tax on accounting profit (c)=(a)*(b)** | **64.03** | **47.51** |
| (d) | (i) Tax on Income exempt from tax : | (31.11) | - |
| | (ii) Tax on expense not tax deductible: | 3.33 | 33.38 |
| | (iii) Tax on Income which are taxed at different rates | - | (8.15) |
| | **Total effect of tax adjustments [(i) to (iii]** | **(27.78)** | **(8.15)** |
| (e) | **Tax expense (before one-time deferred tax impact) (e)=(c)+(d)** | **36.25** | **39.36** |
| (f) | **Effective tax rate (before one-time deferred tax impact) (f)=(e)/(a)** | **14.25%** | **20.85%** |
| (g) | **Tax expense recognised during the year (g)=(e)** | **36.25** | **39.36** |
| (h) | **Effective tax Rate (h)=(g)/(a)** | **14.25%** | **20.85%** |

**(c) Major components of deferred tax liabilities and deferred tax assets:**

(₹ in crore)

| Particulars | Deferred tax (liabilities)/ assets as at April 01, 2021 | Charge/ (credit) to Statement of Profit and Loss | Charge/ (credit) to other compre-hensive income | Deferred tax (liabilities)/ assets as at March 31, 2022 |
|---|---|---|---|---|
| **Deferred tax (liabilities):** | | | | |
| -Difference between book base and tax base of property, plant & equipment, investment property and intangible assets | 0.06 | 0.05 | - | 0.11 |
| -Unrealised | - | - | (0.78) | (0.78) |
| Net deferred tax (liabilities) | 0.06 | 0.05 | (0.78) | (0.67) |
| **Deferred tax assets:** | | | | |
| -Impairment on financial instruments | 0.06 | 0.01 | - | 0.07 |
| -Defined benefit obligation | 0.07 | (0.02) | (0.03) | 0.02 |
| - Provision for expenses | 0.15 | 0.11 | - | 0.26 |
| Net deferred tax assets | 0.28 | 0.10 | (0.03) | 0.35 |
| **Net deferred tax (liability)/assets** | **0.34** | **0.15** | **(0.81)** | **(0.32)** |

# Notes forming part of standalone financial statements

(₹ in crore)

| Particulars | Deferred tax (liabilities)/ assets as at April 01, 2020 | Charge/ (credit) to Statement of Profit and Loss | Charge / (credit) to debt instrument | Deferred tax (liabilities)/ assets as at March 31, 2021 |
|---|---|---|---|---|
| **Deferred tax (liabilities):** | | | | |
| - Difference between book base and tax base of property, plant & equipment, investment property and intangible assets | 0.02 | 0.04 | - | 0.06 |
| Net deferred tax (liabilities) | 0.02 | 0.04 | - | 0.06 |
| **Deferred tax assets:** | | | | |
| - Impairment on financial instruments | 0.06 | - | - | 0.06 |
| - Defined benefit obligation | 0.07 | - | - | 0.07 |
| - Provision for expenses | 0.15 | - | - | 0.15 |
| - Others | (0.01) | 0.01 | - | - |
| Net deferred tax assets | 0.27 | 0.01 | - | 0.28 |
| **Net deferred tax (liability)/assets** | **0.29** | **0.05** | **-** | **0.34** |

## 39 Disclosure pursuant to Ind AS 19 "Employee benefits":

### (i) Defined contribution plans

The Company recognise charges of ₹ 0.26 crore (previous year ₹ 0.29 crore) as an expense for provident fund contribution and is included in Note 29 "employee benefits expenses" in the statement of profit and loss.

### (ii) Defined benefits gratuity plans

The Company 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.

**a) The amounts recognised in balance sheet are as follows:**

(₹ in crore)

| S. No. | Particulars | Gratuity Plan As at March 31, 2022 | Gratuity Plan As at March 31, 2021 |
|---|---|---|---|
| **A)** | **Present Value of Defined Benefit Obligation** | | |
| | - Wholly funded | 1.35 | 1.50 |
| | - Wholly unfunded | - | - |
| | | 1.35 | 1.50 |
| | Less : Fair Value of plan assets | (1.56) | (1.46) |
| | Amount to be recognised as liability or (asset) | (0.21) | 0.04 |

# Notes forming part of standalone financial statements

(₹ in crore)

| S. No. | Particulars | Gratuity Plan | |
|---|---|---|---|
| | | As at March 31, 2022 | As at March 31, 2021 |
| **B)** | **Amounts reflected in Balance Sheet** | | |
| | Liabilities | - | 0.04 |
| | Assets | (0.21) | - |
| | **Net liability/(asset)** | **(0.21)** | **0.04** |

**b) The amounts recognised in the statement of profit and loss are as follows:**

(₹ in crore)

| S. No. | Particulars | Gratuity Plan | |
|---|---|---|---|
| | | As at March 31, 2022 | As at March 31, 2021 |
| 1 | Current Service Cost | 0.14 | 0.14 |
| 2 | Interest Cost | - | 0.02 |
| 3 | Actuarial losses/(gains) - others | (0.10) | (0.10) |
| 4 | Actuarial losses/(gains) - difference between actuarial return on plan assets and interest income | (0.03) | (0.01) |
| | **Total (1 to 4)** | **0.01** | **0.05** |
| i | Amount included in "employee benefits expenses" | 0.14 | 0.14 |
| ii | Amount included in as part of "finance cost' | - | 0.02 |
| iii | Amount included as part of "Other Comprehensive income" | (0.13) | (0.11) |
| | **Total (i + ii + iii)** | **0.01** | **0.05** |

**c) The changes in the present value of defined benefit obligation representing reconciliation of opening and closing balance thereof are as follows:**

(₹ in crore)

| Particulars | Gratuity Plan | |
|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 |
| Opening balance of the present value of defined benefit obligation | 1.50 | 1.38 |
| Add : Current Service Cost | 0.14 | 0.14 |
| Add : Interest Cost | 0.07 | 0.08 |
| Add : Actuarial losses/(gains) | | |
| i) Actuarial (gains)/losses arising from changes in financial assumptions | (0.01) | 0.03 |
| ii) Actuarial (gains)/losses arising from changes in demographic assumptions | - | - |

# Notes forming part of standalone financial statements

| | | |
|---|---|---|
| ii) Actuarial (gains)/losses arising from changes in experience adjustments | (0.10) | (0.13) |
| Less: Benefits paid | - | - |
| Add : Liability assumed/(settled) | (0.25) | - |
| **Closing balance of the present value of defined benefit obligation** | **1.35** | **1.50** |

**d) Changes in the failr value of plan assets representing reconciliation of the opening and closing balances thereof are as follows:**

(₹ in crore)

| Particulars | Gratuity Plan | |
|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 |
| Opening balance of the fair value of the plan assets | 1.46 | 0.90 |
| Add : interest income of plan assets | 0.07 | 0.06 |
| Add/(less) : Actuarial gains/(losses) | 0.03 | 0.01 |
| Add : Contribution by the employer | - | 0.49 |
| Less : Benefits paid | - | - |
| **Closing balance of plan assets** | **1.56** | **1.46** |

**e) The fair value of major categories of plan assets are as follows:**

(₹ in crore)

| Particulars | Gratuity Plan | |
|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 |
| 1 Insurer managed funds (unquoted) | 1.56 | 1.46 |

**f) Principal actuarial assumptions at the valuation date:**

(₹ in crore)

| Particulars | Gratuity Plan | |
|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 |
| 1 Discount rate (per annum) | 5.20% | 5.00% |
| 2 Salary escalation rate (per annum) | 9.00% | 9.00% |

**Discount Rate:**

The discount rate based on the prevailing market yield of Indian government securities at the balance sheet date for the estimated term of the obligations.

**Salary escalation rate:**

The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.

# Notes forming part of standalone financial statements

**g) Sensitivity Analysis:**

One percentage point change in actuarial assumption would have the following effects on the defined benefit obligation:

| S. No. | Particulars | Effect of 1% decrease 2021-22 | Effect of 1% decrease 2020-21 |
|---|---|---|---|
| 1 | Discount rate (per annum) | 0.03 | 0.04 |
| 2 | Salary escalation rate (per annum) | (0.02) | (0.04) |
| | | **Effect of 1% increase** | |
| 3 | Discount rate (per annum) | (0.03) | (0.04) |
| 4 | Salary escalation rate (per annum) | 0.02 | 0.04 |

**h) Attrition rate:**

The attrition rate varies from 0% to 1% (previous year: 0% to 1%) for various age groups.

**i) Mortality rate:**

Published rates under the Indian Assured Lives Mortality (2012-14) Ult table.

**Provident fund**

The Company's state governed provident fund scheme are defined contribution plan for its employees. 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 vests immediately on rendering of services by the employee.

**40 Disclosure of related parties/related party transactions pursuant to Ind AS 24 "Related Party Disclosures"**

**(a) Name of the related parties and description of relationship:**

| S. No | Particulars | Relationship |
|---|---|---|
| 1 | Larsen & Toubro Limited | Holding Company |
| 2 | L&T Financial Consultants Limited | Subsidiary Company |
| 3 | L&T Investment Management Limited (Refer note 43) | Subsidiary Company |
| 4 | L&T Finance Limited | Subsidiary Company |
| 5 | L&T Capital Markets Limited (Upto April 24, 2020) | Subsidiary Company |
| 6 | L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) | Subsidiary Company |
| 7 | L&T Capital Markets (Middle East) Limited (Upto December 16, 2020) | Subsidiary Company |
| 8 | Mr. S. N. Subrahmanyan (w.e.f. February 28, 2022) | Non-executive chairman |
| 9 | Mr. R. Shankar Raman | Non-executive director |
| 10 | Mr. Dinanath Dubhashi | Managing Director & Chief Executive Officer |
| 11 | Dr. Rajani R. Gupte | Independent director |
| 12 | Mr. P. V. Bhide | Independent director |
| 13 | Mr. Pavninder Singh | Nominee director |
| 14 | Mr. Prabhakar B. | Non-executive director |
| 15 | Mr. S. V. Haribhakti | Independent director |
| 16 | Mr. Thomas Mathew T. | Independent director |
| 17 | Ms. Nishi Vasudeva | Independent director |

Note: The above list contains name of only those related parties with whom the company has undertaken transactions in current or previous year.

# Notes forming part of standalone financial statements

**(b) Related parties transactions:**

(₹ in crore)

| S. No. | Nature of Transactions | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|
| 1 | **Subscription to equity shares of** | | |
| | L&T Capital Markets (Middle East) Limited | - | 2.52 |
| 2 | **Inter corporate deposits disbursed** | | |
| | L&T Finance Limited | 2,060.86 | 8,165.70 |
| | L&T Financial Consultants Limited | 540.52 | 2,212.44 |
| 3 | **Inter corporate deposits repaid (including interest)** | | |
| | L&T Finance Limited | 2,115.66 | 7,879.72 |
| | L&T Capital Markets (Middle East) Limited | - | 7.64 |
| | L&T Financial Consultants Limited | 649.72 | 2,336.15 |
| 4 | **Professional fees expense** | | |
| | Larsen & Toubro Limited | 0.06 | 0.06 |
| 5 | **Rent & maintenance expenditure** | | |
| | L&T Financial Consultants Limited | 0.29 | 0.28 |
| 6 | **Reimbursement of expense to / (from)** | | |
| | Larsen & Toubro Limited | - | 0.02 |
| 7 | **ESOP charges recovered** | | |
| | L&T Finance Limited | 13.79 | 41.64 |
| | L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) | 1.42 | 2.12 |
| | L&T Investment Management Limited | 6.31 | 8.93 |
| | L&T Capital Markets Limited | - | (5.17) |
| | L&T Financial Consultants Limited | 0.43 | 0.57 |
| 8 | **Inter corporate borrowings repaid (including interest)** | | |
| | L&T Investment Management Limited | - | 277.47 |
| 9 | **Interest income on inter corporate deposit** | | |
| | L&T Finance Limited | 47.67 | 43.18 |
| | L&T Financial Consultants Limited | 12.54 | 25.30 |
| | L&T Capital Markets (Middle East) Limited | - | 0.30 |
| 10 | **Interest expense on inter corporate borrowings** | | |
| | L&T Investment Management Limited | - | 2.67 |

# Notes forming part of standalone financial statements

(₹ in crore)

| S. No. | Nature of Transactions | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|
| 11 | **Management fees income** | | |
| | L&T Finance Limited | 13.12 | 16.14 |
| | L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) | 0.73 | 0.90 |
| | L&T Investment Management Limited | 0.73 | 0.90 |
| 12 | **Dividend income** | | |
| | L&T Investment Management Limited | 251.82 | 97.96 |
| 13 | **Payment / (Repayment) of security deposit** | | |
| | L&T Financial Consultants Limited | - | (0.42) |
| 14 | **Brand license fee to** | | |
| | Larsen & Toubro Limited | 0.11 | 2.89 |
| 15 | **Issue of equity shares on account of rights issue** | | |
| | Larsen & Toubro Limited | - | 1,907.65 |
| 16 | **Sale of investments / liquidation of subsidiary** | | |
| | L&T Capital Markets Limited | - | 71.10 |
| | L&T Capital Markets (Middle East) Limited | - | 14.32 |
| 17 | **Remuneration to key management personnel** | | |
| | **Short-term employee benefits paid to:** | | |
| | Mr. Dinanath Dubhashi | 12.25 | 5.76 |
| | Dr. Rajani R. Gupte | 0.27 | 0.12 |
| | Mr. P. V. Bhide | 0.36 | 0.19 |
| | Mr. Pavninder Singh | 0.26 | 0.21 |
| | Mr. Prabhakar B. | 0.21 | 0.14 |
| | Mr. S. V. Haribhakti | 0.65 | 0.59 |
| | Mr. Thomas Mathew T. | 0.30 | 0.23 |
| | Ms. Nishi Vasudeva | 0.23 | 0.14 |

**(c) Amount due to/from related parties:**

(₹ in crore)

| S. No. | Nature of Transactions | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| 1 | **Receivable from / (payable to)** | | |
| | L&T Finance Limited | (7.17) | 17.46 |
| | L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) | - | 0.70 |
| | L&T Investment Management Limited | - | (5.41) |
| | L&T Financial Consultants Limited | - | (0.23) |
| | Larsen & Toubro Limited | (0.12) | (3.10) |

# Notes forming part of standalone financial statements

(₹ in crore)

| S. No. | Nature of Transactions | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| 2 | **Outstanding balance of inter corporate deposits given (including interest accrued)** | | |
| | L&T Finance Limited | 1,037.59 | 1,075.54 |
| | L&T Financial Consultants Limited | 112.88 | 221.90 |
| 3 | **Security deposit given to** | | |
| | L&T Financial Consultants Limited | 0.11 | 0.11 |

**41 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, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| **Basic** | | | |
| Profit after tax (₹ crore) | A | 218.18 | 116.05 |
| Weighted average number of equity shares outstanding during the year (Nos.) | B | 2,472,614,063 | 2,164,026,642 |
| **Basic earning per share (₹)** | **A/B** | **0.88** | **0.54** |
| **Diluted** | | | |
| Profit after tax (₹ crore) | A | 218.18 | 116.05 |
| Weighted average number of equity shares outstanding during the year (Nos.) | B | 2,472,614,063 | 2,164,026,642 |
| Add: Weighted average no. of potential equity shares on account of employee stock options (Nos.) | C | 7,139,341 | 6,473,167 |
| Weighted average number of shares outstanding for diluted EPS (Nos.) | D=B+C | 2,479,753,404 | 2,170,499,809 |
| **Diluted earnings per share (₹)** | **A/D** | **0.88** | **0.53** |
| Face value of shares (₹) | | 10.00 | 10.00 |

**42 Disclosure pursuant to Ind AS 7 "Statement of Cash Flows" - Changes in liabilities arising from financing activities:**

(₹ in crore)

| Particulars | April 1, 2021 | Cash flows | Changes in fair values | Others | March 31, 2022 |
|---|---|---|---|---|---|
| Debt Securities | 652.98 | (652.98) | - | - | - |
| Borrowings (other than debt securities) | - | 5.00 | - | - | 5.00 |
| Subordinated debt | 1,120.24 | (1,024.10) | - | 3.68 | 99.82 |

# Notes forming part of standalone financial statements

(₹ in crore)

| Particulars | April 1, 2020 | Cash flows | Changes in fair values | Others | March 31, 2021 |
|---|---|---|---|---|---|
| Debt Securities | 1,462.68 | (818.93) | - | 9.23 | 652.98 |
| Borrowings (other than debt securities) | 280.11 | (280.11) | - | - | - |
| Subordinated debt | 1,717.84 | (600.00) | - | 2.40 | 1,120.24 |

## 43 Disclosure pursuant to Ind AS 105 "Non-current assets held for sale and discontinued operations":

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Investments held for sale (Refer note below) | 867.56 | - |

Investment held for sale as at March 31, 2021 included equity investment in wholly owned subsidiary company, L&T Investment Management Limited (LTIM) at ₹ 867.56 Crore. L&T Finance Holdings Limited ("The Holding Company") has entered into a definitive agreement with HSBC Asset Management (India) Private Limited ("HSBC AMC") on December 23, 2021 to sell 100% equity shares of L&T Investment Management Limited ("LTIM"), a wholly owned subsidiary of the Company, which is the investment manager of L&T Mutual Fund, for an aggregate purchase consideration of USD 425 million (subject to adjustments as set out in the definitive agreement). The said transaction is subject to the further regulatory approvals..Accordingly as required by Ind-AS 105, LTIM has been presented in the aforesaid financial results as "Non-Current Assets held for sale and discontinued operations".

## 44 Contingent liabilities and commitments

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Contingent liabilities | - | - |

The Company has assessed its obligations arising in the normal course of business, proceedings pending with tax authorities and other contracts including derivative and long term contracts wherever applicable. In accordance with the provisions of Indian Accounting Standard (Ind AS) - 37 on 'Provisions, Contingent Liabilities and Contingent Assets', the Company recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Company does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

## 45 Expenditure in foreign currency

(₹ in crore)

| Nature of transactions | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Professional and other fees (including reimbursement) | 0.72 | 0.69 |
| **Total** | **0.72** | **0.69** |

## 46 Contribution to political parties during the year 2021-22 is Nil (previous year Nil).

# Notes forming part of standalone financial statements

## 47 Trade payable includes amount payable to Micro and Small Enterprises as follows:

(₹ in crore)

| Particulars | 2021-22 | 2020-21 |
|---|---|---|
| (i) the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year; | – | – |
| (ii) the amount of interest paid by the Company in terms of section 16 of MSMED Act, 2006, along with the amounts of the payment made to the suppliers beyond the appointed day during the year; | – | – |
| (iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006; | – | – |
| (iv) the amount of interest accrued and remaining unpaid at the end of each accounting year; | – | – |
| (v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006. | – | – |

**Footnote:** The management has identified micro and small enterprises as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMED) on the basis of information made available by the supplier or vendors of the Company. Based on the information available with the Company, as at the year end, there are no dues to micro and small Enterprises that are reportable under the MSMED Act, 2006. The above information is provided by the management of the company and relied upon by the auditors.

## 48 There are no amounts due and outstanding to be credited to Investor Education & Protection Fund as at March 31, 2022

## 49 Events after the reporting period

There have been no events after the reporting date that require disclosure in the financial statements.

## 50 The Company has obtained the Certificate of Registration from the RBI as a Non-Banking Financial Institution - Core Investment Company (NBFC-CIC) on September 11, 2013 under Section 45-IA of the Reserve Bank of India Act, 1934.

## 51 Disclosures in terms of RBI Master Direction for Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and Master Direction- Core Investment Companies (Reserve Bank) Directions , 2016 have been given under Annexure-I to these financial statements:

# Notes forming part of standalone financial statements

## ANNEXURE- I

The disclosures as required by the RBI Master Directions has been prepared as per Indian Accounting Standards as mentioned in RBI circular RBI/2019-20/170/DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020

### 1) Exposure to Real Estate Sector

(₹ in crore)

| Category | 2021-22 | 2020-21 |
|---|---|---|
| **a) Direct exposure** | | |
| **(i) Residential Mortgages -** | | |
| Lending secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to ₹ 15 lakh may be shown separately) | - | - |
| **(ii) Commercial Real Estate -** | | |
| Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits; | - | - |
| **(iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures-** | | |
| a. Residential | - | - |
| b. Commercial Real Estate | - | - |
| **b) Indirect exposure** | | |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs). | - | - |

### 2) Asset Liability Management:

Maturity pattern of certain items of assets and liabilities

**As at March 31, 2022**

(₹ in crore)

| Particulars | 1 day to 30/31 days (one month) | Over 1 month to 2 months | Over 2 months upto 3 months | Over 3 months to 6 months | Over 6 months to 1 year | Over 1 year to 3 years | Over 3 years to 5 years | Over 5 years | As at March 31, 2022 |
|---|---|---|---|---|---|---|---|---|---|
| **Liabilities:** | | | | | | | | | |
| Borrowings from banks | - | - | - | - | - | 5.00 | - | - | 5.00 |
| Market Borrowings | - | - | - | - | 100.00 | - | - | - | 100.00 |
| **Assets:** | | | | | | | | | |
| Advances | 564.67 | - | 158.10 | - | 407.32 | - | - | - | 1,130.09 |
| Investments | - | - | - | - | 867.56 | - | - | 9,202.12 | 10,069.68 |

**Footnote:** The above bucketing has been arrived on the extant regulatory guidelines and the policy approved by the Board of Directors at its meeting held on January 15, 2021.

# Notes forming part of standalone financial statements

**Liabilities side:**

**3) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid**

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 Amount Outstanding | As at March 31, 2022 Amount Overdue | As at March 31, 2021 Amount Outstanding | As at March 31, 2021 Amount Overdue |
|---|---|---|---|---|---|
| (a) | Debentures: | | | | |
| | Secured | - | - | - | - |
| | Unsecured (Other than falling within the meaning of Public Deposits) | - | - | 204.23 | - |
| (b) | Deferred Credits | - | - | - | - |
| (c) | Term Loans | - | - | - | - |
| (d) | Inter-Corporate Loans and borrowings | - | - | - | - |
| (e) | Commercial Paper (net of unexpired discount charges) | - | - | 448.75 | - |
| (f) | Other Loans | - | - | - | - |
| | - Cash Credit | 5.00 | - | - | - |
| | - Subordinated Liabilties | 99.82 | - | 1,120.24 | - |

**Assets side:**

**4) Break-up of Loans and Advances including bills receivables [Other than those included in (5) below]**

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 Amount outstanding | As at March 31, 2021 Amount outstanding |
|---|---|---|---|
| (a) | Secured | - | - |
| (b) | Unsecured | 1,150.47 | 1,297.44 |

**5) Break-up of Leased Assets and Stock on Hire and hypothecation loans counting towards AFC activities**

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 Amount outstanding | As at March 31, 2021 Amount outstanding |
|---|---|---|---|
| (i) | Lease assets including lease rentals under sundry debtors: | | |
| | (a) Financial Lease | - | - |
| | (b) Operating Lease | - | - |
| (ii) | Stock on hire including hire charges under sundry debtors | | |
| | (a) Assets on Hire | - | - |
| | (b) Repossessed Assets | - | - |
| (iii) | Other loans counting towards AFC activities | | |
| | (a) Loans where assets have been repossessed | - | - |
| | (b) Loans other than (a) above | - | - |

# Notes forming part of standalone financial statements

## 6) Break-up of Investments

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 Amount outstanding | As at March 31, 2021 Amount outstanding |
|---|---|---|---|
| | **Current investments** | | |
| 1 | **Quoted** | | |
| | i. Shares: a. Equity | – | – |
| | b. Preference | – | – |
| | ii. Debentures and bonds | – | – |
| | iii. Units of mutual funds | – | – |
| | iv. Government securities | – | – |
| | v. Others | – | – |
| 2 | **Unquoted** | | |
| | i. Shares: a. Equity | – | – |
| | b. Preference | – | – |
| | ii. Debentures and bonds | – | – |
| | iii. Units of mutual funds | – | – |
| | iv. Government securities | – | – |
| | v. Others | – | – |
| | **Long term investments** | | |
| 1 | **Quoted** | | |
| | i. Shares: a. Equity | – | – |
| | b. Preference | – | – |
| | ii. Debentures and bonds | – | – |
| | iii. Units of mutual funds | – | – |
| | iv. Government securities | – | – |
| | v. Others | – | – |
| 2 | **Unquoted** | | |
| | i. Shares: a. Equity# | 9,202.12 | 10,069.68 |
| | b. Preference | – | – |
| | ii. Debentures and bonds | – | – |
| | iii. Units of mutual funds | – | – |
| | iv. Government securities | – | – |
| | v. Others | – | – |

# refer note 43

# Notes forming part of standalone financial statements

**7) Borrower group-wise classification of assets financed as in (2) above:**

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Secured | Unsecured | Total | Secured | Unsecured | Total |
| 1 | Related Parties | | | | | | |
| | (a) Subsidiaries | - | 1,150.47 | 1,150.47 | - | 1,297.44 | 1,297.44 |
| | (b) Companies in the same group | - | - | - | - | - | - |
| | (c) Other related parties | - | - | - | - | - | - |
| 2 | Other than related parties | - | - | - | - | - | - |
| | **Total** | **-** | **1,150.47** | **1,150.47** | **-** | **1,297.44** | **1,297.44** |

**8) Investor group-wise classification of all investments (current and non-current) in shares and securities (both quoted and unquoted):**

(₹ in crore)

| S. No. | Category | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|---|
| | | Market Value / Break up or fair value or NAV | Book Value (Net of Provisions) | Market Value / Break up or fair value or NAV | Book Value (Net of Provisions) |
| 1 | Related Parties | | | | |
| | (a) Subsidiaries # | 17,050.41 | 9,202.12 | 16,754.61 | 10,069.68 |
| | (b) Companies in the same group | - | - | - | - |
| | (c) Other related parties | - | - | - | - |
| 2 | Other than related parties | - | - | - | - |
| | **Total** | **17,050.41** | **9,202.12** | **16,754.61** | **10,069.68** |

# refer note 43

**9) Other information**

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 Amount outstanding | As at March 31, 2021 Amount outstanding |
|---|---|---|---|
| (i) | Gross Non-Performing Assets | | |
| | (a) Related parties | – | – |
| | (b) Other than related parties | – | – |
| (ii) | Net Non-Performing Assets | | |
| | (a) Related parties | – | – |
| | (b) Other than related parties | – | – |
| (iii) | Assets acquired in satisfaction of debt | – | – |

# Notes forming part of standalone financial statements

**10) Investments:**

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| 1 | Value of Investments | | |
| | (i) Gross Value of Investments | | |
| | (a) In India # | 9,202.12 | 10,069.68 |
| | (b) Outside India # | - | - |
| | (ii) Provisions for Depreciation | | |
| | (a) In India | - | - |
| | (b) Outside India | - | - |
| | (iii) Net Value of Investments | | |
| | (a) In India # | 9,202.12 | 10,069.68 |
| | (b) Outside India # | - | - |
| 2 | Movement of provisions held towards depreciation on investments | | |
| | (i) Opening balance | - | - |
| | (ii) Add: Provisions made during the year# | - | 7.56 |
| | (iii) Less: Write off/write back of excess provisions during the year# | - | (7.56) |
| | (iv) Closing balance | - | - |

# refer note 43

**11) Derivatives:**

1) **Forward Rate Agreement / Interest Rate Swap:** The Company has not traded in forward rate agreement/ Interest Rate Derivative during the financial year ended March 31, 2022 (Previous year: Nil)

2) **Exchange Traded Interest Rate (IR) Derivatives:** The Company has not traded in Exchange Traded Interest Rate (IR) Derivative during the financial year ended March 31, 2022 (Previous year: Nil)

**12) Securitisation:** No securitisation deal (including assignment deal) has carried out during the financial year ended March 31, 2022 (Previous year: Nil)

**13) Asset Liability Management Maturity Pattern:** Refer note no. 2 of Annexure-I of note 51 for details of Asset Liability Management Maturity Pattern

**14) Exposures:**

I) Exposures to Real Estate Sector: Refer note no. 1 of Annexure-I of note 51 for details of exposures to Real Estate Sector

II) Exposures to Capital Markets: None

III) Details of financing of parent company products: None

IV) The particulars of unsecured advances net off provision are given below:

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Intercorporate Deposit (inclusive of interest accrued) net of provision | 1,150.25 | 1,297.19 |

# Notes forming part of standalone financial statements

## 15) Miscellaneous

I) Registration obtained from other financial sector regulators: No registration has been obtained from other financial sector regulators.

II) Penalties imposed by RBI and other regulators: No penalties have been imposed by RBI or other regulators during the year. (Previous Year: NIL)

III) Ratings assigned by credit rating agencies and migration of ratings during the year:

(₹ in crore)

| Particulars | 2021-22 | | |
|---|---|---|---|
| | Non-Convertible Debentures | CRPS | Commercial Paper |
| India Ratings | IND AAA (Stable) | - | IND A1+ |
| CARE | CARE AAA (Stable) | CARE AAA (RPS) / (Stable) | CARE A1+ |
| ICRA | ICRA AAA (Stable) | - | ICRA A1+ |
| CRISIL | CRISIL AAA (Stable) | CRISIL AAA (Stable) | CRISIL A1+ |
| **Particulars** | **2020-21** | | |
| | **Non-Convertible Debentures** | **CRPS** | **Commercial Paper** |
| India Ratings | IND AAA (Stable) | - | IND A1+ |
| CARE | CARE AAA (Stable) | CARE AAA (RPS) / (Stable) | CARE A1+ |
| ICRA | ICRA AAA (Negative) | - | ICRA A1+ |
| CRISIL | CRISIL AAA (Stable) | CRISIL AAA (Stable) | CRISIL A1+ |

IV) Postponements of revenue recognition: Current year: Nil (Previous year: Nil)

## 16) Provisions and Contingencies:

I) Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account:

(₹ in crore)

| Particulars | 2021-22 | 2020-21 |
|---|---|---|
| Provisions for depreciation on investment | - | 7.56 |
| Provision towards non-performing assets | Nil | Nil |
| Provision made towards Income tax | | |
| (shown below profit before tax) | | |
| Current tax | 36.40 | 72.79 |
| Deferred tax | (0.15) | (0.05) |
| Current tax relating to earlier years | - | - |
| Impact of change in the rate on opening deferred tax | - | - |
| Other provision and contingencies: | | |
| Provision for standard assets | (0.03) | 0.03 |

# Notes forming part of standalone financial statements

**17) Concentration of Advances and NPAs:**

I) Concentration of Advances:

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Total Inter corporate deposit to twenty largest borrowers (including interest accrued) | 1,150.47 | 1,297.44 |
| Percentage of advances to twenty largest borrowers to total advances of the Company | 100% | 100% |

II) Concentration of NPAs:

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Total Exposure to top five NPA accounts | – | – |

**18) Disclosure of customer complaints:**

(₹ in crore)

| S. No. | Particulars | 2021-22 | 2020-21 |
|---|---|---|---|
| (i) | No. of complaints pending at the beginning of the year | Nil | Nil |
| (ii) | No. of complaints received during the year | Nil | Nil |
| (iii) | No. of complaints redressed during the year | Nil | Nil |
| (iv) | No. of complaints pending at the end of the year | Nil | Nil |

## 52 Impairment reserve

As per the RBI circular RBI/2019-20/170 dated 13th March, 2020, where impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), NBFCs/ARCs shall 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.

**Impairment Reserve FY 21-22**

(₹ in crore)

| | | Loss Allowances (Provisions) as required under Ind AS 109 | | | | |
|---|---|---|---|---|---|---|
| Asset Classification as per RBI Norms | Asset classification as per Ind AS 109 | Gross Carrying Amount as per Ind AS | Loss Allowances (Provisions) as required under Ind AS 109 | Net Carrying Amount | Provisions required as per IRACP norms | Difference between Ind AS 109 provisions and IRACP norms |
| (1) | (2) | (3) | (4) | (5)=(3)-(4) | (6) | (7)=(4)-(6) |
| Performing Assets | - | - | - | - | - | - |
| Standard | Stage 1 | 1,150.47 | 0.22 | 1,150.25 | 4.60 | 4.38 |
| **Total** | | **1,150.47** | **0.22** | **1,150.25** | **4.60** | **4.38** |

# Notes forming part of standalone financial statements

**Impairment Reserve FY 20-21**

(₹ in crore)

| Asset Classification as per RBI Norms | Asset classification as per Ind AS 109 | Gross Carrying Amount as per Ind AS | Loss Allowances (Provisions) as required under Ind AS 109 | Net Carrying Amount | Provisions required as per IRACP norms | Difference between Ind AS 109 provisions and IRACP norms |
|---|---|---|---|---|---|---|
| | | Loss Allowances (Provisions) as required under Ind AS 109 | | | | |
| (1) | (2) | (3) | (4) | (5)=(3)-(4) | (6) | (7)=(4)-(6) |
| Performing Assets | | | | | | |
| Standard | Stage 1 | 1,297.44 | 0.25 | 1,297.19 | 5.19 | 4.94 |
| **Total** | | **1,297.44** | **0.25** | **1,297.19** | **5.19** | **4.94** |

**53** Disclosures in terms of RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 04, 2019 have been given under Annexure-II to these financial statements:

**ANNEXURE-II - Disclosure on Liquidity Risk**

RBI has issued final guidelines on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies on November 04, 2019. As per the said guidelines, NBFC are required to publicly disclose the below information related to liquidity risk on a quarterly basis. Accordingly, the disclosure on liquidity risk as at March 31, 2022 is as under:

**(i) Funding Concentration based on significant counterparty**

| S. No. | No. of Significant Counterparties | As at March 31, 2022<br>Amount (₹ crore) | % of Total Deposits | % of Total Liabilities |
|---|---|---|---|---|
| 1 | 13 | 40.81 | N.A. | 26.62% |

| S. No. | No. of Significant Counterparties | As at March 31, 2021<br>Amount (₹ crore) | % of Total Deposits | % of Total Liabilities |
|---|---|---|---|---|
| 1 | 8 | 735.00 | N.A. | 40.00% |

**Notes:**

- A "Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs
- Total Liabilities has been computed as Total Assets less Equity share capital less Reserve & Surplus and computed basis extant regulatory ALM guidelines

**(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits) – Not Applicable**

# Notes forming part of standalone financial statements

**(iii) Top 10 borrowings**

| As at March 31, 2022 | |
|---|---|
| **Amount (₹ crore)** | **% of Total Borrowings** |
| 35.80 | 34.10% |

| As at March 31, 2021 | |
|---|---|
| **Amount (₹ crore)** | **% of Total Borrowings** |
| 764.00 | 43.00% |

**Note:**

Total Borrowing has been computed as Gross Total Debt basis extant regulatory ALM guidelines.

**(iv) Funding Concentration based on significant instrument / product:**

| S. No. | Name of the product | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|---|
| | | Amount (₹ in crore) | % of Total Liabilities | Amount (₹ in crore) | % of Total Liabilities |
| 1 | Preference Shares | 100.00 | 65.24% | 1,124.10 | 61.27% |
| 2 | Commercial Papers | - | 0.00% | 450.00 | 24.52% |
| 3 | Private NCD | - | 0.00% | 195.00 | 10.63% |
| 4 | Working Capital Bank Lines (CC/LOC/WCDL) | 5.00 | 3.26% | - | 0.00% |
| | **Total** | 105.00 | 68.50% | 1,769.10 | 96.42% |

Note:

- A "significant instrument/product" is defined as a single instrument/product of group of similar instruments/products which in aggregate amount to more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs.
- Total Liabilities has been computed as Total Assets less Equity share capital less Reserve & Surplus and computed basis extant regulatory ALM guidelines.

**(v) Stock Ratios:**

| S. No. | Stock Ratio | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| 1 | Commercial papers as a % of total liabilities | 0.00% | 24.53% |
| 2 | Commercial papers as a % of total assets | 0.00% | 3.50% |
| 3 | Non-convertible debentures (original maturity of less than one year) as a % of total liabilities | 0.00% | 0.00% |
| 4 | Non-convertible debentures (original maturity of less than one year) as a % of total assets | 0.00% | 0.00% |
| 5 | Other short-term liabilities as a % of total liabilities | 96.60% | 17.19% |
| 6 | Other short-term liabilities as a % of total assets | 1.30% | 2.46% |

**Notes:**

- Commercial Paper for stock ratio is the Gross outstanding (i.e. Maturity amount).
- Other Short-term Liabilities has been computed as Total Short-term Liabilities less Commercial paper less Non-convertible debentures (Original maturity of less than one year), basis extant regulatory ALM guidelines.

# Notes forming part of standalone financial statements

**(vi) Institutional set-up for Liquidity Risk Management**

The Board of Directors of the Company has an overall responsibility and oversight for the management of all the risks, including liquidity risk, to which the Company 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 Company. 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 Company 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.

**54** Disclosures in terms of RBI/2020-21/24 DoR (NBFC) (PD) CC. No. 117/03.10.001/2020-21 dated August 13, 2020 have been given under:

**1) Components of ANW and other related information:** (₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| (i) | ANW as a % of Risk weighted Assets | 98.70% | 94.86% |
| (ii) | Unrealised appreciation in the book value of quoted investments | - | - |
| (iii) | Diminution in the aggregate book value of quoted investments | - | - |
| (iv) | Leverage Ratio | 0.03 | 0.19 |

**2) Investment in other CICs** (₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| a) | Total amount representing any direct or indirect capital contribution made by one CIC in another CIC (including name of CICs) | - | - |
| b) | Number of CICs with their names wherein the direct or indirect capital contribution exceeds 10% of Owned Funds | - | - |
| c) | Number of CICs with their names wherein the direct or indirect capital contribution is less than 10% of Owned Funds | - | - |

# Notes forming part of standalone financial statements

## 3) Off Balance Sheet Exposure

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| (i) | Off balance sheet exposure | - | - |
| (ii) | Financial Guarantee as a % of total offbalance sheet exposure | - | - |
| (iii) | Non-Financial Guarantee as a% of total offbalance sheet exposure | - | - |
| (iv) | Off balance sheet exposure to overseas subsidiaries | - | - |
| (v) | Letter of Comfort issued to any subsidiary | - | - |

## 4) Business Ratios

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| (i) | Return on Equity (RoE) | 1.94 | 1.05 |
| (ii) | Return on Assets (RoA) | 1.91 | 0.90 |
| (iii) | Net profit per employee (₹ in crore) | 218.18 | 58.03 |

## 5) Ratios Analysis as requried by Schedule III of the Companies Act, 2013

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 | % Variance |
|---|---|---|---|---|
| (i) | Capital ratio[1] | 98.70% | 94.86% | 3.84% |
| (ii) | Tier I CRAR[2] | Not Applicable | Not Applicable | Not Applicable |
| (iii) | Tier II CRAR[2] | Not Applicable | Not Applicable | Not Applicable |
| (iv) | Liquidity coverage ratio[2] | Not Applicable | Not Applicable | Not Applicable |

**Note:**

1. Capital ratio = Adjusted net worth/ Risk weighted assets, calculated as per applicable RBI guidelines.
2. The Company is registered under the Reserve Bank of India Act, 1934 as systematically important non-deposit accepting core investment company, hence these ratios are generally not applicable.

## 6) Overseas assets

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| (i) | L&T Capital Markets (Middle East) | | |
| | - Relationship - Subsidiary | | |
| | - Country - United Arab Emirates (UAE) | | |
| | - Assets: | | |
| | a) Investment held for sale | - | - |
| | b) Loans and advances | - | - |

# Notes forming part of standalone financial statements

**7) Dividend distributed to equity shareholders**

The Board has proposed a final dividend of ₹ 0.50 per equity share for financial year ended March 31, 2022 in the Board of Directors meeting held on April 29, 2022.

| Financial Year | Net Profit for the year ended (₹ in crore) | Rate of Dividend (%) | Amount of Dividend (₹ in crore) | Dividend Payout Ratio (%) |
|---|---|---|---|---|
| 2021-22 | 218.18 | 5.00% | 123.70 | 56.70% |

## 55 Relationship with Struck off Companies

| Sr No | Name of struck off Company | Nature of transactions with struck off Company | Balance Outstanding as at March 31, 2022 (₹ in crore) | Balance Outstanding as at March 31, 2021 (₹ in crore) | Relationship with the struck off Company |
|---|---|---|---|---|---|
| 1 | Victor Properties Private Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 2 | Pegasus Mercantile Private Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 3 | Architectural Glass Private Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 4 | Kothari Intergroup Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 5 | Sanvi Fincare Consultancy Private Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |

*Amount less than ₹ 50,000

## 56 The following additional information (other than what is already disclosed elsewhere) is disclosed in terms of amendments dated March 24, 2021 in Schedule III to the Companies Act 2013 with effect from 1st day of April, 2021:-

1. There are no charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period as applicable.

2. The Company has not traded or invested in Crypto currency or Virtual Currency during the financial year 2021-2022.

3. There is no proceeding has been initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

4. The details is not applicable to the Company, related to transactions not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme and shall also state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

# Notes forming part of standalone financial statements

5. The Company is not declared wilful defaulter by any bank or financial Institution or other lender.

6. The Company has not advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall :

   (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or

   (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;

7. The Company has not received any funds from any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Company shall:

   (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

   (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;

8. The Compliance with number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of layers) Rule, 2017 is not applicable as the Company is registered as non banking financial company with Reserve Bank India.

**57** In assessing the recoverability of loans, receivables, intangible assets and investments, the Company has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. However, the going concern assumption will not get impacted by the COVID-19 pandemic.

**58** The above standalone financial statements have been reviewed by the audit committee and subsequently approved by the Board of Directors at its meeting held on April 29, 2022.

**59** Previous year figures have been regrouped / reclassified to make them comparable with those of current year.

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Independent Auditors' Report

To
The Members of
L&T Finance Holdings Limited

### Report on the audit of the Consolidated Ind AS Financial Statements

### Opinion

1. We have audited the accompanying Consolidated Ind AS financial statements of L&T Finance Holdings Limited ("the Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 March 2022 and the consolidated statement of profit (including other comprehensive income), the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information ("the Consolidated Ind AS Financial Statements").

2. 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 other auditors on separate financial statements of such subsidiaries, as are audited by the other auditors and in case of entity referred to in paragraph 18 below, based on consideration of management certified financial statements, the aforesaid Consolidated Ind AS 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 accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2022, and its consolidated profit and other comprehensive income, consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Ind AS 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 Ind AS Financial Statements under the provisions of the Act, and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained along with the consideration of audit reports of the other auditors referred to in the "Other Matters" paragraph below is sufficient and appropriate to provide a basis for our opinion on the Consolidated Ind AS Financial Statements.

### Emphasis of Matter

4. Audit report of L&T Infra Credit Limited ("LTICL"), a subsidiary company, dated 27 April 2022 contained the following para:

   "Attention is drawn to Note no 47 of the Financial Statements, regarding application filed by LTICL with the Reserve Bank of India ("RBI") for converting itself from an Infrastructure Debt Fund – NBFC (IDF-NBFC) to an Investment and Credit Company – NBFC (ICC-NBFC) consequent to merger of the Sponsor company L&T Infrastructure Finance Company Limited ("LTIFC") with the Holding Company as per orders of National Company Law Tribunal. Our opinion is not modified in respect of this matter."

### Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Ind AS Financial Statements of the current year. These matters were addressed in the context of our audit of the Consolidated Ind AS Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Impairment of goodwill on consolidation:<br><br>The Goodwill on consolidation 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.<br><br>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.</td><td>Principal audit procedures:<br><br>• Obtained an understanding of Management's processes and controls with regard to testing the goodwill for impairment.<br><br>• Assessed the appropriateness of the forecast cash flows within the budgeted period based on the understanding of the business and sector experience. Verifying the profitability and cashflow position of the concerned entities<br><br>• Considered historical forecasting accuracy, by comparing previously forecasted cash flows to actual results achieved.</td></tr>
<tr><td colspan="2">Fair Value Measurement / Impairment of loans and advances to customers<br>Refer note 1.10 to the Consolidated Ind AS Financial Statements</td></tr>
<tr><td>Subjective estimate<br>As at 31 March 2022, the Group has reported gross loan assets of ₹ 86,805.25 crores against which an impairment loss of ₹ 4,335.81 crores has been recorded. The Group has recognized impairment provision for loan assets based on the Expected Credit Loss ("ECL") approach laid down under 'Ind AS 109 – Financial Instruments'. The estimation of ECL on financial instruments involves significant management judgement and estimates and the use of different modelling techniques and assumptions which could have a material impact on reported profits. Significant management judgement and assumptions involved in measuring ECL is required with respect to:<br>• Completeness and accuracy of the data used to create assumption in the model<br>• determining the criteria for a significant increase in credit risk<br>• factoring in future economic indicators<br>• techniques used to determine probability of default ('PD'), loss given default ('LGD') and exposure at default.<br>These parameters are derived from the Group's internally developed statistical models and other historical data.<br>Further, continuous regulatory overview and changes in the light of economic environment makes this a significant audit area.<br><br>On the basis of estimate made by the management of the Company for provisioning requirements in addition to the output of the ECL models, macroeconomic overlays and adjustments are recognised by the Group in order to align historic LGD estimates with the current</td><td>Our audit procedures included the following:<br>Design / controls<br>Key aspects of our controls testing for the Group involved the following:<br>• Evaluating the appropriateness of the impairment principles used by management based on the requirements of Ind AS 109 and our business understanding.<br>• For the Holding Company and its subsidiaries, testing the 'Governance Framework' controls over validation, implementation, and model monitoring in line with the RBI guidance.<br>Substantive tests<br>Key aspects of our testing included the following:<br>• Inquiries with Management regarding the ECL framework, Group policies on ECL and management overlay and reasonableness of the Group's considerations of the impact of the current economic environment due to COVID-19 on the ECL determination.<br>• Inquiring with respective component auditors about the above matters and seeking the explanations based on their audit procedures.<br>• Placing reliance on responses by auditors of lending companies to our group reporting instructions ("GRI") pertaining to their performing testing of completeness, accuracy and relevance of data while arriving at the provisions.<br>• Ascertainment of adequacy of such provisions based on above at the consolidated level.</td></tr>
</table>

| Key Audit Matter | How the matter was addressed in our audit |
|---|---|
| collection and recovery practices. The basis of estimates and assumptions involved in arriving at the overlay are monitored by the Group periodically and significantly depend on future developments in the economy including expected impairment losses.<br><br>**Disclosure**<br>The disclosures regarding the Group's application of Ind AS 109 are key to explaining the key judgements and material inputs to ECL results. Further, disclosures to be provided as per RBI circulars with regard to non-performing assets and provisions is also an area of focus. Considering the significance of the above matter to the overall financial statements, additional complexities involved on account of ongoing impact of COVID-19 and extent of management's estimates and judgements involved, it required significant auditor attention, hence the key audit matter. | |
| **Information technology system for the financial reporting and Consolidation process** | |
| The Group is highly dependent upon its information technology (IT) systems for carrying out its operations and owing to the significant volume of transactions that are processed, which impacts key financial accounting and reporting. The company has put in place the IT General Controls and application controls to ensure that the information produced by the company is reliable. Among other things, the Management also uses the information produced by the entity's IT systems for accounting, preparation and the presentation of the financial statements. Considering numerous entities across different business lines to be covered by consolidation, our audit strategy included focus on entity's key IT systems relevant to our audit due to their potential pervasive impact on the financial statements, hence a key audit matter | We have assessed the IT systems and controls over financial reporting, which includes carrying out the key audit procedures, but were not limited to the following:<br>• we obtained an understanding of the Group's key IT systems, IT General Controls which covered access controls, program/ system changes, program development and computer operations i.e. job processing, data/ system backup and incident management and application controls relevant to our audit<br>• We also tested the accounting entries manually for consolidation to ensure completeness and accuracy. |

## Other Information

6. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's annual report but does not include the Consolidated Ind AS Financial Statements and our auditors' report thereon. The Other Information is expected to be made available to us after the date of this auditor's report.

7. Our opinion on the Consolidated Ind AS Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

**Management's and Board of Directors' responsibility for the Consolidated Ind AS Financial Statements**

9. The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these Consolidated Ind AS Financial Statements, that give a true and fair view of the consolidated state of affairs, consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ("Ind AS") specified under section 133 of the Act. The respective Management and 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; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Ind AS 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 Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

10. In preparing the Consolidated Ind AS Financial Statements, the respective Management and Board of Directors of the companies included in the Group are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

11. The respective Management and Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

**Auditor's responsibilities for the audit of the Consolidated Ind AS Financial Statements**

12. Our objectives are to obtain reasonable assurance about whether the Consolidated Ind AS 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 Ind AS Financial Statements.

13. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

13.1 Identify and assess the risks of material misstatement of the Consolidated Ind AS 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.

13.2 Obtain an understanding of internal 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 Holding Company and its subsidiary companies have adequate internal financial controls with reference to the Consolidated Ind AS Financial Statements and the operating effectiveness of such controls.

13.3 Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

13.4 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 Ind AS 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.

13.5 Evaluate the overall presentation, structure and content of the Consolidated Ind AS Financial Statements, including the disclosures, and whether the Consolidated Ind AS Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

13.6 Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Ind AS Financial Statements. We are responsible for the direction, supervision and performance of the audit of financial statements of the Company. For the other entities included in the Consolidated Ind AS Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits conducted by them. We remain solely responsible for our audit opinion.

13.7 Materiality is the magnitude of misstatements in the consolidated Ind AS financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated Ind AS financial statements may be influenced.

13.8 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 Ind AS financial statements.

14. We communicate with those charged with governance of the Holding Company and such other entities included in the Consolidated Ind AS 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.

15. 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.

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Ind AS Financial Statements of the current year 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**

17. We did not audit the financial statements of eight subsidiaries whose financial statements reflect Group's share of total assets of ₹ 1,06,464.30 Crores as at 31 March 2022, Group's share of total revenues of ₹ 12,747.80 Crores, Group's share of total net profit after tax of ₹ 1028.51 Crores, Group's share of total comprehensive income of ₹ 1,090.22 Crores and net cash outflows amounting to ₹ 771.61 Crores for the year ended on that date, as considered in the Consolidated Ind AS 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 Ind AS 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 section 143(3) of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

18. We did not audit the financial statements of 1 subsidiary whose financial statements/ financial information reflect Group's share of total assets of ₹ 399.32 Crores as at 31 March 2022, Group's share of total revenues of ₹ 0.04 Crores, Group's share of total net loss after tax of ₹ 46.33 Crores, Group's share of total comprehensive income of ₹ (46.33) crores and net cash inflows amounting to Rs. 0.01 crores for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. This financial statements / financial information are unaudited and have been furnished to us by the management and our opinion on the Consolidated Ind AS Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these entity, and our report in terms of section 143(3) of the Act in so far as it relates to the said entity, is based solely on such unaudited financial statements / financial information, as certified by the management of the Company. In our opinion and according to the information and explanations given to us by the Management, this financial statements / financial information is not material to the Group.

19. Attention is drawn to the fact that the audited Consolidated Ind AS Financial Statements of the Company for the year ended 31 March 2021 were audited by erstwhile auditors whose report dated 29 April 2021, expressed an unmodified opinion on those audited consolidated Ind AS financial statements. Our opinion is not modified in respect of this matter.

20. Our opinion on the Consolidated Ind AS Financial Statements, 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 and the financial information as certified by the management.

**Report on Other Legal and Regulatory Requirements**

21. As required by section 143(3) of the Act, based on our audit and on the consideration of audit reports of the other auditors on separate financial statements of such subsidiaries, as were audited by other auditors, as noted in the 'Other Matters' paragraph thereof, we report that:

21.1 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 Ind AS Financial Statements.

21.2 In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

21.3 The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flow dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Ind AS Financial Statements.

21.4 In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Ind AS specified under Section 133 of the Act.

21.5 On the basis of the written representations received from the directors of the Holding Company as on 31 March 2022, taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies none of the directors of the Group companies, incorporated in India are disqualified as on 31 March 2022 from being appointed as a director in terms of Section 164(2) of the Act.

21.6 With respect to the adequacy of internal financial controls with reference to the Consolidated Ind AS Financial Statements of the Holding Company and its subsidiary companies and the operating effectiveness of such controls, refer to our separate report in "Annexure A".

21.7 In our opinion and according to the information and explanations given to us the remuneration paid during the current year by the Holding Company, to its directors is in accordance with the provisions of Section 197 of the Act read with Schedule V to the Act

22. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information

and according to the explanations given to us and based on the consideration of audit reports of the other auditors on separate financial statements of such subsidiaries, as noted in the 'Other Matters' paragraph:

22.1 The Consolidated Ind AS Financial Statements disclose the impact of pending litigations as at 31 March 2022 on the consolidated financial position of the Group, Refer Note 46 to the consolidated Ind AS financial statements.

22.2 Provision has been made in the Consolidated Ind AS Financial Statements, as required under the applicable law or Ind AS, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 46 to the Consolidated Ind AS Financial Statements in respect of such items as it relates to the Group.

22.3 There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by its subsidiary companies.

22.4 The respective Managements of the Company and its subsidiaries have represented to us and based on the reports of auditors of such subsidiaries respectively which are referred to in para 17 above, to the best of their knowledge and belief that no funds (which are material either individually or in aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Group to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries. Based on reasonable audit procedures adopted by us, nothing has come to our notice that such representation contains any material misstatement.

22.5 The respective Managements of the Company and its subsidiaries have represented to us and based on the reports of auditors of such subsidiaries respectively which are referred to in para 17 above, to the best of their knowledge and belief that no funds (which are material either individually or in aggregate) have been received by the Group from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Group shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries. Based on reasonable audit procedures adopted by us, nothing has come to our notice that such representation contains any material misstatement.

22.6 In our opinion and according to the information and explanations given to us, the dividend declared during the year by the Holding Company is in compliance with provisions of Section 123 of the Act.

23. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditor's Report) Order, 2020 (the "CARO") issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditor's report, according to the information and explanations given to us, and based on the CARO reports issued by us for the Company and based on our consideration of CARO reports issued by the respective auditors of the Company's such subsidiaries as referred to in paragraph 17 above, we report that there are no qualifications or adverse remarks in these CARO reports.

**For Khimji Kunverji & Co LLP**
Chartered Accountants
Firm Registration Number: 105146W/W100621

**Hasmukh B Dedhia**
Partner
ICAI Membership No: 033494
UDIN: 22033494AIBGCT5649

Place: Mumbai
Date: 29 April 2022

# Annexure 'A' to the Independent Auditors' Report

**Annexure A to the Independent Auditors' report on the Consolidated Ind AS Financial Statements of L&T Finance Holdings Limited for the year ended 31 March 2022**

(Referred to in paragraph 21.6 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls with reference to the aforesaid Consolidated Ind AS Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

## Opinion

1. In conjunction with our audit of the Consolidated Ind AS Financial Statements of L&T Finance Holdings Limited as of and for the year ended 31 March 2022, we have audited the internal financial controls with reference to the Consolidated Ind AS Financial Statements of L&T Finance Holdings Limited ("the Holding Company") and its subsidiary companies as of that date.

2. In our opinion, the Holding Company, and its subsidiary companies have, in all material respects, an adequate internal financial controls with reference to the Consolidated Ind AS Financial Statements and such internal financial controls were operating effectively as at 31 March 2022, based on the internal controls over financial reporting criteria established by the respective companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("the Guidance Note").

## Management's responsibility for Internal Financial Controls

3. The respective management and Board of Directors of the Holding Company and its subsidiary companies are responsible for establishing and maintaining internal financial controls with reference to consolidated Ind AS financial statements based on the internal controls over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note. 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 Act.

## Auditor's responsibility

4. Our responsibility is to express an opinion on the Holding Company and its subsidiaries internal financial controls with reference to the Consolidated Ind AS Financial Statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ("SA"), prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the Consolidated Ind AS Financial Statements. Those SAs 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 with reference to the Consolidated Ind AS Financial Statements were established and maintained and if such controls operated effectively in all material respects.

5. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to the Consolidated Ind AS Financial Statements and their operating effectiveness. Our audit of internal financial controls with reference to the Consolidated Ind AS Financial Statements included obtaining an understanding of internal financial controls with reference to the Consolidated Ind AS Financial Statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls 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 Consolidated Ind AS Financial Statements, whether due to fraud or error.

6. We believe that the audit evidence we have obtained, and the audit evidence obtained by the other auditors 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 with reference to the Consolidated Ind AS Financial Statements.

**Meaning of Internal Financial controls with reference to the Consolidated Ind AS Financial Statements**

7. A company's internal financial controls with reference to the Consolidated Ind AS Financial Statements 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 controls with reference to the Consolidated Ind AS Financial Statements 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 Financial Controls with reference to the consolidated Ind AS Financial Statements**

8. Because of the inherent limitations of internal financial controls with reference to the Consolidated Ind AS Financial Statements, 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 with reference to the Consolidated Ind AS Financial Statements to future periods are subject to the risk that the internal financial controls with reference to the Consolidated Ind AS Financial Statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Other Matter**

9. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls system with reference to the Consolidated Ind AS Financial Statements in so far as it relates to eight subsidiary companies, is based on the corresponding reports of the auditors of such subsidiaries.

   Our opinion is not modified in respect of the above matter.

**For Khimji Kunverji & Co LLP**
Chartered Accountants
Firm Registration Number: 105146W/W100621

**Hasmukh B. Dedhia**
Partner
ICAI Membership No: 033494
UDIN: 22033494AIBGCT5649

**Place:** Mumbai
**Date:** 29 April 2022

# Consolidated Balance Sheet as at March 31, 2022

(₹ in crore)

| Particulars | Note No. | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **ASSETS:** | | | |
| **(1) Financial assets** | | | |
| (a) Cash and cash equivalents | **2** | 4,915.98 | 6,947.79 |
| (b) Bank balance other than (a) above | **3** | 3,054.44 | 1,479.18 |
| (c) Derivative financial instruments | **4** | 207.12 | 32.60 |
| (d) Receivables | **5** | | |
| (I) Trade receivables | | 15.92 | 47.31 |
| (II) Other receivables | | 47.76 | 66.04 |
| (e) Loans | **6** | 82,469.44 | 87,030.25 |
| (f) Investments | **7** | 11,916.94 | 8,872.13 |
| (g) Other financial assets | **8** | 93.31 | 79.61 |
| | | **102,720.91** | **104,554.91** |
| **(2) Non-financial assets** | | | |
| (a) Current tax assets (net) | | 695.99 | 663.87 |
| (b) Deferred tax assets (net) | **45** | 1,444.57 | 1,635.28 |
| (c) Investment property | **9** | 324.18 | 327.26 |
| (d) Property, plant and equipment | **10** | 23.98 | 31.40 |
| (e) Intangible assets under development | **10** | 21.81 | 23.84 |
| (f) Goodwill on consolidation | | 13.40 | 636.71 |
| (g) Other intangible assets | **10** | 116.02 | 112.85 |
| (h) Right of use asset | **11, 42** | 31.23 | 30.07 |
| (i) Other non-financial assets | **12** | 682.68 | 955.46 |
| | | **3,353.86** | **4,416.74** |
| **(3) Group of assets classified as held for sale** | **44** | **827.41** | **-** |
| **TOTAL ASSETS** | | **106,902.18** | **108,971.65** |
| **LIABILITIES AND EQUITY:** | | | |
| **LIABILITIES** | | | |
| **(1) Financial liabilities** | | | |
| (a) Payables | **13** | | |
| (I) Trade payables | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | | 0.19 | - |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | | 432.42 | 371.73 |
| (II) Other payables | | | |
| (i) total outstanding dues of micro enterprises and small enterprises | | - | - |

# Consolidated Balance Sheet as at March 31, 2022 (Contd...)

| Particulars | Note No. | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises | | 6.49 | 5.06 |
| (b) Debt securities | **14** | 42,194.10 | 46,027.46 |
| (c) Borrowings (other than debt securities) | **15** | 39,323.81 | 37,582.58 |
| (d) Subordinated liabilities | **16** | 3,683.32 | 4,945.73 |
| (e) Lease Liability | **42** | 35.53 | 35.80 |
| (f) Other financial liabilities | **17** | 672.28 | 598.06 |
| | | **86,348.14** | **89,566.42** |
| **(2) Non-financial liabilities** | | | |
| (a) Current tax liabilities (net) | | 235.45 | 312.36 |
| (b) Provisions | **18** | 28.15 | 33.95 |
| (c) Deferred tax liabilities (net) | **45** | 21.80 | 24.89 |
| (d) Other non-financial liabilities | **19** | 56.13 | 63.68 |
| | | **341.53** | **434.88** |
| **(3) Group of liabilities classified as held for sale** | **44** | **84.98** | **-** |
| **(4) EQUITY** | | | |
| (a) Equity share capital | **20** | 2,474.04 | 2,469.45 |
| (b) Other equity | **21** | 17,473.66 | 16,303.75 |
| **Equity attributable to owners of the Company** | | **19,947.70** | **18,773.20** |
| **(5) Non-controlling interest** | | 179.83 | 197.15 |
| **Total Liabilities and Equity** | | **106,902.18** | **108,971.65** |
| Significant accounting policies | **1** | | |
| See accompanying notes forming part of the consolidated financial statements | **2 to 60** | | |

In terms of our report attached of even date
**For Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W-100621

**Hasmukh Dedhia**
Partner
Membership no. 033494

Place : Mumbai
Date : April 29, 2022

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Consolidated Statement of Profit and Loss for the year ended March 31, 2022

(₹ in crore)

| | Particulars | Note No. | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|---|
| | **Revenue from operations** | | | |
| (i) | Interest income | 22 | 11,704.17 | 13,104.85 |
| (ii) | Dividend income | 23 | 0.18 | 0.04 |
| (iii) | Rental income | 24 | 7.92 | 10.10 |
| (iv) | Fees and commission income | 25 | 210.21 | 230.79 |
| (v) | Net gain on fair value changes | 26 | 7.22 | 4.96 |
| (vi) | Net gain on derecognition of financial instruments under amortised cost category | 27 | - | 2.11 |
| **(I)** | **Total revenue from operations** | | **11,929.70** | **13,352.85** |
| (II) | Other income | 28 | 393.85 | 400.48 |
| **(III)** | **Total income (I+II)** | | **12,323.55** | **13,753.33** |
| | **Expenses** | | | |
| (i) | Finance costs | 29 | 5,753.79 | 7,212.62 |
| (ii) | Fees and commission expense | 30 | 1.06 | 3.36 |
| (iii) | Net loss on fair value changes | 31 | 1,089.11 | 420.42 |
| (iv) | Net loss on derecognition of financial instruments under amortised cost category | 32 | 285.01 | 237.25 |
| (v) | Impairment on financial instruments | 33 | 1,709.17 | 2,978.03 |
| (vi) | Employee benefits expenses | 34 | 1,094.84 | 938.07 |
| (vii) | Depreciation, amortization and impairment | 35 | 102.64 | 85.66 |
| (viii) | Other expenses | 36 | 1,065.08 | 842.19 |
| **(IV)** | **Total expenses (IV)** | | **11,100.70** | **12,717.60** |
| **(V)** | **Profit before exceptional items and tax (III-IV)** | | **1,222.85** | **1,035.73** |
| (VI) | Exceptional items | | - | 225.61 |
| **(VII)** | **Profit before tax from continuing operations (V - VI)** | | **1,222.85** | **1,261.34** |
| **(VIII)** | **Tax expense** | | | |
| | (i) Current tax | 37 | 210.89 | 689.72 |
| | (ii) Deferred tax | 37 | 162.73 | (166.61) |
| **(IX)** | **Profit after tax from continuing operations (VII -VIII)** | | **849.23** | **738.23** |
| **(X)** | **Share in profit of associates** | | **-** | **-** |
| **(XI)** | **Profit after tax and share in profit of associate company from continuing operations (IX+X)** | | **849.23** | **738.23** |
| | **Discontinued operations** | | | |
| **XII** | Profit before tax from discontinued operations | | 251.96 | 233.86 |
| **XIII** | Tax expense of discontinued operations | | 51.95 | 23.21 |
| **XIV** | **Profit after tax from discontinued operations** | | **200.01** | **210.65** |
| **XV** | **Net profit after tax from continuing operations and discontinued operations** | | **1,049.24** | **948.88** |
| **XVI** | **Profit for the year attributable to:** | | | |
| | Owners of the company | | 1,070.11 | 970.94 |
| | Non-controlling interest | | (20.87) | (22.06) |

# Consolidated Statement of Profit and Loss for the year ended March 31, 2022 (Contd....)

| Particulars | | Note No. | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|---|
| XVII | **Other comprehensive income** | | **64.13** | **42.93** |
| A | **Items that will not be reclassified to profit or loss** | | | |
| | (a) Remeasurements of the defined benefit plans (net of tax) | | 0.67 | 2.76 |
| | (b) Equity Instruments through other comprehensive income | | - | 55.05 |
| 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 | | 21.84 | (12.42) |
| | (b) The effective portion of gains and loss on hedging instruments in a cash flow hedge | | 41.62 | (2.20) |
| | (c) Exchange differences in translating the financial statements of foreign operations (net) | | - | (0.26) |
| | **Other comprehensive income for the year attributable to:** | | | |
| | Owners of the company | | **64.13** | **42.93** |
| | Non-controlling interest | | - | - |
| (XVIII) | **Total comprehensive income (XV+XVII)** | | **1,113.37** | **991.81** |
| | Total comprehensive income for the year attributable to: | | | |
| | Owners of the company | | 1,134.24 | 1,013.87 |
| | Non-controlling interest | | (20.87) | (22.06) |
| (XIX) | **Earnings per equity share** | **43** | | |
| | **Continuing operations :** | | | |
| | Basic (₹) | | 3.52 | 3.52 |
| | Diluted (₹) | | 3.51 | 3.50 |
| | **Discontinued operations :** | | | |
| | Basic (₹) | | 0.81 | 0.97 |
| | Diluted (₹) | | 0.81 | 0.97 |
| | **Total operations :** | | | |
| | Basic (₹) | | 4.33 | 4.49 |
| | Diluted (₹) | | 4.32 | 4.47 |
| Significant accounting policies | | **1** | | |
| See accompanying notes to the consolidated financial statements | | **2 to 60** | | |

In terms of our report attached of even date
**For Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W-100621

**Hasmukh Dedhia**
Partner
Membership no. 033494

Place : Mumbai
Date : April 29, 2022

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Consolidated Statement of Changes in Equity for the year ended March 31, 2022

## A. Equity share capital

| Particulars | As at March 31, 2022 No. of Shares | As at March 31, 2022 (₹ in crore) | As at March 31, 2021 No. of Shares | As at March 31, 2021 (₹ in crore) |
|---|---|---|---|---|
| Issued, subscribed and fully paid up equity shares outstanding at the beginning of the year | 2,469,445,704 | 2,469.45 | 2,004,833,610 | 2,004.83 |
| Changes in Equity Share Capital due to prior period errors | - | - | - | - |
| Restated balance at the beginning of the current reporting period | - | - | - | - |
| Add: Shares issued during the year: | | | | |
| - Against right issue | - | - | 461,325,021 | 461.33 |
| - Against employee stock option | 4,589,784 | 4.59 | 3,287,073 | 3.29 |
| **Issued, subscribed and fully paid up equity shares outstanding at the end of the year** | **2,474,035,488** | **2,474.04** | **2,469,445,704** | **2,469.45** |

## B. Other Equity

(₹ in crore)

| Particulars | Reserve and surplus: Securities premium account | General reserve | Debenture redemption reserve | Capital 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 April 1, 2020** | **5,126.51** | **255.97** | **319.20** | **-** | **492.36** | **782.25** | **1,921.73** | **27.43** | **181.27** | **15.82** |
| Change in accounting policy / prior period errors (a) | - | - | - | - | - | - | - | - | - | - |
| Restated balance at the beginning of the current reporting period (b) | - | - | - | - | - | - | - | - | - | - |
| Profit for the year (c) | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income, net of tax (d) | - | - | - | - | - | - | - | - | - | - |
| **Total comprehensive income for the year (c)=(a)+(b)+(c)+(d)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Issue of equity shares | 2,573.54 | - | - | - | - | - | - | - | - | - |
| Share issue expenses | (10.28) | - | - | - | - | - | - | - | - | - |
| Employee share options (net) | - | - | - | - | - | - | - | - | 21.41 | - |
| Transfer to general reserve | - | 109.29 | (106.10) | - | - | - | - | - | (2.91) | - |
| Transfer to impairment reserve | - | - | - | - | - | - | - | - | - | 12.54 |
| Transfer to reserve u/s 45-IC of Reserve Bank of India Act, 1934 | - | - | - | - | - | - | 38.33 | - | - | - |

# Consolidated Statement of Changes in Equity for the year ended March 31, 2022

(₹ in crore)

| Particulars | Reserve and surplus | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Securities premium account | General reserve | Debenture redemption reserve | Capital 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 | Impair-ment Reserve |
| Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961 | - | (129.10) | - | - | - | 129.10 | - | - | - | - |
| Transfer to debenture redemption reserve | - | - | - | - | - | - | - | - | - | - |
| Others | 17.62 | - | - | - | - | - | - | - | - | - |
| Net gain/(loss) on transaction with non-controlling interest | - | - | - | - | - | - | - | - | - | - |
| **Balance as at March 31, 2021** | **7,707.39** | **236.16** | **213.10** | **-** | **492.36** | **911.35** | **1,960.06** | **27.43** | **199.77** | **28.36** |

(₹ in crore)

| Particulars | Reserve and surplus | Items of other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | Total Other Equity | Non-Controlling interest | Total |
| **Balance as at April 1, 2020** | **3,720.68** | **0.54** | **(56.16)** | **(0.47)** | **(99.54)** | **12,687.59** | **220.21** | **12,907.80** |
| Change in accounting policy / prior period errors (a) | - | - | - | - | - | - | - | - |
| Restated balance at the beginning of the current reporting period (b) | - | - | - | - | - | - | - | - |
| Profit for the year (c) | 970.94 | - | - | - | - | 970.94 | (22.06) | 948.88 |
| Other comprehensive income, net of tax (d) | 2.76 | (0.26) | 55.05 | (12.42) | (2.20) | 42.93 | - | 42.93 |
| **Total comprehensive income for the year (c)=(a)+(b)+(c)+(d)** | **973.70** | **(0.26)** | **55.05** | **(12.42)** | **(2.20)** | **1,013.87** | **(22.06)** | **991.81** |
| Issue of equity shares | - | - | - | - | - | 2,573.54 | - | 2,573.54 |
| Share issue expenses | - | - | - | - | - | (10.28) | - | (10.28) |
| Employee share options (net) | - | - | - | - | - | 21.41 | - | 21.41 |
| Transfer to general reserve | (1.11) | (0.28) | 1.11 | - | - | - | - | - |
| Transfer to impairment reserve | (12.54) | - | - | - | - | - | - | - |

# Consolidated Statement of Changes in Equity for the year ended March 31, 2022

(₹ in crore)

| Particulars | Reserve and surplus | Items of other comprehensive income | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | Total Other Equity | Non-Controlling interest | Total |
| Transfer to reserve u/s 45-IC of Reserve Bank of India Act, 1934 | (38.33) | - | - | - | - | - | - | - |
| Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961 | - | - | - | - | - | - | - | - |
| Transfer to debenture redemption reserve | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | 17.62 | - | 17.62 |
| Net gain/(loss) on transaction with non-controlling interest | - | - | - | - | - | - | (1.00) | (1.00) |
| **Balance as at March 31, 2021** | **4,642.40** | **-** | **-** | **(12.89)** | **(101.74)** | **16,303.75** | **197.15** | **16,500.90** |

(₹ in crore)

| Particulars | Reserve and surplus | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Securities premium account | General reserve | Debenture redemption reserve | Capital 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 | Impair-ment Reserve |
| **Balance as at April 1, 2021** | **7,707.39** | **236.16** | **213.10** | **-** | **492.36** | **911.35** | **1,960.06** | **27.43** | **199.77** | **28.36** |
| Change in accounting policy / prior period errors (a) | - | - | - | - | - | - | - | - | - | - |
| Restated balance at the beginning of the current reporting period (b) | - | - | - | - | - | - | - | - | - | - |
| Profit for the year (c) | - | - | - | - | - | - | - | - | - | - |
| Other comprehensive income, net of tax (d) | - | - | - | - | - | - | - | - | - | - |
| **Total comprehensive income for the year (c)=(a)+(b)+(c)+(d)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Issue of equity shares | 44.75 | - | - | - | - | - | - | - | - | - |
| Share issue expenses | (0.52) | - | - | - | - | - | - | - | - | - |

# Consolidated Statement of Changes in Equity for the year ended March 31, 2022

(₹ in crore)

| Particulars | Reserve and surplus | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Securities premium account | General reserve | Debenture redemption reserve | Capital 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 | Impair-ment Reserve |
| Employee share options (net) | - | - | - | - | - | - | - | - | (8.56) | - |
| Transfer to general reserve | - | 216.46 | (207.95) | - | - | - | - | - | (8.51) | - |
| Transfer to reserve u/s 45-IC of Reserve Bank of India Act, 1934 | - | - | - | - | - | - | 206.05 | - | - | - |
| Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961 | - | - | - | - | - | 50.93 | - | - | - | - |
| Transfer to debenture redemption reserve | - | - | - | 33.10 | - | - | - | - | - | - |
| Net gain/(loss) on transaction with non-controlling interest | - | - | - | - | - | - | - | - | - | - |
| **Balance as at March 31, 2022** | **7,751.62** | **452.62** | **5.15** | **33.10** | **492.36** | **962.28** | **2,166.11** | **27.43** | **182.70** | **28.36** |

(₹ in crore)

| 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 April 1, 2021** | **4,642.40** | **-** | **-** | **(12.89)** | **(101.74)** | **16,303.75** | **197.15** | **16,500.90** |
| Change in accounting policy / prior period errors (a) | - | - | - | - | - | - | - | - |
| Restated balance at the beginning of the current reporting period (b) | - | - | - | - | - | - | - | - |
| Profit for the year (c) | 1,070.11 | - | - | - | - | 1,070.11 | (20.87) | 1,049.24 |
| Other comprehensive income, net of tax (d) | 0.67 | - | - | 21.84 | 41.62 | 64.13 | - | 64.13 |
| **Total comprehensive income for the year (c)=(a)+(b)+(c)+(d)** | **1,070.78** | **-** | **-** | **21.84** | **41.62** | **1,134.24** | **(20.87)** | **1,113.37** |
| Issue of equity shares | - | - | - | - | - | 44.75 | - | 44.75 |
| Share issue expenses | - | - | - | - | - | (0.52) | - | (0.52) |
| Employee share options (net) | - | - | - | - | - | (8.56) | - | (8.56) |

# Consolidated Statement of Changes in Equity for the year ended March 31, 2022

(₹ in crore)

| 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 | | | |
| Transfer to general reserve/retained earnings | - | - | - | - | - | - | - | - |
| Transfer to impairment reserve | - | - | - | - | - | - | - | - |
| Transfer to reserve u/s 45-IC of Reserve Bank of India Act, 1934 | (206.05) | - | - | - | - | - | - | - |
| Transfer to reserve u/s 36(1)(viii) of Income tax Act, 1961 | (50.93) | - | - | - | - | - | - | - |
| Transfer to debenture redemption reserve | (33.10) | - | - | - | - | - | - | - |
| Net gain/(loss) on transaction with non-controlling interest | - | - | - | - | - | - | 3.55 | 3.55 |
| **Balance as at March 31, 2022** | **5,423.10** | **-** | **-** | **8.95** | **(60.12)** | **17,473.66** | **179.83** | **17,653.49** |
| Significant accounting policies | Note 1 | | | | | | | |
| See accompanying notes forming part of the financial statements | Note 2 to 60 | | | | | | | |

In terms of our report attached of even date
**For Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W-100621

**Hasmukh Dedhia**
Partner
Membership no. 033494

Place : Mumbai
Date : April 29, 2022

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Consolidated Statement of Cash Flows for the year ended March 31, 2022

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **A. Cash flow from operating activities** | | |
| Profit before tax from : | | |
| Continuing operations | 1,222.85 | 1,261.34 |
| Discontinued operations | 251.96 | 233.86 |
| **Adjustments for:** | | |
| Depreciation, amortization and impairment | 103.73 | 87.09 |
| Loss on sale of property, plant and equipment (net) | 0.03 | 0.59 |
| Net fair value loss on loan asset | 348.10 | 158.77 |
| Net fair value loss on financial instruments | 734.56 | 237.17 |
| Net loss on derecognition of financial instruments under amortised cost category | 285.01 | 235.14 |
| Impairment on Financial Instruments | 1,713.44 | 2,978.03 |
| Gain from sale of investment in subsidiary | - | (225.61) |
| Share based payment to employees | 20.11 | 54.51 |
| **Operating profit before working capital changes** | **4,679.79** | **5,020.89** |
| **Changes in working capital** | | |
| Decrease in financial and non-financial assets | 274.03 | 56.56 |
| (Decrease) / Increase in financial and non-financial liabilities | (316.37) | 148.33 |
| **Cash generated from operations** | **4,637.45** | **5,225.78** |
| Direct taxes paid | (372.11) | (261.88) |
| Loans repaid (net of disbursement) | 1,812.72 | 500.40 |
| **Net cash flow generated from operating activities (A)** | **6,078.06** | **5,464.30** |
| **B. Cash flows from investing activities** | | |
| **Add: Inflow from investing activities** | | |
| Proceed from sale of property, plant and equipment | 0.95 | 3.44 |
| Redemption in other bank balances in investing activities | - | 953.29 |
| Proceed from sale of investments (net) | 2,454.64 | 1,335.17 |
| **Less: Outflow from investing activities** | | |
| Purchase of property, plant and equipment and Intangible assets (including under development) | (77.55) | (52.58) |
| Investment in other bank balances | (1,482.40) | - |
| Purchase of Investments (net) | (5,979.18) | (4,263.80) |
| **Net cash flow used in investing activities (B)** | **(5,083.54)** | **(2,024.48)** |
| **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 | 20.68 | 3,005.06 |
| Proceeds from borrowings | 18,186.29 | 20,556.77 |

# Consolidated Statement of Cash Flows for the year ended March 31, 2022

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **Less: Outflow from financing activities** | | |
| Payment to non-controlling interests | 3.55 | (1.00) |
| Share issue expenses | (0.52) | (10.28) |
| Repayment of borrowing | (20,175.81) | (25,041.23) |
| Redemption of preference shares | (1,057.20) | (600.00) |
| **Net cash used in financing activities (C)** | **(3,023.01)** | **(2,090.68)** |
| **Net (decrease) / increase in cash and cash equivalents (A+B+C)** | **(2,028.49)** | **1,349.14** |
| Cash and cash equivalents as at beginning of the year | 6,947.79 | 5,598.69 |
| Exchange difference on translation of foreign currency cash and cash equivalents | - | (0.04) |
| Cash and cash equivalents for discontinued operations (assets held for sale) | (3.32) | - |
| **Cash and cash equivalents as at end of the year** | **4,915.98** | **6,947.79** |

**Notes:**

1. Purchase of property, plant and equipment represents additions to property, plant and equipment and other intangible assets adjusted for movement of (a) capital-work-in-progress for property, plant and equipment and (b) intangible assets under development during the year.
2. Net cash used in operating activity is determined after adjusting the following:

(₹ in crore)

| Particulars | | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|---|
| Interest received | | 12,038.41 | 11,394.82 |
| Interest paid | | 6,503.90 | 7,268.11 |
| Significant accounting policies | **Note 1** | | |
| See accompanying notes to the financial statements | **Note 2 to 60** | | |

In terms of our report attached of even date
**For Khimji Kunverji & Co LLP**
Chartered Accountants
FRN: 105146W/W-100621

**Hasmukh Dedhia**
Partner
Membership no. 033494

Place : Mumbai
Date : April 29, 2022

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# Notes forming part of consolidated financial statements

1. **Significant Accounting Policies:**

1.1 **Statement of compliance:**

The Consolidated financial statements of L&T Finance Holdings Limited (the "Company") and its subsidiaries (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 of the Companies Act, 2013. In addition, the applicable regulations of Reserve Bank of India (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, Statement of changes in Equity for the year, 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 Division III of 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 Division III of Schedule III to the Act. 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) Where 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. Under 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. When 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. 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.

1.7 **Goodwill:**

Goodwill on consolidation as on the date of transition represents the excess of cost of

# Notes forming part of consolidated financial statements

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 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:**

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

# Notes forming part of consolidated financial statements

classified as FVTPL, 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 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 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 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.

1.10 **Impairment:**

The Group recognises 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

# Notes forming part of consolidated financial statements

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 FVTOCI 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 COVID 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.

When 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. Quantitative 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.

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).

# Notes forming part of consolidated financial statements

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.

**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 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

# Notes forming part of consolidated financial statements

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.

When 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) Qualitative 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) When 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.

Where 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.

# Notes forming part of consolidated financial statements

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 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 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 FVTOCI, 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 FVTOCI: 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. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

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 using effective interest rate (EIR) on all financial assets subsequently measured under amortised cost or fair value through other comprehensive income (FVOCI) except for those classified as held for trading. Financial assets measured or designated at fair value through profit or loss (FVTPL) is recognised at the contractual rate of interest.

The calculation of the EIR includes all fees 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 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 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

# Notes forming part of consolidated financial statements

respective clients over the period of the agreement in terms of which the services are rendered.

**(v) 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.

# Notes forming part of consolidated financial statements

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

# Notes forming part of consolidated financial statements

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.

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 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 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

# Notes forming part of consolidated financial statements

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. 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.

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.

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

# Notes forming part of consolidated financial statements

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.

# Notes forming part of consolidated financial statements

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. 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.

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

# Notes forming part of consolidated financial statements

(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.

# Notes forming part of consolidated financial statements

## 2 Cash and cash equivalents

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Cash on hand | 7.23 | 6.90 |
| Balances with banks in current accounts (of the nature of cash and cash equivalents) | 896.69 | 680.21 |
| Cheques, drafts on hand | - | 4.09 |
| Balance with banks in fixed deposit with maturity less than 3 months | 4,012.06 | 6,256.59 |
| **Total** | **4,915.98** | **6,947.79** |

## 3 Bank balance other than (Note 2) above

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Earmarked balances with banks | | |
| Unclaimed infrastructure bonds | 367.46 | 244.66 |
| Unclaimed dividend on equity shares | 1.34 | 1.56 |
| Unclaimed proceeds on right issue | - | 0.10 |
| Unclaimed redemption proceeds and dividend on preference shares | 0.94 | 1.07 |
| Balance with banks in fixed deposit with maturity greater than 3 months and less than 12 months | 1,115.88 | 260.04 |
| Balances with banks held as margin money or security against borrowing, guarantees, other commitments | 1,568.82 | 971.75 |
| **Total** | **3,054.44** | **1,479.18** |

## 4 Derivative financial instruments

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Currency derivatives:** | | |
| Notional Amounts | | |
| -Currency swaps | 5,780.77 | 3,114.34 |
| **Fair value assets** | | |
| -Currency swaps | **207.12** | **32.60** |
| **Fair value liabilities** | | |
| -Currency swaps | - | - |
| **Total** | **207.12** | **32.60** |

# Notes forming part of consolidated financial statements

## 5 Receivables

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Trade receivables** | | |
| (a) Receivables considered good - Unsecured | 15.92 | 47.31 |
| (b) Receivables - credit impaired | 7.18 | 2.98 |
| (c) Impairment loss allowance | (7.18) | (2.98) |
| | **15.92** | **47.31** |
| **Other receivables** | | |
| (a) Receivables considered good - Unsecured | 46.26 | 56.01 |
| (b) Receivables from related parties (Refer note 41) | 1.50 | **10.03** |
| | **47.76** | **66.04** |
| **Total** | **63.68** | **113.36** |

## 5a Ageing of Trade Receivables

(₹ in crore)

| Particulars | Outstanding as on 31st March 2022 * | | | | | | |
|---|---|---|---|---|---|---|---|
| | Not Due | Less than 6 Months | 6 Months - 1 Year | 1-2 years | 2-3 years | More than 3 years | Total |
| Undisputed Trade Receivable Considered Good | - | 15.92 | - | - | - | - | 15.92 |
| Undisputed Trade Receivable which have significant increase in credit risk | - | - | - | - | - | - | - |
| Undisputed Trade Receivable credit impaired | - | 7.18 | - | - | - | - | 7.18 |
| Less : Impairment loss | - | (7.18) | - | - | - | - | (7.18) |
| Disputed Trade Receivable Considered Good | - | - | - | - | - | - | - |
| Disputed Trade Receivable which have significant increase in credit risk | - | - | - | - | - | - | - |
| Disputed Trade Receivable credit impaired | - | - | - | - | - | - | - |
| **Total** | **-** | **15.92** | **-** | **-** | **-** | **-** | **15.92** |

# Notes forming part of consolidated financial statements

**Ageing of Trade Receivables** (₹ in crore)

| Particulars | Outstanding as on 31st March 2021 * | | | | | | |
|---|---|---|---|---|---|---|---|
| | Not Due | Less than 6 Months | 6 Months - 1 Year | 1-2 years | 2-3 years | More than 3 years | Total |
| Undisputed Trade Receivable Considered Good | - | 47.31 | - | - | - | - | 47.31 |
| Undisputed Trade Receivable which have significant increase in credit risk | - | - | - | - | - | - | - |
| Undisputed Trade Receivable credit impaired | - | 2.98 | - | - | - | - | 2.98 |
| Less : Impairment loss | - | (2.98) | - | - | - | - | ( 2.98) |
| Disputed Trade Receivable Considered Good | - | - | - | - | - | - | - |
| Disputed Trade Receivable which have significant increase in credit risk | - | - | - | - | - | - | - |
| Disputed Trade Receivable credit impaired | - | - | - | - | - | - | - |
| **Total** | **-** | **47.31** | **-** | **-** | **-** | **-** | **47.31** |

* The above ageing is prepared on the basis of date of the transaction.

## 6 Loans

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(A)** | | |
| **(i) At amortised cost** | | |
| - Term loans | 59,870.40 | 64,156.43 |
| - Debentures | 2,748.95 | 4,356.62 |
| - Loans repayable on demand | 718.28 | 657.44 |
| - Bills purchased and bills discounted | - | 32.74 |
| - Leasing | 5.17 | 23.92 |
| Total gross loans at amortised cost | 63,342.80 | 69,227.15 |
| - Less: Impairment loss allowance | (3,627.14) | (5,074.57) |
| **Subtotal (i)** | **59,715.66** | **64,152.58** |
| **(ii) At Fair Value Through Profit or Loss:** | | |
| - Term loans | 23,119.45 | 22,842.43 |
| - Debentures | 343.00 | 395.81 |
| Total gross loans at fair value through profit or loss | 23,462.45 | 23,238.24 |
| - Less: Impairment loss allowance/Net fair value changes | (708.67) | (360.57) |
| **Subtotal (ii)** | **22,753.78** | **22,877.67** |
| **Subtotal (i)+(ii)** | **82,469.44** | **87,030.25** |

# Notes forming part of consolidated financial statements

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(B)** | | |
| **(i) At amortised cost** | | |
| -Secured by tangible assets | 46,318.96 | 53,728.03 |
| -Unsecured | 17,023.84 | 15,499.12 |
| Total gross loans at amortised cost | 63,342.80 | 69,227.15 |
| - Less: Impairment loss allowance | (3,627.14) | (5,074.57) |
| **Subtotal (i)** | **59,715.66** | **64,152.58** |
| **(ii) At Fair Value Through Profit or Loss:** | | |
| - Secured by tangible assets | 23,462.45 | 23,238.24 |
| - Less: Impairment loss allowance | (708.67) | (360.57) |
| **Subtotal (ii)** | **22,753.78** | **22,877.67** |
| **Subtotal (i)+(ii)** | **82,469.44** | **87,030.25** |
| **(C)** | | |
| **(I) Loans in India** | | |
| **(i) At Amortised Cost** | | |
| - Public Sector | 43.75 | 81.25 |
| - Others | 63,299.05 | 69,145.90 |
| - Less: Impairment loss allowance | (3,627.14) | (5,074.57) |
| **Subtotal (i)** | **59,715.66** | **64,152.58** |
| **(ii) At Fair Value Through Profit or Loss:** | | |
| - Public Sector | - | - |
| - Others | 23,462.45 | 23,238.24 |
| - Less: Impact on fair value changes | (708.67) | (360.57) |
| **Subtotal (ii)** | **22,753.78** | **22,877.67** |
| **(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: Impact on fair value changes | - | - |
| **Subtotal (ii)** | **-** | **-** |
| | **82,469.44** | **87,030.25** |

# Notes forming part of consolidated financial statements

## 7 Investments

(₹ in crore)

| Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | 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** | | | | | | |
| Castex technologies limited | 2 | 765,241 | - | - | - | - |
| Hindusthan National Glass and Industries limited | - | - | - | 2 | 376,928 | 1.22 |
| JSW Ispat special product | 10 | 593,420 | 1.91 | 10 | 593,420 | 1.55 |
| KSK energy ventures limited | 10 | 10,688,253 | - | 10 | 10,688,253 | 0.59 |
| 3i Infotech limited | 10 | 242,638 | 1.24 | 10 | 2,426,383 | 1.81 |
| Unity Infraprojects limited | 2 | 694,370 | - | 2 | 694,370 | 0.06 |
| Gol offshore limited | 10 | 11,344,315 | - | 10 | 11,344,315 | - |
| Diamond power infrastructure limited | 10 | 1,356,057 | - | 10 | 2,889,921 | - |
| SVOGL oil gas and exploration services limited | 10 | 3,437,172 | - | 10 | 3,437,172 | - |
| MIC Electronics Limited | 2 | 1,346,154 | 2.25 | 2 | 5,384,616 | - |
| Usher agro limited | 10 | 335,344 | - | 10 | 335,344 | - |
| Ballarpur Industries limited | - | - | - | 10 | 126,052,000 | 13.24 |
| Integrated digital info services limited | 10 | 383,334 | - | 10 | 383,334 | - |
| Elque polyesters limited | 10 | 194,300 | - | 10 | 194,300 | - |
| Monind limited | 10 | 4,638 | - | 10 | 4,638 | - |
| Monnet project developers limited | 10 | 11,279 | - | 10 | 11,279 | - |
| Glodyne technoserve limited | 6 | 319,262 | - | 6 | 319,262 | - |
| Zee media corporation limited | 10 | 25,398,667 | 42.16 | 10 | 25,398,667 | 33.23 |
| Zee learn limited | 10 | 22,162,667 | 27.48 | 10 | 22,162,667 | 22.94 |
| Dish TV India limited | 10 | 35,927,667 | 58.74 | 10 | 35,927,667 | 16.25 |
| Siti networks limited | 10 | 57,383,732 | 16.35 | 10 | 57,383,732 | 4.88 |
| Future retail limited | 10 | 2,647,883 | 8.26 | 10 | 501,000 | 2.14 |
| **Total** | | | **158.39** | | | **97.91** |
| **(ii) Unquoted** | | | | | | |
| **(a) Investments carried at fair value through profit or loss** | | | | | | |
| Soma tollways private limited | 10 | 19,265,780 | 329.10 | 10 | 19,265,780 | 329.10 |
| Bhoruka power corporation limited | 10 | 1,758,848 | 195.85 | 10 | 587,850 | 134.14 |
| Ardom telecom private limited | 10 | 3,358,380 | 9.50 | 10 | 3,358,380 | 9.50 |
| Grameen capital india private limited | 10 | 2,126,000 | - | 10 | 2,126,000 | - |
| Indian highways management company limited | 10 | 1,500,000 | 1.73 | 10 | 1,500,000 | 1.73 |
| Tikona infinet limited | 10 | 425,912 | - | 10 | 425,912 | - |
| The kalyan janatha sahakari bank limited | 10 | 20,000 | 0.05 | 10 | 20,000 | 0.05 |
| MF utilities india private limited | - | - | - | 1 | 500,000 | 0.05 |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Face value (₹) | Quantity (Nos) | Net Carrying Value | Face value (₹) | Quantity (Nos) | Net Carrying Value |
| Bhoruka power india investments private limited | 10 | 10 | - | 10 | 10 | - |
| The malad sahakari bank limited | 10 | 100 | - | 10 | 100 | - |
| Athena chattisgarh power limited | 10 | 69,300,000 | - | 10 | 69,300,000 | - |
| Coastal projects limited | 10 | 7,896,884 | - | 10 | 7,896,884 | - |
| KSK mahanadi power co. limited | 10 | 26,385,108 | - | 10 | 26,385,109 | - |
| NSL sugars limited | 10 | 2,925,656 | - | 10 | 2,925,656 | - |
| Soma enterprises limited | 10 | 500,000 | - | 10 | 500,000 | - |
| Supreme best value kolhapur(shiroli) sangli tollways private limited | 10 | 5,026 | - | 10 | 5,026 | - |
| Saumya mining limited | 10 | 1,077,986 | - | 10 | 1,077,986 | - |
| Mediciti healthcare services private limited | 10 | 1,635,003 | - | 10 | 1,635,003 | - |
| Alpha micro finance consultants private limited | 10 | 200,000 | - | 10 | 200,000 | - |
| Icomm tele limited | 10 | 41,667 | - | 10 | 41,667 | - |
| VMC systems limited | 10 | 907,264 | - | 10 | 907,264 | - |
| Hanjer biotech energies private limited | 10 | 208,716 | - | 10 | 208,716 | - |
| Metropoli overseas limited | 10 | 99,400 | - | 10 | 99,400 | - |
| Anil chemicals and industries limited | 10 | 40,000 | - | 10 | 40,000 | - |
| | | | **536.23** | | | **474.57** |
| **(B) Investments in debt securities** | | | | | | |
| **(a) Investments carried at fair value through profit or loss** | | | | | | |
| Bhoruka power corporation limited | 100,000 | 32,500 | 510.10 | 100,000 | 32,500 | 510.10 |
| Tikona Infinet Limited | 2,840 | 579,772 | 2.58 | 2,840 | 579,772 | 85.58 |
| Regen infrastructure and services private limited | 1,000,000 | 701 | 35.74 | 1,000,000 | 701 | 74.39 |
| RKV enterprise private limited | 100,000 | 5,846 | 24.00 | 100,000 | 5,846 | 24.00 |
| Soma enterprises limited | 10 | 80,712,081 | 18.38 | 10 | 80,712,081 | 18.52 |
| NSL sugars limited. | - | - | - | 100 | 2,132,310 | 12.71 |
| LIC housing finance limited | 1,000,000 | 575 | 570.92 | - | - | - |
| HDFC limited | 1,000,000 | 1,015 | 1,005.23 | - | - | - |
| | | | **2,166.95** | | | **725.30** |
| **(b) Investment carried at fair value through other comprehensive income** | | | | | | |
| The south indian bank limited | 100,000 | 38,759 | 407.83 | 100,000 | 38,759 | 416.87 |
| ECL finance limited | 1,000 | 1,500,000 | 161.89 | 1,000 | 1,500,000 | 161.93 |
| Dewan housing finance corporation limited | - | - | - | 1,000 | 2,750,000 | 295.10 |
| Dewan housing finance corporation limited | - | - | - | 1,000,000 | 2,496 | 241.45 |
| U. P. power corporation limited | 500,000 | 2,070 | 159.58 | - | - | - |
| | | | **729.30** | | | **1,115.35** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Face value (₹) | Quantity (Nos) | Net Carrying Value | Face value (₹) | Quantity (Nos) | Net Carrying Value |
| **(C) Investments in mutual funds** | | | | | | |
| **(a) Investments carried at fair value through profit or loss** | | | | | | |
| L&T liquid fund - direct plan- growth | 1,000 | 3,652,928 | 509.71 | 1,000 | 628,444 | 177.15 |
| L&T banking and psu debt fund- direct plan- growth | - | - | - | 10 | 344,758 | 0.69 |
| ICICI prudential liquid Fund - DP- growth | 100 | 47,135 | 1.49 | 10 | 820,848 | 25.01 |
| Aditya birla sun life liquid fund - growth - direct plan | - | - | - | 100 | 9,858,617 | 326.85 |
| SBI liquid fund - DP -growth | - | - | - | 100 | 147,371 | 47.48 |
| SBI Liquid Fund Direct Plan - Growth | - | - | - | 1,000 | 77,645 | 25.01 |
| L&T Money Market Fund Direct Plan - Growth | 10 | 93,207,621 | 207.30 | 10 | 114,309,883 | 245.29 |
| L&T India value fund - DP - G | - | - | - | 10 | 383,794 | 1.88 |
| L&T Infrastructure fund - DP - G | - | - | - | 10 | 694,601 | 1.36 |
| L&T emerging business fund - DP - G | - | - | - | 10 | 332,358 | 1.07 |
| L&T midcap fund - DP - G | - | - | - | 10 | 58,207 | 1.10 |
| L&T business cycle fund | - | - | - | 10 | 500,000 | 1.00 |
| L&T tax advantage fund - DP - G | - | - | - | 10 | 132,721 | 0.94 |
| L&T Hybrid Equity Fund - DP - G | - | - | - | 10 | 255,493 | 0.89 |
| L&T resurgent india corporate bond fund | - | - | - | 10 | 500,000 | 0.83 |
| L&T Low Duration Fund Direct Plan - Growth | 10 | 87,415,476 | 208.58 | 10 | 87,756,371 | 200.84 |
| L&T arbitrage opportunity fund | - | - | - | 10 | 500,000 | 0.78 |
| L&T Large and Midcap Fund - DP - G | - | - | - | 10 | 140,359 | 0.86 |
| L&T Credit Risk Fund - DP - G | - | - | - | 10 | 317,088 | 0.74 |
| L&T flexi bond fund - DP - G | - | - | - | 10 | 331,794 | 0.81 |
| L&T India large cap fund - DP - G | - | - | - | 10 | 243,072 | 0.89 |
| L&T gilt fund - DP - G | - | - | - | 10 | 142,010 | 0.83 |
| L&T equity fund - DP - G | - | - | - | 10 | 79,561 | 0.84 |
| L&T Ultra Short Term Fund Direct Plan - Growth | 10 | 68,716,207 | 250.06 | 10 | 217,696 | 0.76 |
| L&T short term bond fund - direct plan - growth | - | - | - | 10 | 367,947 | 0.80 |
| L&T triple ace bond fund - DP - G | - | - | - | 10 | 135,208 | 0.81 |
| L&T Conservative Hybrid Fund - DP - G | - | - | - | 10 | 178,522 | 0.76 |
| L&T focused equity fund direct growth | - | - | - | 10 | 500,000 | 0.72 |
| L&T equity savings fund - DP - G | - | - | - | 10 | 276,932 | 0.61 |
| L&T Overnight fund-DP-G | 1,000 | 3,615.45 | 0.60 | 1,000 | 20,580 | 3.30 |
| L&T Balanced Advantage fund-DP-G | - | - | - | 10 | 235,213 | 0.74 |
| L&T liquid fund direct plan - daily dividend reinvestment plan | 1,000 | 17,276 | 1.75 | 1,000 | 14,574 | 1.48 |
| L&T nifty 50 index fund | - | - | - | 10 | 500,000 | 0.82 |
| L&T nifty next 50 index fund | - | - | - | 10 | 500,000 | 0.74 |
| | | | **1,179.49** | | | **1,074.68** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Face value (₹) | Quantity (Nos) | Net Carrying Value | Face value (₹) | Quantity (Nos) | Net Carrying Value |
| **(D) Investments in fully paid preference shares (Unquoted)** | | | | | | |
| **(a) Investment carried at fair value through profit or loss** | | | | | | |
| Grameen capital india private limited | 10.00 | 3,874,000 | - | 10 | 3,874,000 | - |
| Ardom telecom private limited (Face value ₹ 100,000 each) | 100,000 | 2,150 | 75.48 | 100,000 | 2,150 | 75.48 |
| 3i infotech limited | 5 | 3,896,954 | - | 5 | 3,896,954 | 0.68 |
| 10% SEW vizag coal terminal private limited | 10 | 4,795,256 | - | 10 | 4,795,256 | - |
| | | | **75.48** | | | **76.16** |
| **(E) Investments in government securities** | | | | | | |
| **(a) Investment carried at fair value through other comprehensive income** | | | | | | |
| **Government of India Stock and Treasury Bills** | | | | | | |
| 8.15% Govt Stock | 100 | 50,000,000 | 516.74 | 100 | 50,000,000 | 535.20 |
| 364 Day T-Bills | - | - | - | 100 | 75,000,000 | 738.57 |
| 364 Day T-Bills | - | - | - | 100 | 20,000,000 | 192.89 |
| 6.84% Govt Stock | 100 | 30,000,000 | 311.00 | - | - | - |
| 7.37% Govt Stock | 100 | 9,500,000 | 100.85 | - | - | - |
| 8.08% Govt Stock | 100 | 7,500,000 | 77.04 | - | - | - |
| 5.87% Govt Stock | 100 | 16,000,000 | 162.17 | - | - | - |
| 7.16% Govt Stock | 100 | 9,500,000 | 100.04 | - | - | - |
| 6.30% Govt Stock | 100 | 2,000,000 | 20.95 | - | - | - |
| 182 Day T-Bills | 100 | 3,500,000 | 34.49 | - | - | - |
| **Non convertible debentures** | | | | | | |
| 7.00% HDFC limited | 1,000,000 | 390 | 415.48 | - | - | - |
| 8.54% Bajaj finance limited | 1,000,000 | 25 | 26.75 | - | - | - |
| 8.50% LIC housing finance limited | 1,000,000 | 100 | 107.24 | - | - | - |
| 8.05% HDFC limited | 1,000,000 | 25 | 25.20 | - | - | - |
| Sundaram finance limited | 1,000,000 | 60 | 61.10 | - | - | - |
| 7.93% NTPC limited | 1,000,000 | 40 | 43.02 | - | - | - |
| 7.85% NABARD | 1,000,000 | 50 | 53.62 | - | - | - |
| National highways authority of India | 1,000,000 | 89 | 97.04 | 1,000,000 | 55 | 59.09 |
| | | | **2,152.74** | | | **1,525.75** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Face value (₹) | Quantity (Nos) | Net Carrying Value | Face value (₹) | Quantity (Nos) | Net Carrying Value |
| **(F) Investments in units of funds** | | | | | | |
| **(a) Investments carried at fair value through profit or loss** | | | | | | |
| KKR india debt opportunities fund ii | 1,000 | 366,954 | 14.27 | 1,000 | 742,182 | 53.06 |
| KKR india debt opportunities fund iii | 1,000 | 21,226 | - | 1,000 | 21,226 | 0.17 |
| LICHFL urban development fund | 10,000 | 10,000 | 1.21 | 10,000 | 10,000 | 2.97 |
| LICHFL housing and infrastructure trust | 100 | 1,572,360 | 15.72 | 100 | 516,000 | 5.16 |
| | | | **31.20** | | | **61.36** |
| **(b) Investment carried at fair value through other comprehensive income** | | | | | | |
| Indinfravit trust | 100 | 100,000 | 0.91 | 100 | 100,000 | 0.94 |
| | | | **0.91** | | | **0.94** |
| **(G) Investment in pass through certificates** | | | | | | |
| **(a) Investment carried at fair value through other comprehensive income** | | | | | | |
| Smith IFMR capital | 4 | 12,096,782 | 3.30 | 4 | 12,096,782 | 3.30 |
| Goldstein IFMR capital | 43 | 857,170 | 2.45 | 43 | 857,170 | 2.45 |
| Syme IFMR capital | 1 | 14,210,515 | 1.12 | 1 | 14,210,515 | 1.12 |
| Moses IFMR capital | 1 | 2,250,000 | 0.22 | 1 | 2,250,000 | 0.22 |
| | | | **7.09** | | | **7.09** |
| **(H) Investment in security receipts** | | | | | | |
| **(a) Investments carried at fair value through profit or loss** | | | | | | |
| Phoenix ARF scheme 6 | - | - | - | 1,000 | 9,843 | - |
| Phoenix ARF scheme 9 | 1 | 6,612 | - | 1 | 6,612 | *0.00 |
| Phoenix ARF scheme 11 | 1 | 44,208 | - | 1 | 44,208 | *0.00 |
| Phoenix ARF scheme 13 | 5 | 27,404 | - | 5 | 27,404 | 0.01 |
| Phoenix ARF scheme 14 | 1,000 | 34,882 | - | 1,000 | 34,882 | 0.87 |
| Phoenix trust FY19-6 | 505 | 1,249,500 | 63.10 | 649 | 1,249,500 | 81.09 |
| JM financial asset reconstruction company private limited (Series I - JMFARC-IRIS December 2016 - trust) | 1,000 | 6,885 | - | 1,000 | 6,885 | - |
| EARC trust SC - 258 - series I | 547 | 3,230,000 | - | 547 | 3,230,000 | 1.76 |
| JMFARC LTF June 2017 trust | 628 | 297,500 | 4.64 | 711 | 297,500 | 8.55 |
| JMFARC LTF June 2017 trust | 628 | 480,849 | 14.36 | 711 | 480,849 | 17.95 |
| Suraksha ARC - 024 trust | 1,000 | 1,087,176 | 108.72 | 1,000 | 1,087,175 | 108.72 |
| Suraksha ARC - 020 trust | 768 | 867,000 | 50.60 | 768 | 867,000 | 50.60 |
| Suraksha ARC - 020 trust (Series - II) | 889 | 126,310 | 7.75 | 889 | 126,310 | 7.75 |
| Phoenix trust FY 20-4 | 257 | 3,026,000 | 38.88 | 257 | 3,026,000 | 77.77 |
| Omkara PS10/2019-20 trust | 1,000 | 132,605 | 3.17 | 1,000 | 216,750 | 10.63 |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Face value (₹) | Quantity (Nos) | Net Carrying Value | Face value (₹) | Quantity (Nos) | Net Carrying Value |
| EARC trust SC 367 | 904 | 11,730,000 | 1,056.66 | 986 | 11,730,000 | 1,151.76 |
| ARCIL-CPS-062-I-trust | 1,000 | 5,185,000 | 388.05 | 1,000 | 5,185,000 | 518.51 |
| Suraksha ARC - 037 trust | 1,000 | 1,107,125 | 109.47 | 1,000 | 1,107,125 | 109.47 |
| Phoenix trust FY 14-9 | 931 | 1,108,935 | - | 1,000 | 1,108,935 | 16.63 |
| EARC trust - SC 105 | 812 | 1,190,000 | 14.50 | 976 | 1,190,000 | 29.04 |
| EARC trust - SC 132 | 903 | 8,500 | 0.77 | 903 | 8,500 | 0.77 |
| JM financials (JMFARC) series | 681 | 2,621,651 | 66.44 | 681 | 2,621,651 | 89.25 |
| ARCIL-AST-065-I-trust | 1 | 1,955,000 | - | 1,000 | 1,955,000 | 184.00 |
| ARCIL-CPS-I-trust | 977 | 4,420,000 | 431.23 | 1,000 | 4,420,000 | 442.00 |
| Arcil-AST- IX trust | 986 | 7,658,500 | 755.20 | 1,000 | 7,658,500 | 765.85 |
| CFMARC trust 67 | 1,000 | 658,291 | 36.38 | 1,000 | 722,500 | 42.80 |
| CFMARC trust 73 | 1,000 | 2,276,266 | 215.65 | 1,000 | 2,308,090 | 218.83 |
| CFMARC trust 74 | 1,000 | 1,098,795 | 101.98 | 1,000 | 1,107,210 | 102.82 |
| CFMARC trust 76 | 1,000 | 585,429 | 55.46 | 1,000 | 592,705 | 56.19 |
| Pegasus Group Thirty Eight Trust 1 | 929 | 328,729 | 18.92 | 1,000 | 328,729 | 21.25 |
| ARCIL-CPS-I-Trust | 977 | 1,385,500 | 135.96 | - | - | - |
| ACRE 109 TRUST | 970 | 782,000 | 75.84 | - | - | - |
| Phoenic Trust FY 22-7 | 807 | 3,153,500 | 213.86 | - | - | - |
| Phoenix Trust-FY22-16 | 1,000 | 9,520,000 | 918.64 | - | - | - |
| | | | **4,886.23** | | | **4,114.87** |
| **Total investments (A)** | | | **11,924.01** | | | **9,273.98** |
| **(i) Investments outside India** | | | - | | | - |
| **(ii) Investments in India** | | | 11,924.01 | | | 9,273.98 |
| **Total Investments (B)** | | | **11,924.01** | | | **9,273.98** |
| **Less: Allowance for Impairment loss (C)** | | | **7.07** | | | **401.85** |
| **Net total investment (D)= (A)-(C)** | | | **11,916.94** | | | **8,872.13** |

* Amount less than ₹ 1 lakh

## 8 Other financials assets

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Security deposits | 48.41 | 50.08 |
| Accrued interest on investment | - | 0.15 |
| Margin money deposits | 7.80 | 1.34 |
| Other receivables | 37.10 | 28.04 |
| **Total** | **93.31** | **79.61** |

# Notes forming part of consolidated financial statements

## 9 Investment Properties

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Gross carrying amount** | | |
| Opening gross carrying amount | 360.28 | 320.67 |
| Add: Additions during the year | 0.02 | - |
| Add/(Less): Classified as assets held for sale | - | 40.50 |
| Less: Impairment during the year | - | - |
| Less: Deductions during the year | - | (0.89) |
| **Closing gross carrying amount** | **360.30** | **360.28** |
| **Accumulated depreciation and impairment** | | |
| Opening accumulated depreciation | 33.02 | 9.66 |
| Add: Depreciation and impairment | 3.10 | 7.99 |
| Add/(Less): Classified as assets held for sale | - | 15.37 |
| Less: Deductions during the year | - | - |
| Closing accumulated depreciation | **36.12** | **33.02** |
| **Net carrying amount** | **324.18** | **327.26** |

**Amount recognised in profit or loss for investment properties**

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Rental income | 41.46 | 41.34 |
| Other charges Recovery | 10.08 | 10.26 |
| Less: Direct operating expenses from property that generated rental income | 35.25 | 35.25 |
| **Profit from investment properties before depreciation and impairment** | **16.29** | **16.35** |
| Less: Depreciation and impairment | 2.73 | 2.72 |
| **Profit from investment properties** | **13.56** | **13.63** |

# Notes forming part of consolidated financial statements

## 10 Property, plant and equipment

(₹ in crore)

| Particulars | Gross carrying amount* | | | | | Accumulated depreciation* | | | | | Net carrying amount* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 01, 2021 | Additions | Deductions / Adjustments | Reclassified as held for sale | As at March 31, 2022 | As at April 01, 2021 | For the Year | Deductions / Adjustments | Reclassified as held for sale | As at March 31, 2022 | As at March 31, 2022 | As at March 31, 2021 |
| **Tangible** | | | | | | | | | | | | |
| Land : | | | | | | | | | | | | |
| Freehold | - | - | - | - | - | - | - | - | - | - | - | - |
| Buildings : | | | | | | | | | | | | |
| Owned** | 0.38 | - | - | - | 0.38 | 0.04 | 0.01 | - | - | 0.05 | 0.33 | 0.34 |
| Leasehold Improvements | 0.89 | 0.01 | - | (0.19) | 0.71 | 0.66 | 0.01 | - | (0.15) | 0.52 | 0.19 | 0.23 |
| Leasehold renovation | | | | | | | | | | | | |
| Owned | 11.07 | 0.57 | 2.98 | - | 8.66 | 8.97 | 0.88 | 2.76 | - | 7.09 | 1.57 | 2.10 |
| Leased out | - | - | - | - | - | - | - | - | - | - | - | - |
| Electrical & Installation | | | | | | | | | | | | |
| Owned | 15.99 | - | 0.03 | - | 15.95 | 12.90 | 2.56 | 0.01 | - | 15.44 | 0.51 | 3.09 |
| Leased out | - | - | - | - | - | - | - | - | - | - | - | - |
| Plant and equipments | | | | | | | | | | | | |
| Owned | 0.44 | - | - | - | 0.44 | 0.13 | 0.03 | - | - | 0.15 | 0.29 | 0.31 |
| Leased out | 2.80 | - | - | - | 2.80 | 2.16 | - | - | - | 2.16 | 0.64 | 0.64 |
| Computers | | | | | | | | | | | | |
| Owned | 41.56 | 0.01 | 0.35 | (0.70) | 40.51 | 31.14 | 4.93 | 0.25 | (0.44) | 35.38 | 5.13 | 10.42 |
| Leased out | - | - | - | - | - | - | - | - | - | - | - | - |
| Furniture and fixtures | | | | | | | | | | | | |
| Owned | 16.44 | 0.84 | 0.61 | (0.08) | 16.59 | 9.65 | 1.29 | 0.34 | (0.06) | 10.53 | 6.05 | 6.79 |
| Leased out | 4.74 | - | - | - | 4.74 | 3.94 | 0.12 | - | - | 4.06 | 0.68 | 0.80 |
| Office equipments | | | | | | | | | | | | |
| Owned | 14.40 | 4.24 | 0.21 | (0.22) | 18.21 | 10.22 | 3.28 | 0.22 | (0.11) | 13.16 | 5.04 | 4.18 |
| Leased out | 0.01 | - | - | - | 0.01 | - | - | - | - | - | 0.01 | 0.01 |
| Vehicles | | | | | | | | | | | | |
| Owned | 4.01 | 2.64 | 1.20 | - | 5.45 | 2.24 | 1.09 | 1.14 | - | 2.19 | 3.26 | 1.77 |
| Leased out | 1.72 | - | 0.79 | - | 0.93 | 0.99 | 0.17 | 0.51 | - | 0.65 | 0.28 | 0.73 |
| | **114.44** | **8.31** | **6.18** | **(1.19)** | **115.37** | **83.04** | **14.36** | **5.23** | **(0.76)** | **91.39** | **23.98** | **31.40** |
| Previous year | 117.17 | 4.95 | 7.68 | - | 114.44 | 69.26 | 17.61 | 3.83 | - | 83.04 | 31.40 | 47.91 |

* The Company has not revalued its property, plant and equipment during the year and hence there is no movement for revaluation shown separately.

** The tittle deed of the immovable property acquired under the scheme of amalgamation, is held in the name of erstwhile subsidiary which was merged with one of the subsidiary with effect from 01 April, 2016, also the title deed holder is not a promoter, director or related party.

# Notes forming part of consolidated financial statements

### Intangible assets :

(₹ in crore)

| Particulars | Gross carrying amount* | | | | | Accumulated depreciation* | | | | | Net carrying amount | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at April 01, 2021 | Additions | Deductions / Adjustments | Reclassified as held for sale | As at March 31, 2022 | As at April 01, 2021 | For the Year | Deductions / Adjustments | Reclassified as held for sale | As at March 31, 2022 | As at March 31, 2022 | As at March 31, 2021 |
| Specialised softwares | 253.34 | 73.07 | 0.01 | (11.41) | 315.00 | 140.49 | 67.71 | - | (9.21) | 198.98 | 116.02 | 112.85 |
| | **253.34** | **73.07** | **0.01** | **(11.41)** | **315.00** | **140.49** | **67.71** | **-** | **(9.21)** | **198.98** | **116.02** | **112.85** |
| Previous year | 160.49 | 92.85 | - | - | 253.34 | 90.05 | 50.44 | - | - | 140.49 | 112.85 | 70.44 |
| Add: Intangible assets under development | | | | | | | | | | | 21.81 | 23.84 |
| | | | | | | | | | | | **137.83** | **136.69** |

* The Company has not revalued its intangible assets during the year and hence there is no movement for revaluation shown separately.

### Intangible assets under development ageing as on March 31, 2022 :

(₹ in crore)

| Particulars | Amount in Intangible asset under development for a period of | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 years | 1-2 years | 2-3 years | More than 3 years | |
| Projects in progress | 21.81 | - | - | - | 21.81 |
| Projects temporarily suspended | - | - | - | - | - |

### Intangible assets under development ageing as on March 31, 2021 :

(₹ in crore)

| Particulars | Amount in Intangible asset under development for a period of | | | | Total |
|---|---|---|---|---|---|
| | Less than 1 years | 1-2 years | 2-3 years | More than 3 years | |
| Projects in progress | 4.89 | 18.95 | - | - | 23.84 |
| Projects temporarily suspended | - | - | - | - | - |

### 11 Right of use asset

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Gross carrying amount** | | |
| Opening gross carrying amount | 52.12 | 45.00 |
| Add: Additions during the year | - | 11.99 |
| Less: Deductions during the year | - | (4.87) |
| **Closing gross carrying amount** | **52.12** | **52.12** |
| **Accumulated depreciation and impairment** | | |
| Opening accumulated depreciation | 22.05 | 11.00 |
| Add: Depreciation and impairment | 2.01 | 11.05 |
| Less: Deductions during the year | - | - |
| **Closing accumulated depreciation** | **24.06** | **22.05** |
| **Net carrying amount** | **31.23** | **30.07** |

# Notes forming part of consolidated financial statements

## 12 Other non-financials assets

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Prepaid expenses | 26.65 | 73.78 |
| Property, plant and equipment held for sale | 1.15 | 1.15 |
| Gratuity asset | 0.21 | - |
| Capital advances | 0.92 | 2.66 |
| Amount paid under protest | 52.72 | 53.19 |
| Statutory dues recoverable | 3.37 | 1.86 |
| Assets acquired in settlement of claims | 569.68 | 782.02 |
| Others | 27.98 | 40.80 |
| **Total** | **682.68** | **955.46** |

## 13 Payables

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Trade payables** | | |
| Micro and small enterprises | 0.19 | - |
| Due to others | 386.61 | 362.90 |
| Due to related parties (Refer note 41) | 45.81 | 8.84 |
| **Sub total** | **432.61** | **371.73** |
| **Other payables** | | |
| Due to others | 6.49 | 5.06 |
| Due to related parties | - | - |
| **Sub total** | **6.49** | **5.06** |
| **Total** | **439.10** | **376.79** |

## 13a Ageing of Trade Payables

(₹ in crore)

| Particulars | Outstanding as on 31st March 2022 * | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unbilled dues | Bill Raised but not due | Less than 1 years | 1-2 years | 2-3 years | More than 3 years | Total |
| Undisputed | | | | | | | |
| -MSME | - | - | 0.19 | - | - | - | 0.19 |
| -Others | 352.52 | - | 87.08 | - | - | - | 432.42 |
| Disputed | | | | | | | |
| -MSME | - | - | - | - | - | - | - |
| -Others | - | - | - | - | - | - | - |
| **Total Trade Payable** | **352.52** | **-** | **87.27** | **-** | **-** | **-** | **432.61** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | Outstanding as on 31st March 2021 * | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unbilled dues | Bill Raised but not due | Less than 1 years | 1-2 years | 2-3 years | More than 3 years | Total |
| Undisputed | | | | | | | |
| -MSME | - | - | - | - | - | - | - |
| -Others | 321.78 | - | 49.95 | - | - | - | 371.73 |
| Disputed | | | | | | | |
| -MSME | - | - | - | - | - | - | - |
| -Others | - | - | - | - | - | - | - |
| **Total Trade Payable** | **321.78** | **-** | **49.95** | **-** | **-** | **-** | **371.73** |

* The above ageing is prepared on the basis of date of the transaction.

## 14 Debt securities

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(A) At Amortised Cost:** | | |
| - Commercial paper (net)* | 6,338.01 | 6,298.43 |
| - Non convertible debentures | 35,856.09 | 39,729.03 |
| **Total** | **42,194.10** | **46,027.46** |
| **(B)** | | |
| **(a) Debt securities in India** | | |
| (i) At Amortised cost | 42,194.10 | 46,027.46 |
| **Total** | **42,194.10** | **46,027.46** |
| **(b) Debt securities outside India** | | |
| (i) At Amortised cost | - | - |
| **Total** | **-** | **-** |
| **(C)** | | |
| **At Amortised cost** | | |
| - Secured | 35,856.09 | 39,729.03 |
| - Unsecured | 6,338.01 | 6,298.43 |
| **Total** | **42,194.10** | **46,027.46** |

* All the borrowings are utlised for the pupose for which there were borrowed.

# Notes forming part of consolidated financial statements

## 15 Borrowings (other than debt securities)

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(A)** | | |
| **At Amortised Cost** | | |
| (a) Term Loans* | | |
| (i) From banks | 13,597.77 | 17,126.81 |
| (ii) From banks - foreign currency nominated rupee loan | - | 99.81 |
| (iii) From financial institutions | 5,148.83 | 1,691.78 |
| (b) Loan repayable on demand* | | |
| (i) From banks | 16,456.21 | 14,675.18 |
| (c) External commercial borrowings* | 4,121.00 | 3,989.00 |
| **Total** | **39,323.81** | **37,582.58** |
| **(B)** | | |
| **(a) Borrowings (other than debt securities) in India** | | |
| (i) At Amortised Cost | 35,202.81 | 33,593.58 |
| **Total** | **35,202.81** | **33,593.58** |
| **(b) Borrowings (other than debt securities) outside India** | | |
| (i) At Amortised Cost | 4,121.00 | 3,989.00 |
| **Total** | **4,121.00** | **3,989.00** |
| **Total (a+b)** | **39,323.81** | **37,582.58** |

## 16 Subordinated liabilities

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(A)** | | |
| **At amortised cost** | | |
| Perpetual debt instruments to the extent that do not qualify as equity | 404.39 | 609.71 |
| Preference shares other than those that qualify as equity | 385.73 | 1,444.14 |
| Subordinate debt instruments | 2,893.20 | 2,891.88 |
| **Total** | **3,683.32** | **4,945.73** |
| **(B)** | | |
| **(a) Subordinated liabilities in India** | | |
| (i) At amortised cost | 3,683.32 | 4,945.73 |
| **Subtotal** | **3,683.32** | **4,945.73** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **(b) Subordinated liabilities outside India** | | |
| (i) At amortised cost | - | - |
| **Subtotal** | - | - |
| **Total** | **3,683.32** | **4,945.73** |
| **(C)** | | |
| **At Amortised cost** | | |
| - Secured | - | - |
| - Unsecured | 3,683.32 | 4,945.73 |
| **Total** | **3,683.32** | **4,945.73** |

## 17 Other financial liabilities

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Security deposits | 10.08 | 10.11 |
| Liabilities for expenses | 204.74 | 194.22 |
| Bank book credit balance | - | 33.45 |
| Short term obligation | 9.62 | 13.07 |
| Unclaimed infrastructure bonds | 367.46 | 244.66 |
| Unclaimed dividend on equity shares | 1.34 | 1.56 |
| Unclaimed proceeds on right issue | - | 0.10 |
| Unclaimed redemption proceeds and dividend on preference shares | 0.94 | 1.07 |
| Other payables | 78.10 | 99.82 |
| **Total** | **672.28** | **598.06** |

## 18 Provisions

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| **Provision for employee benefits** | | |
| Compensated absences | 18.59 | 19.66 |
| Super annuation fund | 0.81 | 0.81 |
| Gratuity (Refer note 39) | 8.75 | 13.48 |
| **Total** | **28.15** | **33.95** |

# Notes forming part of consolidated financial statements

## 19 Other non-financial liabilities

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Statutory dues payable | 56.13 | 63.68 |
| **Total** | **56.13** | **63.68** |

## 20 Equity share capital

### (I) Share capital authorised, issued, subscribed and paid up

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | (₹ in crore) | No. of Shares | (₹ in crore) |
| **Authorised:** | | | | |
| Equity Shares of ₹ 10 each | 5,000,000,000 | 5,000.00 | 5,000,000,000 | 5,000.00 |
| Preference shares of ₹ 100 each | 500,000,000 | 5,000.00 | 500,000,000 | 5,000.00 |
| **Issued, subscribed and paid up:** | | | | |
| Equity shares of ₹ 10 each fully paid up | 2,474,035,488 | 2,474.04 | 2,469,445,704 | 2,469.45 |

### (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 ensuing 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, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | (₹ in crore) | No. of Shares | (₹ in crore) |
| **At the beginning of the year** | **2,469,445,704** | **2,469.45** | **2,004,833,610** | **2,004.83** |
| Issued during the year | | | | |
| - Against right issue | - | - | 461,325,021 | 461.33 |
| - Against employee stock option | 4,589,784 | 4.59 | 3,287,073 | 3.29 |
| **Outstanding at the end of the year** | **2,474,035,488** | **2,474.04** | **2,469,445,704** | **2,469.45** |

# Notes forming part of consolidated financial statements

### (IV) Equity shares in the Company held by the holding company

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | (₹ in crore) | No. of Shares | (₹ in crore) |
| Larsen & Toubro Limited and it's nominee | 1,639,229,920 | 1,639.23 | 1,571,004,573 | 1,571.00 |
| | **1,639,229,920** | **1,639.23** | **1,571,004,573** | **1,571.00** |

### (V) Details of shareholders holding more than 5% shares in the company

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | % holding | No. of Shares | % holding |
| Larsen & Toubro Limited and it's nominee | 1,639,229,920 | 66.26% | 1,571,004,573 | 63.62% |

### (VI) Details of shares held by promoters in the company as at March 31, 2022

| Particulars | No. of Shares | % of total shares | % Change during the year |
|---|---|---|---|
| **Larsen & Toubro Limited and it's nominee** | **1,639,229,920** | **66.26%** | **2.64%** |

### (VII) Details of shares held by promoters in the company as at March 31, 2021

| Particulars | No. of Shares | % of total shares | % Change during the year |
|---|---|---|---|
| **Larsen & Toubro Limited and it's nominee** | **1,571,004,573** | **63.62%** | **-0.10%** |

### (VIII) Details of shares reserved to be issued under ESOP

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | No. of Shares | ( ₹ in crore) | No. of Shares | ( ₹ in crore) |
| Equity shares of ₹ 10 each | 41,106,290 | 41.11 | 41,760,601 | 41.76 |
| | **41,106,290** | **41.11** | **41,760,601** | **41.76** |

### (IX) 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 The Company has not paid any dividend during the financial year 2021-22 (PY 2020-21 - ₹ Nil). The Board has recommended a final dividend of ₹ 0.50 per equity share for the financial year ended March 31, 2022 in the Board meeting held on April 29, 2022, subject to the approval of shareholders of the Company.

# Notes forming part of consolidated financial statements

**(X) 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 w.e.f. July 10, 2019 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 w.e.f. July 10,2019 ₹ 10 respectively.

4 During the year ended March 31, 2022, 3,17,000 and 42,72,784 options were allotted under the scheme 2010 and 2013 respectively.

5 The details of the grants are summarised below:

| Particulars | Scheme 2010 | | Scheme 2013 | |
|---|---|---|---|---|
| | 2021-22 | 2020-21 | 2021-22 | 2020-21 |
| Options granted and outstanding at the beginning of the year | 1,928,500 | 2,920,500 | 39,832,101 | 45,195,840 |
| Options granted during the year | - | - | 10,789,685 | 2,131,627 |
| Options cancelled/ lapsed during the year | 663,250 | 307,500 | 6,190,962 | 4,892,793 |
| Options exercised during the year | 317,000 | 684,500 | 4,272,784 | 2,602,573 |
| Options granted and outstanding at the end of the year of which: | | | | |
| - Options vested | 719,000 | 537,000 | 21,622,255 | 18,171,874 |
| - Options yet to vest | 229,250 | 1,391,500 | 18,535,785 | 21,660,227 |
| Weighted average remaining contractual life of options (in years) | 3.56 | 4.02 | 5.64 | 4.81 |

6 During the year, the Group has debited to the Statement of Profit and Loss ₹ 24.18 crore (Previous year ₹ 54.51 crore) towards the stock options granted to their employees, pursuant to the employee stock option schemes.

7 Weighted average fair values of options granted during the year is ₹ 72.69 (Previous year: ₹ 33.15) per options.

8 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:

# Notes forming part of consolidated financial statements

| Particulars | 2021-22 | 2020-21 |
|---|---|---|
| Weighted average risk-free interest rate | 4.59% | 2.70% |
| Weighted average expected life of options | 2.68 years | 1.73 years |
| Weighted average expected volatility | 39.50% | 25.26% |
| Weighted average expected dividend over the life of the options | ₹ 2.60 per option | ₹ 1.68 per option |
| Weighted average share price | ₹ 83.71 per option | ₹ 39.61 per option |
| Weighted average exercise price | ₹ 10 per option | ₹ 5.82 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. | |

## 21 Other equity

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Securities premium account[1] | 7,751.62 | 7,707.39 |
| General reserve[2] | 452.62 | 236.16 |
| Debenture redemption reserve[3] | 5.15 | 213.10 |
| Capital redemption reserve | 33.10 | - |
| Capital reserve on consolidation | 492.36 | 492.36 |
| Reserve u/s 36 (1)(viii) of Income tax Act 1961[4] | 962.28 | 911.35 |
| Reserve u/s 45-IC of Reserve Bank of India Act, 1934[5] | 2,166.11 | 1960.06 |
| Reserve u/s 29C of National Housing Bank Act 1987[6] | 27.43 | 27.43 |
| Employee stock option outstanding account[7] | 182.70 | 199.77 |
| Retained earnings[8] | 5,423.10 | 4,642.40 |
| Impairment Reserve[9] | 28.36 | 28.36 |
| Other comprehensive income | | |
| - Fair value changes of financial instrument measured at fair value through OCI | 8.95 | (12.89) |
| - Effective portion of cash flow hedge | (60.12) | (101.74) |
| **Total** | **17,473.66** | **16,303.75** |

**Notes:**

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.

# Notes forming part of consolidated financial statements

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. Where 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.

# Notes forming part of consolidated financial statements

## 22 Interest income

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| On financial assets measured at: | | |
| **(i) Amortised cost** | | |
| Interest on loans | 8,772.10 | 9,728.07 |
| Interest on deposits with bank | 141.75 | 175.39 |
| Interest income from investments | - | 12.53 |
| Other interest income | 0.09 | 0.23 |
| **(ii) Fair value through profit or loss** | | |
| Interest on loans | 2,627.79 | 3,101.69 |
| Interest income from investments | 6.36 | 1.29 |
| **(iii) Fair value through other comprehensive income** | | |
| Income from other investments | 156.08 | 85.65 |
| **Total** | **11,704.17** | **13,104.85** |

## 23 Dividend income

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Dividend income on investments | 0.18 | 0.04 |
| **Total** | **0.18** | **0.04** |

## 24 Rental income

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Lease rental income | 7.92 | 10.10 |
| **Total** | **7.92** | **10.10** |

## 25 Fees and commission Income

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Consultancy and financial advisory fee | 11.70 | 122.54 |
| Other financial activities | 198.51 | 108.25 |
| **Total** | **210.21** | **230.79** |

# Notes forming part of consolidated financial statements

## 26 Net gain/(loss) on fair value changes

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **(A) Net gain/(loss) on financial instruments classified at fair value through profit or loss** | | |
| **(i) On trading portfolio** | | |
| - Investments | 7.24 | 4.96 |
| - Gain on fair valuation of investments | (0.02) | - |
| **Total** | **7.22** | **4.96** |
| **(B) Fair value changes:** | | |
| - Realised | 8.37 | 4.96 |
| - Unrealised | (1.15) | - |
| **Total** | **7.22** | **4.96** |

## 27 Net gain on derecognition of financial instruments under amortised cost category

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Gain on sale of loan portfolio | - | 2.11 |
| **Total** | **-** | **2.11** |

## 28 Other income

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Income from cross sell | 373.86 | 352.53 |
| Other income | 19.99 | 47.95 |
| **Total** | **393.85** | **400.48** |

## 29 Finance costs

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **On financial liabilities measured at amortised cost** | | |
| Interest on borrowings | 1,899.92 | 2,978.59 |
| Interest on debt securities | 3,431.63 | 3,734.18 |
| Interest on subordinated liabilities | 396.18 | 438.07 |
| Other interest expenses | 26.06 | 61.79 |
| **Total** | **5,753.79** | **7,212.62** |

# Notes forming part of consolidated financial statements

## 30 Fees and commission expense

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Advisory fees | 1.06 | 3.36 |
| **Total** | **1.06** | **3.36** |

## 31 Net loss/(gain) on fair value changes

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **(A) Net loss on financial instruments classified at fair value through profit or loss** | | |
| **On trading portfolio** | | |
| Fair value changes on investments | 272.26 | 267.53 |
| Fair value changes on loans | 348.10 | 139.74 |
| Loss/(Gain) on sale of investment | 1.14 | (11.79) |
| Loss/(Gain) on sale of loan assets | (0.77) | 19.03 |
| **(B) Net gain on disposal of financial instruments classified at fair value through other comprehensive income** | | |
| Derivative financial instruments | 0.85 | 5.32 |
| Loss on sale of investment | 467.53 | 0.59 |
| **Total** | **1,089.11** | **420.42** |

## 32 Net loss/(gain) on derecognition of financial instruments under amortised cost category

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Loss on foreclosure and writeoff of loan (net off of recoveries for write off of previous years) | 3,836.45 | 2,626.54 |
| Less: Provision held reversed on derecognition of financial instruments | (3,551.44) | (2,389.29) |
| **Total** | **285.01** | **237.25** |

## 33 Impairment on financial instruments

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| **On financial instruments measured at fair value through other comprehnsive income:** | | |
| Investments | (394.77) | 151.26 |
| **On financial instruments measured at amortised cost:** | | |
| Loans | 2,099.74 | 2,843.18 |
| Trade receivables | 4.20 | (16.41) |
| **Total** | **1,709.17** | **2,978.03** |

# Notes forming part of consolidated financial statements

## 34 Employee benefits expenses

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Salaries | 963.22 | 822.26 |
| Contribution provident, ESIC and superannuation fund | 39.58 | 35.30 |
| Contribution to gratuity fund (Refer note 39) | 9.56 | 9.50 |
| Share based payments to employees (Refer note 20) | 20.11 | 37.42 |
| Staff welfare expenses | 62.37 | 33.60 |
| **Total** | **1,094.84** | **938.07** |

## 35 Depreciation, amortisation and impairment

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Depreciation | 14.14 | 17.41 |
| Depreciation and impairment of investment property | 3.10 | 7.99 |
| Amortisation on right of use asset | 18.54 | 10.47 |
| Amortisation on other intangible assets | 66.86 | 49.79 |
| **Total** | **102.64** | **85.66** |

## 36 Other expenses

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Rent | 14.91 | 19.69 |
| Rates and taxes | 2.35 | 97.49 |
| Repairs and maintenance | 71.81 | 67.85 |
| Communication expenses | 7.49 | 6.58 |
| Director’s sitting fees | 1.44 | 1.13 |
| Non executive directors remuneration | 2.82 | 1.92 |
| Auditor’s fees and expenses (Refer note below) | 2.08 | 2.78 |
| Legal and professional charges | 398.38 | 229.97 |
| Insurance | 3.97 | 4.81 |
| Travelling and conveyance | 21.78 | 15.03 |
| Advertisement and publicity | 3.10 | 2.94 |
| Printing and stationery | 6.15 | 7.07 |
| Stamping charges | 0.76 | 13.78 |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Electricity charges | 6.49 | 6.29 |
| Bank charges | 11.22 | 17.53 |
| Filling fees | 0.08 | 0.31 |
| Brand license fee | 45.57 | 7.50 |
| Membership and subscription fees | 0.06 | 0.21 |
| Collection charges | 437.55 | 304.93 |
| Loan processing charges | 8.42 | 7.58 |
| Listing and custodian charges | 0.33 | 1.09 |
| Loss on sale of property, plant and equipment | 0.03 | 0.62 |
| Donations | - | 0.03 |
| Corporate social responsibility expenses | 10.36 | 15.84 |
| Miscellaneous expenses | 7.93 | 9.22 |
| **Total** | **1,065.08** | **842.19** |

**Auditor's fees and expenses:**

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Statutory audit fees | 0.80 | 0.92 |
| Limited review fees | 0.86 | 0.75 |
| Tax audit fees | 0.13 | 0.13 |
| Certification fees | 0.09 | 1.84 |
| Expenses reimbursed and others | 0.20 | 0.20 |
| Less: Fees paid for right issue adjusted against securities premium account | - | (1.06) |
| **Total** | **2.08** | **2.78** |

## 37 Tax expense

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| Current tax | 210.89 | 689.72 |
| Deferred tax charge/(reversal) (Refer note 45) | 162.73 | (166.61) |
| **Total** | **373.62** | **523.11** |

# Notes forming part of consolidated financial statements

## 38 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, 2022 Proportion of ownership interest (%) | As at March 31, 2022 Proportion of voting power held (%) | As at March 31, 2021 Proportion of ownership interest (%) | As at March 31, 2021 Proportion of voting power held (%) |
|---|---|---|---|---|---|---|
| | **Subsidiaries** | | | | | |
| 1 | L&T Finance Limited | India | 100% | 100% | 100% | 100% |
| 2 | L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) | India | 100% | 100% | 100% | 100% |
| 3 | L&T Investment Management Limited (Refer Note 57) | India | 100% | 100% | 100% | 100% |
| 4 | L&T Financial Consultants Limited | India | 100% | 100% | 100% | 100% |
| 5 | L&T Infra Investment Partners Advisory Private Limited | India | 100% | 100% | 100% | 100% |
| 6 | L&T Infra Investment Partners Trustee Private Limited | India | 100% | 100% | 100% | 100% |
| 7 | L&T Mutual Fund Trustee Limited | India | 100% | 100% | 100% | 100% |
| 8 | Mudit Cements Private Limited | India | 100% | 100% | 100% | 100% |
| 9 | L&T Infra Investment Partners | India | 54.92% | 54.92% | 54.92% | 54.92% |

## 39 Disclosure pursuant to Ind AS 19 “Employee benefits”

### (i) Defined contribution plans

The Group recognised charges of ₹ 39.58 crores (Previous year: ₹ 35.30 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, 2022 | Gratuity Plan As at March 31, 2021 |
|---|---|---|---|
| A) | Present value of defined benefit obligation | | |
| | - Wholly funded | 47.74 | 39.96 |
| | - Wholly unfunded | 0.99 | 1.00 |
| | | 48.73 | 40.96 |
| | Less : Fair Value of plan assets | (38.43) | (27.48) |
| | Add : Amount not recognised as an asset (limit in para 64(b) of Ind AS 19) | - | - |
| | **Amount to be recognised as liability or (asset)** | **10.30** | **13.48** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| | Particulars | Gratuity Plan | |
|---|---|---|---|
| | | As at March 31, 2022 | As at March 31, 2021 |
| B) | Amounts reflected in Balance Sheet | | |
| | Liabilities * | 10.51 | 13.48 |
| | Assets | (0.21) | - |
| | **Net liability/(asset)** | **10.30** | **13.48** |

* includes ₹ 1.76 crore (Previous year: ₹ Nil ) liabilities associated with group classified as held for sale

## b) The amounts recognised in the Statement of Profit and Loss:

(₹ in crore)

| S. No. | Particulars | Gratuity Plan | |
|---|---|---|---|
| | | Year ended March 31, 2022 | Year ended March 31, 2021 |
| 1 | Current service cost | 10.32 | 10.24 |
| 2 | Interest cost (net of interest income on plan asset) | 0.76 | 0.87 |
| 3 | Interest on plan assets | - | - |
| 4 | Actuarial losses/(gains) - others | (0.77) | (3.20) |
| 5 | Actuarial losses/(gains) - difference between actuarial return on plan assets | (0.50) | 0.18 |
| | **Total** | **9.81** | **8.09** |
| i | Amount included in "employee benefits expenses" | 9.56 | 9.50 |
| ii | Amount included in as part of "finance cost' | 0.58 | 0.64 |
| iii | Amount included as part of "other comprehensive income" | (1.27) | (3.02) |
| iv | Amount included as part of "profit from discontinued operations" | 0.94 | 0.97 |
| | **Total** | **9.81** | **8.09** |

## 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, 2022 | As at March 31, 2021 |
| Opening balance of the present value of defined benefit obligation | 40.96 | 38.08 |
| Add : Current Service Cost | 10.32 | 10.24 |
| Add : Interest Cost | 1.88 | 1.91 |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | Gratuity Plan As at March 31, 2022 | Gratuity Plan As at March 31, 2021 |
|---|---|---|
| Add : Actuarial losses/(gains) | | |
| i) Acturial (gains)/losses arising from changes in financial assumptions | (2.85) | 1.71 |
| ii) Acturial (gains)/losses arising from changes in demographic assumptions | - | (1.32) |
| ii) Acturial (gains)/losses arising from changes in experience adjustments | 2.08 | (3.59) |
| Less: Benefits paid | (3.96) | (2.39) |
| Add : Past Service Cost | - | - |
| Add / (Less) : Liability assumed/(settled)* | 0.30 | (3.68) |
| **Closing balance of the present value of defined benefit obligation**** | **48.73** | **40.96** |

*On account of business combination or intra group transfer

** includes ₹ 7.09 crore (Previous year: ₹ Nil ) liabilities associated with group classified as held for sale

## 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, 2022 | Gratuity Plan As at March 31, 2021 |
|---|---|---|
| Opening balance of the fair value of the plan assets | 27.48 | 17.41 |
| Add : interest income of plan assets | 1.12 | 1.04 |
| Add/(less) : Acturial gains/(losses) | 0.50 | (0.18) |
| Add : Contribution by the employer | 13.29 | 11.60 |
| Less : Benefits paid | (3.96) | (2.39) |
| Add: Assets acquired/(settled) | - | - |
| **Closing balance of plan assets*** | **38.43** | **27.48** |

*includes ₹ 5.33 crore (Previous year: ₹ Nil ) assets associated with group classified as held for sale

## e) Movement in asset ceiling:

(₹ in crore)

| Particulars | Gratuity Plan As at March 31, 2022 | Gratuity Plan As at March 31, 2021 |
|---|---|---|
| Opening value of asset ceiling | - | - |
| Interest on opening balance of asset ceiling | - | - |
| Remeasurement due to changes in surplus/deficit | - | - |
| **Closing value of asset ceiling** | **-** | **-** |

# Notes forming part of consolidated financial statements

**f) The fair value of major categories of plan assets:**

(₹ in crore)

| Particulars | | Gratuity Plan As at March 31, 2022 | Gratuity Plan As at March 31, 2021 |
|---|---|---|---|
| 1 | Government of India securities | 1.38 | 1.99 |
| 2 | Insurer managed funds (unquoted) | 30.18 | 20.91 |
| 3 | Others (quoted) | 1.55 | 1.89 |
| 4 | Others (unquoted) | 5.32 | 2.69 |
| | | **38.43** | **27.48** |

**g) Principal acturial assumptions at the valuation date:**

| S. No. | Particulars | Gratuity Plan As at March 31, 2022 | Gratuity Plan As at March 31, 2021 |
|---|---|---|---|
| i | Discount rate (per annum) | 5.20% to 7.35% | 4.65% to 6.35% |
| ii | Salary escalation rate (per annum) | 9.00% | 9.00% |

**(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 33% (previous year: 0% to 33%) for various age groups.

**(vi) Mortality:**

Published rates under the Indian Assured Lives Mortality (2012-14) Ult table.

**h) Sensitivity analysis**

One percentage point change in actuarial assumption would have the following effects on the defined benefit obligation:

(₹ in crore)

| S. No. | Particulars | Gratuity Plan | | | |
|---|---|---|---|---|---|
| | | Effect of 1% increase | | Effect of 1% decrease | |
| | | 2021-22 | 2020-21 | 2021-22 | 2020-21 |
| 1 | Impact of change in discount rate | (2.29) | (2.13) | 2.22 | 2.35 |
| 2 | Impact of change in salary escalation rate | 2.41 | 2.24 | (2.25) | (2.08) |

# Notes forming part of consolidated financial statements

**(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, 2022** | **As at March 31, 2021** |
| A) Present value of defined benefit obligations | | |
| - Wholly funded | 15.15 | 14.60 |
| - Wholly unfunded | - | - |
| | 15.15 | 14.60 |
| Assets accquired on acquistion | (16.30) | (15.95) |
| Less: Fair value of plan assets | (1.15) | (1.35) |
| Amount to be recognised as liability or (assets) | | |
| B) Amount reflected in Balance sheet | | |
| Liabilities | - | - |
| Assets | 1.15 | 1.35 |
| Net liability/(assets) | (1.15) | (1.35) |

**b) The amounts recognised in the Statement of Profit and Loss:**

(₹ in crore)

| Particulars | Provident Fund Plan | |
|---|---|---|
| | **Year ended March 31, 2022** | **Year ended March 31, 2021** |
| Current service cost | - | - |
| Interest cost | 1.20 | 1.18 |
| Expected return on plan assets | (1.20) | (1.18) |
| Acturial gain/(losses) | 0.58 | 0.47 |
| Acturial losses/(gain) not recognised in books (limit in para 64(b) of Ind AS 19) | (0.58) | (0.47) |
| **Total** | **-** | **-** |
| Amount included in "Employee benefits expenses" | - | - |
| Amount included in as part of "Finance cost' | - | - |
| Amount included as part of "Other comprehensive income" | - | - |
| **Total** | **-** | **-** |

# Notes forming part of consolidated financial statements

**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, 2022 | As at March 31, 2021 |
| Opening balance of the present value of defined benefit obligation | 14.60 | 14.32 |
| Add: Assets accquired on acquistion | - | - |
| Add: Current service cost | - | - |
| Add: Interest cost | 1.20 | 1.18 |
| Less: Benefits paid | (1.76) | (0.91) |
| Add: Contribution by the employer | 0.77 | (0.02) |
| Add: Liability assumed/(settled) | 0.34 | 0.03 |
| **Closing balance of the present value of defined benefit obligation** | **15.15** | **14.60** |

**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, 2022 | As at March 31, 2021 |
| Opening fair value of the plan assets | 15.95 | 15.18 |
| Add: Assets accquired on acquistion | - | - |
| Add: Interest income of plan assets | 1.20 | 1.18 |
| Add/(less): Acturial gains/(losses) | 0.58 | 0.47 |
| Add: Contribution by the employer | - | - |
| Add/(less): Contribtuion by plan participants | - | - |
| Less: Benefits paid | (1.76) | (0.91) |
| Add: Assets acquired/(settled) | 0.33 | 0.03 |
| **Closing fair value of the plan assets** | **16.30** | **15.95** |

**e) The fair value of major categories of plan assets:**

(₹ in crore)

| Particulars | Provident Fund Plan | |
|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 |
| Government of india securities | 7.38 | 7.23 |
| Corporate bonds | 4.97 | 4.69 |
| Special deposit scheme | 0.54 | 0.59 |
| Public sector unit bond | 1.69 | 2.01 |
| Others (unquoted) | 1.72 | 1.43 |
| **Total** | **16.30** | **15.95** |

# Notes forming part of consolidated financial statements

**f) Principal actuarial assumptions at the valuation date:**

(₹ in crore)

| Particulars | Provident Fund Plan | |
|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 |
| Discount rate for the term of the obligation | 7.05% | 6.44% |
| Average historic yield on the investment portfolio | 8.64% | 8.85% |
| Discount rate for the remaining term to maturity of the investment portfolio | 6.85% | 6.60% |
| Future derived return on assets | 8.84% | 8.69% |
| Guaranteed rate of return | 8.10% | 8.25% |

**(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.

# Notes forming part of consolidated financial statements

## 40 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 Unallocated 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 wheeler 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 vehicle finance, construction equipment finance, SME term loans and leases.

(v) Others comprises of asset management etc.

(vi) Unallocated represents tax assets and tax liabilities.

### a) Information about reportable segment

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **I** | **Gross segment revenue from continuing operations** | | |
| (a) | Rural finance | 5,780.08 | 5,478.87 |
| (b) | Housing finance | 2,645.86 | 3,291.43 |
| (c) | Infrastructure finance | 3,143.88 | 4,075.06 |
| (d) | Defocused business | 213.99 | 395.38 |
| (e) | Others | 895.34 | 699.07 |
| | **Total** | **12,679.15** | **13,939.81** |
| | Less: Revenue of discontinued operations (Refer Note 56) | (390.68) | (343.99) |
| (f) | Less: Inter segment revenue | (358.77) | (242.97) |
| | **Segment revenue from continuing operations** | **11,929.70** | **13,352.85** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **II** | **Segment results** | | |
| (a) | Rural finance | 1,034.32 | 681.51 |
| (b) | Housing finance | 72.54 | 607.64 |
| (c) | Infrastructure finance | 314.39 | 425.16 |
| (d) | Defocused business | (302.54) | (569.33) |
| (e) | Others | 356.10 | 350.22 |
| | **Total** | **1,474.81** | **1,495.20** |
| | Less: Revenue of discontinued operations (Refer Note 57) | (251.96) | (233.86) |
| | **Profit before tax** | **1,222.85** | **1,261.34** |

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| **III** | **Segment assets** | | |
| (a) | Rural finance | 35,339.72 | 31,192.76 |
| (b) | Housing finance | 26,480.55 | 28,712.81 |
| (c) | Infrastructure finance | 38,497.62 | 40,499.93 |
| (d) | Defocused business | 2,436.75 | 3,056.77 |
| (e) | Others * | 12,898.01 | 14,445.55 |
| | **Sub Total** | **115,652.65** | **117,907.82** |
| (f) | Less: Inter segment assets | (10,906.45) | (11,235.32) |
| | Segment assets | 104,746.20 | 106,672.50 |
| (g) | Unallocated | 2,155.98 | 2,299.15 |
| | **Total assets** | **106,902.18** | **108,971.65** |
| **IV** | **Segment liabilities **** | | |
| (a) | Rural finance | 29,836.34 | 26,940.03 |
| (b) | Housing finance | 22,357.66 | 24,651.71 |
| (c) | Infrastructure finance | 33,039.24 | 34,647.56 |
| (d) | Defocused business | 2,057.14 | 2,653.16 |
| (e) | Others * | 484.64 | 2,188.90 |
| | **Sub Total** | **87,775.02** | **91,081.36** |
| (f) | Less: Inter segment liabilities | (1,082.04) | (1,220.16) |
| | Segment liabilities | 86,692.98 | 89,861.20 |
| (g) | Unallocated | 261.50 | 337.25 |
| | **Total liabilities** | **86,954.48** | **90,198.45** |

* Includes group of assets and liabilities classfied as held for sale

** Including non controlling interest

# Notes forming part of consolidated financial statements

**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.

## 41 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 | Larsen & Toubro Electromech LLC | Fellow Subsidiary Company |
| 4 | L&T Hydrocarbon Engineering Limited | Fellow Subsidiary Company |
| | **Key management personnel** | |
| 1 | Mr S. N. Subrahmanyan | Non-executive chairman (w.e.f. February 28, 2022) |
| 2 | Mr Dinanath Dubhashi | Managing Director and Chief Executive Officer |
| 3 | Mr. S. V. Haribhakti | Independent director |
| 4 | Mr. Prabhakar B. | Non-executive director |
| 5 | Mr. R. Shankar Raman | Non-executive director |
| 6 | Dr. Rajani R Gupte | Independent director |
| 7 | Mr. P. V. Bhide | Independent director |
| 8 | Mr. Thomas Mathew T. | Independent director |
| 9 | Ms. Nishi Vasudeva | Independent director |
| 10 | Mr. Pavninder Singh | Nominee director |

### (b) Disclosure of related party transactions :

(₹ in crore)

| S. No. | Nature of Transactions | FY 2021-22 | FY 2020-21 |
|---|---|---|---|
| 1 | **Brand license fees to** | | |
| | Larsen & Toubro Limited | 44.01 | 8.08 |
| 2 | **Reimbursement of expenses paid to / (recovered from)** | | |
| | Larsen & Toubro Limited (net) | (1.12) | 12.62 |
| 3 | **Interest expense on interest corporate borrowing / NCD** | | |
| | Larsen & Toubro Limited | 128.33 | 113.69 |
| 4 | **Professional fees to** | | |
| | Larsen & Toubro Limited | 5.90 | 6.13 |
| | Larsen & Toubro Infotech Limited | 1.09 | 1.18 |

# Notes forming part of consolidated financial statements

(₹ in crore)

| S. No. | Nature of Transactions | FY 2021-22 | FY 2020-21 |
|---|---|---|---|
| 5 | **Inter corporate deposits/NCD borrowed from** | | |
| | Larsen & Toubro Limited | - | 2,445.00 |
| 6 | **Issue of equity shares on account of rights issue** | | |
| | Larsen & Toubro Limited | - | 1,907.65 |

* Transactions shown above are excluding of GST, if any.

## (c) Remuneration to key management personnel ***

(₹ in crore)

| S. No. | Nature of Transactions | FY 2021-22 | | FY 2020-21 | |
|---|---|---|---|---|---|
| | | Short-Term employee benefits | Other Long term benefits | Short-Term employee benefits | Other Long term benefits |
| 1 | Mr. Dinanath Dubhashi | 12.25 | - | 5.76 | - |
| 2 | Mr. S. V. Haribhakti | 0.71 | - | 0.64 | - |
| 3 | Mr. Prabhakar B. | 0.21 | - | 0.14 | - |
| 4 | Dr. Rajani R. Gupte | 0.55 | - | 0.47 | - |
| 5 | Mr. P. V. Bhide | 0.60 | - | 0.50 | - |
| 6 | Mr. Thomas Mathew T. | 0.68 | - | 0.52 | - |
| 7 | Ms. Nishi Vasudeva | 0.65 | - | 0.50 | - |
| 8 | Mr. Pavninder Singh | 0.26 | - | 0.21 | - |

*** Key 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, 2022 | As at March 31, 2021 |
|---|---|---|---|
| 1 | **Non convertible debenture (borrowings)** | | |
| | Larsen & Toubro Limited | 1,025.38 | 2,015.38 |
| 2 | **Interest accrued on non convertible debenture (borrowings)** | | |
| | Larsen & Toubro Limited | 39.66 | 76.73 |
| 3 | **Trade and other payable** | | |
| | Larsen & Toubro Electromech LLC | 0.01 | 0.01 |
| | Larsen & Toubro Limited * | 46.57 | 8.52 |
| | L&T Hydrocarbon Engineering Limited | 0.02 | 0.02 |
| | Larsen & Toubro Infotech Limited* | 0.16 | 0.29 |
| 4 | **Trade and other receivable** | | |
| | Larsen & Toubro Limited ** | 1.70 | 10.03 |

* includes ₹ 0.95 crore (Previous year : ₹ Nil ) payable disclosed in group of liabilities classified as held for sale.
** includes ₹ 0.20 crore (Previous year : ₹ Nil ) receivable disclosed in group of assets classified as held for sale

# Notes forming part of consolidated financial statements

## 42 Disclosures pursuant to Indian Accounting Standards (Ind AS) 116 -Leases

### I) Group as lesseee

### a) Operating lease

### 1 Rights to use assets:

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Opening balance | 30.07 | 34.00 |
| Add: Additions during the year | 21.60 | 11.99 |
| Less: Depreciation during the year | (14.48) | (11.05) |
| Less: Right of use asset derecognised | (4.56) | (4.87) |
| Less: Right of use asset disclosed in group of assets classified as held for sale | (1.40) | - |
| **Closing balance** | **31.23** | **30.07** |

### 2 Lease liability:

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Opening balance | 35.80 | 39.58 |
| Add: Additions during the year | 21.60 | 11.99 |
| Add: Interest accrued during the year | 5.67 | 3.22 |
| Less: Interest paid during the year | (5.54) | (3.22) |
| Less: Principal repayment during the year | (19.95) | (10.41) |
| Less : Lease liability derecognised | (0.42) | (5.36) |
| Less: Lease liability disclosed in group of liabilities classified as held for sale | (1.63) | - |
| **Closing balance** | **35.53** | **35.80** |

### 3 Low value leases/short term leases

**Expenses recogonised**

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| - Low value assets (net) | 4.46 | 19.15 |
| - Short term leases | 10.45 | 0.54 |

**Actual cashflow**

(₹ in crore)

| Particulars | Year ended March 31, 2022 | Year ended March 31, 2021 |
|---|---|---|
| - Low value assets | 4.46 | 19.15 |
| - Short term leases | 10.45 | 0.54 |

# Notes forming part of consolidated financial statements

**b) Finance Lease : Not applicable**

**II) 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, 2022 | As at March 31, 2021 |
|---|---|---|
| Receivable not later than 1 year | 4.85 | 20.70 |
| Receivable later than 1 year but not later than 2 year | 0.01 | 4.85 |
| Receivable later than 2 year but not later than 3 year | - | 0.01 |
| 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 | - | - |
| Gross investment in lease | 4.86 | 25.56 |
| Less: Unearned finance income | 0.23 | 2.05 |
| **Present value of minimum lease payment receivable** | **4.63** | **23.51** |

iii) Finance lease income on net investment in lease recognised in statement of Profit & loss during the financial year 2021-22 is ₹ 1.50 Crs and for 2020-21 : ₹ 3.84 Crs

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, 2020 | 25.42 | 25.56 | 50.98 |
| Add: Finance lease income recognised in the statement of Profit and Loss | 3.84 | - | 3.84 |
| Less: Lease rental received (cash payment) | (29.26) | - | (29.26) |
| Add/Less: Change on account of any other factors | 20.70 | (20.70) | - |
| **Closing value of lease receivables as on March 31, 2021** | **20.70** | **4.86** | **25.56** |
| Add: Finance lease income recognised in the statement of Profit and Loss | 1.50 | - | 1.50 |
| Less: Lease rental received (cash payment) | (22.20) | - | (22.20) |
| Add/Less: Change on account of any other factors | 4.85 | (4.85) | - |
| **Closing value of lease receivables as on March 31, 2022** | **4.85** | **0.01** | **4.86** |

# Notes forming part of consolidated financial statements

**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, 2022 | As at March 31, 2021 |
|---|---|---|
| Receivable not later than 1 year | 0.16 | 0.46 |
| Receivable later than 1 year but not later than 2 year | - | 0.23 |
| Receivable later than 2 year but not later than 3 year | - | - |
| 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** | **0.16** | **0.69** |

iii) Lease income recognised in Profit & Loss account (Other than variable lease payment) is ₹ 0.23 crore (Previous year ₹ 0.68 crore)

iv) Lease income relating to variable lease payments not depending on index/rate : Nil

## 43 Basic and Diluted Earnings per share [EPS] computed in accordance with Indian Accounting Standard (Ind AS) 33 "Earnings per Share":

(₹ in crore)

| Particulars | | For the year ended March 31, 2022 | For the year ended March 31, 2021 |
|---|---|---|---|
| **Basic** | | | |
| Profit after tax (₹ in crore) | A | 1,070.11 | 970.94 |
| Weighted average number of equity shares outstanding | B | 2,472,614,063 | 2,164,026,642 |
| Basic earning per share | A/B | 4.33 | 4.49 |
| **Diluted** | | | |
| Profit after tax (₹ in crore) | A | 1,070.11 | 970.94 |
| Weighted average number of equity shares outstanding | B | 2,472,614,063 | 2,164,026,642 |
| Add: Weighted average number of potential equity shares on account of employee stock options | C | 7,139,341 | 6,473,167 |
| Weighted average number of shares outstanding for diluted EPS | D=B+C | 2,479,753,404 | 2,170,499,809 |
| Diluted earning per share (before and after extraordinary items) | A/D | 4.32 | 4.47 |
| Face value of shares (₹) | | 10.00 | 10.00 |

# Notes forming part of consolidated financial statements

**44 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, 2022:**

(₹ in crore)

| Assets/Disposal Group | Reportable segment | |
|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 |
| Non-current Assets (L&T Investment Management Limited) | Others | Not applicable |

**(b) 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, 2022 | As at March 31, 2021 |
|---|---|---|
| **Group(s) of assets classified as held for sale:** | | |
| Cash and cash equivalents | 3.32 | - |
| Trade receivables | 18.98 | - |
| Investments | 160.01 | - |
| Other financial assets | 0.47 | - |
| Current tax assets (net) | 15.42 | - |
| Property, plant and equipment | 0.43 | - |
| Goodwill on consolidation | 623.31 | - |
| Other intangible assets | 2.22 | - |
| Right of use asset | 1.40 | - |
| Other non-financial assets | 1.85 | - |
| **Total** | **827.41** | **-** |
| **Liabilities associated with group(s) classified as held for sale:** | | |
| Trade payable | 5.11 | - |
| Lease liability | 1.63 | - |
| Other financial liabilities | 39.13 | - |
| Deffered tax liability | 4.25 | - |
| Provisions | 3.36 | - |
| Other non-financial liabilities | 31.50 | - |
| **Total** | **84.98** | **-** |

# Notes forming part of consolidated financial statements

**45 Trade payable includes amount payable to Micro and Small Enterprises as follows:**

**(a) Major components of tax expense/(income):**

(₹ in crore)

| S. No | Particulars | 2021-22 | 2020-21 |
|---|---|---|---|
| | **Consolidated statement of Profit and Loss:** | | |
| **(a)** | Profit and Loss section: | | |
| | (i) Current income tax : | | |
| | (A) Current income tax expense | 267.92 | 607.67 |
| | (B) Tax expense in respect of earlier years | - | 95.93 |
| | | 267.92 | 703.60 |
| | (ii) Deferred Tax: | | |
| | (A) Tax expense on origination and reversal of temporary differences | 157.65 | (157.28) |
| | (B) Effect on deferred tax balances due to the change in income tax rate | - | - |
| | | 157.65 | (157.28) |
| | Income tax expense reported in the consolidated statement of profit or loss[(i)+(ii)] | 425.57 | 546.32 |
| **(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 | (0.56) | 0.27 |
| | | (0.56) | 0.27 |
| | (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 | (13.99) | (0.74) |
| | (b) On gain/(loss) on fair value of debt securities | (0.21) | - |
| | | (14.20) | (0.74) |
| | **Income tax expense reported in the other comprehensive income [(i)+(ii)]** | **(14.76)** | **(0.47)** |
| **(c)** | **Balance sheet:** | | |
| | Current income tax | (19.43) | - |
| | Deferred tax | 19.43 | (0.12) |
| | **Income tax expense reported in balance sheet** | **-** | **(0.12)** |

# Notes forming part of consolidated financial statements

**(b) Reconciliation of Income tax expense and accounting profit multiplied by domestic tax rate applicable in India:**

(₹ in crore)

| S. No | Particulars | | 2021-22 | 2020-21 |
|---|---|---|---|---|
| **(a)** | **Profit before tax** | | 1,425.98 | 1,495.20 |
| (b) | Corporate tax rate as per Income tax Act, 1961 | | 25.17% | 25.17% |
| (c) | Tax on accounting profit | (c)=(a)*(b) | 358.87 | 376.31 |
| (d) | (i) Tax on Income exempt from tax : | | | |
| | (A) Deduction of special reserve u/s 36(1)(viii) of the Income Tax Act, 1961 | | (7.66) | (27.16) |
| | (B) Exempt income | | (31.11) | (40.06) |
| | (C) Deduction under Section 80JJAA | | (8.26) | (16.76) |
| | (ii) Tax on Income which are taxed at different rates | | 4.47 | (2.77) |
| | (iii) Tax on expense not tax deductible : | | | |
| | (A) Corporate social responsibility (CSR) expenses | | 3.00 | 3.39 |
| | (B) Provision for dimunition of investments | | (84.39) | 64.57 |
| | (C) Other disallowances | | 9.33 | 31.43 |
| | (iv) Impact of consolidation adjustments | | 61.94 | (126.36) |
| | (v) Set off brought forward losses (no DTA recognised) used against current year income | | - | (26.67) |
| | (vi) Effect of tax for prior years | | - | 95.93 |
| | (vii) Tax effect on various other Items | | 119.38 | (10.77) |
| | (viii) Total effect of tax adjustments [(i) to (vii)] | | 66.70 | (55.23) |
| (e) | Tax expense ((before tax impact due to amendment in tax regulations ) (e)=(c)-(d) | | 425.57 | 321.08 |
| (f) | Effective tax rate (before tax impact due to amendment in tax regulations) (f)=(e)/(a) | | 29.84% | 21.47% |
| (g) | Tax impact due to amendment in tax regulations | | - | 225.24 |
| (h) | Tax expense recognised during the year (h)=(e)+(g) | | 425.57 | 546.32 |
| (i) | Effective tax Rate (i)=(h)/(a) | | 29.84% | 36.54% |

# Notes forming part of consolidated financial statements

**(c) (i) Unused tax losses and unused tax credits for which no deferred tax asset is recognised in Balance sheet:**

(₹ in crore)

| Particulars | As at March 31, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | ₹ in crore | Expiry year | ₹ in crore | Expiry year |
| Tax losses (business loss and unabsorbed depreciation) | | | | |
| - Amount of losses having expiry | 527.82 | Upto AY2030-31 | 52.38 | Upto AY2029-30 |
| - Amount of losses having no expiry | - | | - | |
| Tax losses (capital loss) | - | | - | |
| Unused tax credits [Minimum Alternate Tax (MAT) credit not recognised] | - | | 0.32 | |
| **Total** | **527.82** | | **52.70** | |

**(ii) Unrecognised deductible temporary differences for which no deferred tax asset is recognised in Balance Sheet:**

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Towards provision for diminution in value of investments | 430.09 | 795.98 |
| Other items | - | 0.13 |
| **Total** | **430.09** | **796.11** |

**(d) Major components of deferred tax assets and deferred tax liabilities:**

(₹ in crore)

| Particulars | Deferred tax assets / (liabilities) as at April 1, 2021 | Charge/ (credit) to Statement of Profit and Loss | Recognised through Balance Sheet | Charge/ (credit) to other compre-hensive income | Deferred tax assets / (liabilities) as at March 31, 2022 |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Expected credit loss provision on loans | 1,364.94 | (281.49) | - | - | 1,083.45 |
| Amortisation of fee income | 5.54 | (1.88) | - | - | 3.66 |
| Unabsorbed depreciation | - | - | - | - | - |
| Carried forward tax losses | - | 0.05 | - | - | 0.05 |
| Unutilised MAT credit | 50.57 | - | (15.53) | - | 35.04 |
| Other items giving rise to temporary differences | 188.11 | 69.49 | (3.89) | (14.79) | 238.92 |
| **Deferred tax assets** | **1,609.16** | **(213.83)** | **(19.42)** | **(14.79)** | **1,361.12** |
| Offsetting of deferred tax assets with deferred tax liabilities | 26.12 | - | - | - | 83.45 |
| **Net deferred tax assets** | **1,635.28** | **(213.83)** | **(19.42)** | **(14.79)** | **1,444.57** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | Deferred tax assets / (liabilities) as at April 1, 2021 | Charge/ (credit) to Statement of Profit and Loss | Recognised through Balance Sheet | Charge/ (credit) to other compre-hensive income | Deferred tax assets / (liabilities) as at March 31, 2022 |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| Difference between book base and tax base of property, plant and equipement, investment property and intangible assets | 59.67 | 5.51 | - | - | 65.18 |
| Interest income recognised on Stage 3 Loans | (43.75) | 21.65 | - | - | (22.10) |
| Unamortised borrowing cost | (2.35) | 1.29 | - | - | (1.06) |
| Other items giving rise to temporary differences* | (12.34) | 27.72 | - | - | 15.38 |
| **Deferred tax liabilities** | **1.23** | **56.17** | **-** | **-** | **57.40** |
| Offsetting of deferred tax liabilities with deferred tax assets | (26.12) | - | - | - | (83.45) |
| **Net deferred tax liabilities** | **(24.89)** | **56.17** | **-** | **-** | **(26.05)** |
| **Net deferred tax assets/(liabilities)** | **1,610.40** | **(157.66)** | **(19.42)** | **(14.79)** | **1,418.52** |

* includes ₹ 4.25 crore (Previous year: ₹ Nil) disclosed in group of liabilities classified as held for sale (Refer note 44).

(₹ in crore)

| Particulars | Deferred tax assets / (liabilities) as at April 1, 2020 | Charge/ (credit) to Statement of Profit and Loss | Recognised through Balance Sheet | Charge/ (credit) to other compre-hensive income | Deferred tax assets / (liabilities) as at March 31, 2021 |
|---|---|---|---|---|---|
| **Deferred tax assets:** | | | | | |
| Expected credit loss provision on loans | 1,216.88 | 148.06 | - | - | 1,364.94 |
| Amortisation of fee income | 8.91 | (3.37) | - | - | 5.54 |
| Unabsorbed depreciation | - | - | - | - | - |
| Carried forward tax losses | 10.14 | (10.14) | - | - | - |
| Unutilised MAT credit * | 50.57 | - | - | - | 50.57 |
| Other items giving rise to temporary differences * | 147.76 | 39.76 | 0.12 | 0.47 | 188.11 |
| **Deferred tax assets** | **1,434.27** | **174.31** | **0.12** | **0.47** | **1,609.16** |
| Offsetting of deferred tax assets with deferred tax liabilities | 34.33 | - | - | - | 26.12 |
| **Net deferred tax assets** | **1,468.60** | **174.31** | **0.12** | **0.47** | **1,635.28** |

* includes ₹ Nil (Previous year: ₹ 5.02 crores) disclosed in group of assets classified as held for sale.

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | Deferred tax assets / (liabilities) as at April 1, 2020 | Charge/ (credit) to Statement of Profit and Loss | Recognised through Balance Sheet | Charge/ (credit) to other compre-hensive income | Deferred tax assets / (liabilities) as at March 31, 2021 |
|---|---|---|---|---|---|
| **Deferred tax liabilities:** | | | | | |
| Difference between book base and tax base of property, plant and equipement, investment property and intangible assets | 101.64 | (41.97) | - | - | 59.67 |
| Interest income recognised on Stage 3 Loans | (51.82) | 8.07 | - | - | (43.75) |
| Unamortised borrowing cost | (3.20) | 0.85 | - | - | (2.35) |
| Other items giving rise to temporary differences | (28.37) | 16.02 | - | - | (12.35) |
| **Deferred tax liabilities** | **18.25** | **(17.03)** | **-** | **-** | **1.22** |
| Offsetting of deferred tax liabilities with deferred tax assets | (34.33) | - | - | - | (26.12) |
| **Net deferred tax liabilities** | **(16.09)** | **(17.03)** | **-** | **-** | **(24.89)** |
| **Net deferred tax assets/(liabilities)** | **1,452.51** | **157.28** | **0.12** | **0.47** | **1,610.39** |

## 46 Contingent liabilities and commitments

(₹ in crore)

| | Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|---|
| | **Contingent liabilities** | | |
| 1 | Claims against the Group not acknowledged as debt;* | | |
| | (i) Income tax matter in dispute | 13.35 | 8.66 |
| | (ii) Service tax/Sales tax/VAT matters in dispute | 529.25 | 516.18 |
| | (iii) Legal matters in dispute | 1.46 | 2.17 |
| 2 | Bank guarantees | 125.29 | 181.54 |
| 3 | Other money for which the Group is contingently liable; letter of credit/letter of comfort | 403.88 | 158.62 |
| | **Total (a)** | **1,073.23** | **867.17** |
| | **Commitments** | | |
| | Estimated amount of contracts remaining to be executed on capital account and not provided for | 16.87 | 12.14 |
| | Other Undrawn/Undisbursed commitments** (standby facilities) | 1,026.95 | 1,010.35 |
| | **Total (b)** | **1,043.82** | **1,022.49** |
| | **Total (c)=(a)+(b)** | **2,117.05** | **1,889.66** |

* 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. The Group has assessed its obligations arising in the normal course of business, proceedings pending with tax authorities and other contracts including derivative and long term contracts wherever applicable. In accordance with the provisions of Indian Accounting Standard (Ind AS) - 37 on 'Provisions, Contingent Liabilities and Contingent Assets', the Group recognises a provision for material foreseeable losses when it has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. In cases where the available information indicates that the loss on the contingency is reasonably possible but the amount of loss cannot be reasonably estimated, a disclosure to this effect is made as contingent liabilities in the financial statements. The Group does not expect the outcome of these proceedings to have a materially adverse effect on its financial statements.

# Notes forming part of consolidated financial statements

## 47 Disclosure pursuant to Ind AS 107 "Financial Instruments: Disclosures

### (a) Foreign currency risk :

(₹ in crore)

| Particulars | As at March 31, 2022 | As at March 31, 2021 |
|---|---|---|
| Liability – External commercial borrowings | USD 43,50,00,000 | USD 44,82,59,082 |
| Liability – Currency swap contracts | USD 36,50,00,000 | - |
| Assets – future receivables against sale of investments (Refer note 56) | USD 42,50,00,000 | - |
| Assets – Currency swap contracts | USD 43,50,00,000 | USD 44,82,59,082 |

### (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, 2022 | As at March 31, 2021 |
|---|---|---|
| Variable rate borrowings | 22,250.51 | 28,549.40 |
| Fixed rate borrowings | 62,237.40 | 58,541.62 |
| **Total borrowings*** | **84,487.91** | **87,091.02** |

* 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, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Weighted average interest rate | Balance | % of total borrowing | Weighted average interest rate | Balance | % of total borrowing |
| Variable rate borrowings | 6.75% | 22,250.51 | 26.34% | 8.13% | 28,549.40 | 32.78% |
| **Net exposure to cash flow interest rate risk** | **6.75%** | **22,250.51** | **26.34%** | **8.13%** | **28,549.40** | **32.78%** |

### (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 equity | |
|---|---|---|---|---|
| | March 31,2022 | March 31,2021 | March 31,2022 | March 31,2021 |
| Interest rates – increase by 25 basis points * | (33.67) | (41.38) | (33.67) | (41.38) |
| Interest rates – decrease by 25 basis points* | 33.67 | 41.38 | 33.67 | 41.38 |

* Impact on P/L upto 1 year, holding all other variables constant

# Notes forming part of consolidated financial statements

## 48 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, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| | **ASSETS:** | | | | | | |
| **(1)** | **Financial assets** | | | | | | |
| (a) | Cash and cash equivalents | 4,915.98 | - | 4,915.98 | 6,947.79 | - | 6,947.79 |
| (b) | Bank balance other than (a) above | 3,054.44 | - | 3,054.44 | 1,448.82 | 30.36 | 1,479.18 |
| (c) | Derivative financial instruments | 148.56 | 58.56 | 207.12 | (6.02) | 38.62 | 32.60 |
| (d) | Receivables | | | | | | |
| | (I) Trade receivables | 15.92 | - | 15.92 | 47.31 | - | 47.31 |
| | (II) Other receivables | 47.76 | - | 47.76 | 66.04 | - | 66.04 |
| (e) | Loans | 41,987.29 | 40,482.15 | 82,469.44 | 41,270.01 | 45,760.24 | 87,030.25 |
| (f) | Investments | 5,338.84 | 6,578.10 | 11,916.94 | 3,225.64 | 5,646.49 | 8,872.13 |
| (g) | Other financial assets | 91.94 | 1.37 | 93.31 | 68.67 | 10.94 | 79.61 |
| | Group of assets classified as held for sale | 827.41 | - | 827.41 | - | - | - |
| **(2)** | **Non-financial assets** | | | | | | |
| (a) | Current tax asset (net) | - | 695.99 | 695.99 | - | 663.87 | 663.87 |
| (b) | Deferred tax assets (net) | - | 1,444.57 | 1,444.57 | - | 1,635.28 | 1,635.28 |
| (c) | Investment property | - | 324.18 | 324.18 | - | 327.26 | 327.26 |
| (d) | Property, plant and equipment | - | 23.98 | 23.98 | - | 31.40 | 31.40 |
| (e) | Intangible assets under development | - | 21.81 | 21.81 | - | 23.84 | 23.84 |
| (f) | Goodwill on consolidation | - | 13.40 | 13.40 | - | 636.71 | 636.71 |
| (g) | Other intangible assets | - | 116.02 | 116.02 | - | 112.85 | 112.85 |
| (h) | Right of use asset | - | 31.23 | 31.23 | - | 30.07 | 30.07 |
| (i) | Other non-financial assets | - | 682.68 | 682.68 | 116.48 | 838.98 | 955.46 |
| | **Total Assets** | **56,428.14** | **50,474.04** | **106,902.18** | **53,184.74** | **55,786.91** | **108,971.65** |
| | **LIABILITIES** | | | | | | |
| **(1)** | **Financial Liabilities** | | | | | | |
| (a) | Trade payables | | | | | | |
| | (i) Total outstanding dues of micro enterprises and small enterprises | 0.19 | - | 0.19 | - | - | - |
| | (ii) Total outstanding dues of creditors other than micro enterprises and small enterprises | 432.42 | - | 432.42 | 371.73 | - | 371.73 |
| (b) | 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 | 6.49 | - | 6.49 | 5.06 | - | 5.06 |
| (c) | Debt securities | 19,480.34 | 22,713.76 | 42,194.10 | 15,914.72 | 30,112.74 | 46,027.46 |

# Notes forming part of consolidated financial statements

(₹ in crore)

| S. No. | Particulars | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| | | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
| (d) | Borrowings (other than debt securities) | 12,622.61 | 26,701.20 | 39,323.81 | 20,263.67 | 17,318.91 | 37,582.58 |
| (e) | Subordinated liabilities | 2,865.48 | 817.84 | 3,683.32 | 651.86 | 4,293.87 | 4,945.73 |
| (f) | Lease liability | 13.18 | 22.35 | 35.53 | 10.27 | 25.53 | 35.80 |
| (g) | Other financial liabilities | 672.28 | - | 672.28 | 537.53 | 60.53 | 598.06 |
| | Group of liabilities classified as held for sale | 84.98 | - | 84.98 | - | - | - |
| **(2)** | **Non-Financial Liabilities** | | | | | | |
| (a) | Current tax liability (net) | 235.45 | - | 235.45 | 305.46 | 6.90 | 312.36 |
| (b) | Provisions | 26.26 | 1.89 | 28.15 | 27.76 | 6.19 | 33.95 |
| (c) | Deferred tax liabilities (net) | 21.52 | 0.28 | 21.80 | 15.56 | 9.33 | 24.89 |
| (d) | Other non-financial liabilities | 56.13 | - | 56.13 | 63.68 | - | 63.68 |
| | **Total liabilities** | **36,517.33** | **50,257.32** | **86,774.65** | **38,167.30** | **51,834.00** | **90,001.30** |

The above information is based on certain management estimates which has been relied upon by the auditors

## 49 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

# Notes forming part of consolidated financial statements

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 Wholesale 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.

Wholesale 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 Wholesale 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 cumulative default rates for 1 year and 3-year periods sourced from 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-Wheeler Loans, Micro Loans and Others) and Housing (Home Loans and Loans Against Property)

# Notes forming part of consolidated financial statements

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 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). Where 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 "Upside" 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 Upside 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 Upside scenario reflects improvement in rural disposable income on account of good monsoons, downside scenario factorsthe uncertainties arising from the COVID 19 pandemic and economic disruptions caused due to heightened geopolitical risk**.**

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 1.10 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).

# Notes forming part of consolidated financial statements

The following are additional considerations for each type of portfolio held by the Group:

**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. Updated 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 sourced from CRISIL.

The Exposure at Default (EAD) is measured at the amortised cost as at the reporting date, after considering repayments of principal and interest received in advance.

The Group, in determining its Loss Given Default ("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-Wheeler 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).

# Notes forming part of consolidated financial statements

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, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|
| | 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 | 7,970.42 | - | | 8,426.97 | - | |
| Loans and advances at amortised cost | 59,715.66 | - | Refer foot note below | 64,152.58 | - | Refer foot note below |
| Equity instruments (Associate) | - | - | | - | - | |
| Debt instruments | - | - | | - | - | |
| Trade receivables | 15.92 | - | | 47.31 | - | |
| Other receivables | 47.76 | - | | 66.04 | - | |
| Other financial assets | 93.31 | - | | 79.61 | - | |
| **Total financial assets at amortised cost** | **67,843.07** | **-** | | **72,772.51** | **-** | |
| Financial assets at fair value through profit or loss | 31,787.75 | - | | 29,502.52 | - | |
| **Total financial instruments at fair value through profit or loss** | **31,787.75** | **-** | | **29,502.52** | **-** | |
| Derivative financial instruments | 207.12 | - | | 32.60 | - | |
| Financial instruments at fair value through Other Comprehensive Income | 2,882.97 | - | | 2,247.28 | - | |
| **Total Financial instruments at fair value through Other Comprehensive Income** | **3,090.09** | **-** | | **2,279.88** | **-** | |
| **Total on-balance sheet** | **102,720.91** | **-** | | **104,554.91** | **-** | |
| **Off balance sheet** | | | | | | |
| Contingent liabilities | 1,069.01 | - | | 867.17 | - | |
| Other commitments | 1,043.37 | - | | 1,022.49 | - | |
| **Total off-balance sheet** | **2,112.38** | **-** | | **1,889.66** | **-** | |
| **Total** | **104,833.29** | **-** | | **106,444.57** | **-** | |

a) Retail loans, other than unsecured loans aggregating ₹ 28,722.90 crore as of March 31, 2022, are generally secured by a charge on the asset financed (farm equipment loans, two-wheeler loans, home loans and loans against property) (as of March 31, 2021: ₹ 27,140.74 crore). 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) Infrastructure finance and housing real estate 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.

Where 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.

# Notes forming part of consolidated financial statements

| S. No. | Name of Company | No. of shares held as bailee | |
|---|---|---|---|
| | | As at March 31, 2022 | As at March 31, 2021 |
| 1 | Automobile Corporation of Goa | - | 8,784 |
| 2 | Bajaj Holdings And Investment Private Limited | - | 20,220 |
| 3 | Kinetic Engineering Limited | - | 17,556 |
| 4 | Motherson Sumi Systems Limited | - | 91,125 |
| 5 | Munjal Showa Limited | - | 25,000 |
| 6 | NTPC Limited | - | 19,000 |
| 7 | Reliance Capital Limited | - | 4,500 |
| 8 | State Bank of India | - | 10,000 |
| 9 | Tata Consultancy Services Limited | - | 220 |
| 10 | Tata Motors Limited | - | 31,814 |
| 11 | Tata Steel Bsl Limited | 4,79,272 | 71,89,089 |
| 12 | Saumya Mining Limited | 513,012 | 513,012 |
| 13 | NTPC Limited – NCD | - | 16,300 |
| 14 | Punj Lloyd | 5 | 5 |
| 15 | GHCL Limited | 70,000 | 70,000 |
| 16 | Golden Tobacco Limited | 10,000 | 10,000 |
| 17 | Hindusthan National Glass & Industries Limited | 34,04,499 | 34,04,499 |
| 18 | Sterling International Enterprises Limited | 217,309 | 217,309 |
| 19 | Tulip Telecom | 14,01,762 | 14,01,762 |
| 20 | Hanjer Biotech Engries Private Limited | 325,096 | 325,096 |
| 21 | VMC Systems Ltd | 717,736 | 179,608 |
| 22 | KSK Energy Ventures Limited | 308,446 | 308,446 |
| 23 | Soma Enterprises Limited | 24,46,155 | 24,46,155 |
| 24 | Gwalior Bypass Project Limited | 21,287 | - |
| 25 | KSK Electricity Financing India Pvt Ltd | 2,000 | - |
| 26 | Avantha Holdings Limited | 4,500 | - |
| 27 | Ace Urban Developers Private Limited | 15,250 | - |
| 28 | Valdel Projects Corporation Private Limited | 1,532 | - |
| 29 | Future Retail Limited | 16,53,117 | - |

**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.

# Notes forming part of consolidated financial statements

**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') which provides oversight and strategic direction for the prudent asset liabilities management. As a prudent practice, the Group has been maintaining positive cumulative liquidity gaps for all the time-buckets up-to 1 year in the current market scenario. A Contingency Funding Plan has also been put into practice by the company for responding to severe disruptions which might affect the ability to fund some or all activities in a timely manner and at a reasonable cost.

The Group also periodically undertakes liquidity stress testing under various liquidity stress scenarios. It maintains liquidity buffer for survival period of 30 days in the forms of High Quality Liquid Assets under 1-in-10 liquidity stress scenario, wherein hair-cut of 40% on undrawn bank lines and collection shortfall of 15% is assumed. To effectively manage the fallout of the COVID-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.

# Notes forming part of consolidated financial statements

**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.

## 50 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, 2022 | | | | As at March 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | FVTPL | FVTOCI | Amortised cost | Total | FVTPL | FVTOCI | Amortised cost | Total |
| | **Financial assets** | | | | | | | | |
| 1 | Cash and cash equivalents | - | - | 4,915.98 | 4,915.98 | - | - | 6,947.79 | 6,947.79 |
| 2 | Bank balance other than (1) above | - | - | 3,054.44 | 3,054.44 | - | - | 1,479.18 | 1,479.18 |
| 3 | Derivative financial instruments | - | 207.12 | - | 207.12 | - | 32.60 | - | 32.60 |
| 4 | Receivables | | | | | | | | |
| | Trade receivables | - | - | 15.92 | 15.92 | - | - | 47.31 | 47.31 |
| | Other receivable | - | - | 47.76 | 47.76 | - | - | 66.04 | 66.04 |
| 5 | Loans | 22,753.78 | - | 59,715.66 | 82,469.44 | 22,877.67 | - | 64,152.58 | 87,030.25 |
| 6 | Investments | | | | | | | | |
| | Equity instruments | 694.62 | - | - | 694.62 | 572.48 | - | - | 572.48 |
| | Preference share | 75.48 | - | - | 75.48 | 76.16 | - | - | 76.16 |
| | Mutual funds | 1,179.49 | - | - | 1,179.49 | 1,074.68 | - | - | 1,074.68 |
| | Debentures | 2,166.95 | 729.32 | - | 2,896.27 | 725.30 | 720.59 | - | 1,445.89 |
| | Security receipt | 4,886.23 | - | - | 4,886.23 | 4,114.87 | - | - | 4,114.87 |
| | Units of fund | 31.20 | 0.91 | - | 32.11 | 61.36 | 0.94 | - | 62.30 |
| | Government securities | - | 2,152.74 | - | 2,152.74 | - | 1,525.75 | - | 1,525.75 |
| 7 | Other financial assets | - | - | 93.31 | 93.31 | - | - | 79.61 | 79.61 |
| | **Total financial assets** | **31,787.75** | **3,090.09** | **67,843.07** | **102,720.91** | **29,502.52** | **2,279.88** | **72,772.51** | **104,554.91** |
| | **Financial liabilities** | | | | | | | | |
| 1 | Trade payables | - | - | 432.61 | 432.61 | - | - | 371.73 | 371.73 |
| 2 | Other payables | - | - | 6.49 | 6.49 | - | - | 5.06 | 5.06 |
| 3 | Lease liabilities | - | - | 35.53 | 35.53 | - | - | 35.80 | 35.80 |
| 4 | Debt securities | - | - | 42,194.10 | 42,194.10 | - | - | 46,027.46 | 46,027.46 |
| 5 | Borrowings (other than debt securities) | - | - | 39,323.81 | 39,323.81 | - | - | 37,582.58 | 37,582.58 |
| 6 | Subordinated liabilities | - | - | 3,683.32 | 3,683.32 | - | - | 4,945.73 | 4,945.73 |
| 7 | Other financial liabilities | - | - | 672.28 | 672.28 | - | - | 598.06 | 598.06 |
| | **Total financial liabilities** | **-** | **-** | **86,348.14** | **86,348.14** | **-** | **-** | **89,566.42** | **89,566.42** |

# Notes forming part of consolidated financial statements

## (b) Fair value hierarchy of financial assets and financial liabilities at fair value:

(₹ in crore)

| | Particulars | As at March 31, 2022 | | | | As at March 31, 2021 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | **Financial assets:** | | | | | | | | |
| 1 | Investments at FVTPL: | | | | | | | | |
| | Equity shares | 158.39 | - | 536.23 | 694.62 | 97.91 | - | 474.57 | 572.48 |
| | Preference shares | - | - | 75.48 | 75.48 | - | - | 76.16 | 76.16 |
| | Mutual fund | 1,179.49 | - | - | 1,179.49 | 1,074.68 | - | - | 1,074.68 |
| | Debentures | - | 1,576.15 | 590.80 | 2,166.95 | - | - | 725.30 | 725.30 |
| | Security receipt | - | - | 4,886.23 | 4,886.23 | - | - | 4,114.87 | 4,114.87 |
| | Units of fund | - | - | 31.20 | 31.20 | - | - | 61.36 | 61.36 |
| 2 | Derivative financial instruments | - | 207.12 | - | 207.12 | - | 32.60 | - | 32.60 |
| 3 | Loans | - | - | 22,753.78 | 22,753.78 | - | - | 22,877.67 | 22,877.67 |
| 4 | Investments at FVTOCI: | | | | | | | | |
| | Debentures | - | 729.32 | - | 729.32 | - | 578.80 | 141.79 | 720.59 |
| | Government securities | 2,152.74 | - | - | 2,152.74 | 1,525.75 | - | - | 1,525.75 |
| | Units of fund | - | 0.91 | - | 0.91 | - | 0.94 | - | 0.94 |
| | **Total financial assets** | **3,490.62** | **2,513.50** | **28,873.72** | **34,877.84** | **2,698.34** | **612.34** | **28,471.72** | **31,782.40** |
| | **Financial liabilities:** | | | | | | | | |
| 1 | Derivative financial instruments | - | - | - | - | - | - | - | - |
| | **Total financial liabilities** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

## (c) Movement of items measured using unobservable inputs (Level 3):

(₹ in crore)

| Particulars | Equity share | Preference share | Debentures | Pass through certificates | Security receipts | Units of fund | Loans | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance as at April 1, 2021** | **474.57** | **76.16** | **867.09** | **-** | **4,114.87** | **61.36** | **22,877.67** | **28,471.72** |
| Addition during the year | 61.71 | 1.00 | - | - | 1,484.10 | 15.04 | 7,315.58 | 8,877.43 |
| Disposal during the year | (0.05) | (1.20) | (627.52) | - | (462.76) | (38.31) | (7,091.37) | (8,221.21) |
| Gain/(Loss) recognised in Profit or Loss | - | (0.48) | 320.71 | - | (249.98) | (6.89) | (348.10) | (284.74) |
| Impairment recognised in profit or loss | - | - | 30.52 | - | - | - | - | 30.52 |
| **Balance as at March 31, 2022** | **536.23** | **75.48** | **590.80** | **-** | **4,886.23** | **31.20** | **22,753.78** | **28,873.72** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | Equity share | Preference share | Debentures | Pass through certificates | Security receipts | Units of fund | Loans | Total |
|---|---|---|---|---|---|---|---|---|
| **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, 2022** | **-** | **(0.48)** | **320.71** | **-** | **(249.98)** | **(6.89)** | **(348.10)** | **(284.74)** |
| As at March 31, 2021 | (0.17) | 0.55 | (227.64) | (7.09) | (139.95) | 13.75 | (158.76) | (519.31) |
| **Unrealised gains/(losses) recognised in Other Comprehensive Income related to assets and liabilities held at the end of the reporting period** | | | | | | | | |
| **As at March 31, 2022** | **-** | **-** | **30.52** | **-** | **-** | **-** | **-** | **30.52** |
| As at March 31, 2021 | - | - | - | - | - | - | - | - |

## (d) Sensitivity disclosure for level 3 fair value measurements:

(₹ in crore)

| Particulars | Fair value as at | | | Impact of change in rates on total comprehensive income statement | | | |
|---|---|---|---|---|---|---|---|
| | As at March 31, 2022 | As at March 31, 2021 | Sensitivity | 31 March 2022 Favourable | 31 March 2022 Unfavourable | 31 March 2021 Favourable | 31 March 2021 Unfavourable |
| Equity share | 536.23 | 474.57 | 5.00% | 26.81 | (26.81) | 23.73 | (23.73) |
| Preference share | 75.48 | 76.16 | 5.00% | 3.77 | (3.77) | 3.81 | (3.81) |
| Debt instruments | 590.80 | 867.09 | 0.25% | 1.48 | (1.48) | 2.17 | (2.17) |
| Pass through certificates | - | - | 0.25% | - | - | - | - |
| Security receipts | 4,886.23 | 4,114.87 | 5.00% | 244.31 | (244.31) | 205.74 | (205.74) |
| Units of fund | 31.20 | 61.36 | 5.00% | 1.56 | (1.56) | 3.07 | (3.07) |
| Loans | 22,753.78 | 22,877.67 | 0.25% | 56.88 | (56.88) | 57.19 | (57.19) |
| **Total** | **28,873.72** | **28,471.72** | | **334.81** | **(334.81)** | **295.71** | **(295.71)** |

# Notes forming part of consolidated financial statements

## (e) Maturity profile of financial liabilities based on undiscounted cash flows:

(₹ in crore)

| Particulars | Within 12 months | After 12 months | Total | Within 12 months | After 12 months | Total |
|---|---|---|---|---|---|---|
| **Non-derivative liabilities** | | | | | | |
| Borrowings* | 49,383.48 | 46,867.56 | 96,251.04 | 41,206.02 | 62,021.37 | 103,227.39 |
| Trade and other payables | 439.10 | - | 439.10 | 24.31 | - | 24.31 |
| Lease liabilities | 13.18 | 22.35 | 35.53 | 10.27 | 25.53 | 35.80 |
| Other financial liabilities | 651.59 | 20.69 | 672.28 | 873.84 | 76.70 | 950.54 |
| **Total** | **50,487.35** | **46,910.60** | **97,397.95** | **42,114.44** | **62,123.60** | **104,238.04** |
| **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, 2022 | | As at March 31, 2021 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets:** | | | | |
| Loans* | 59,715.66 | 59,715.66 | 64,152.58 | 64,152.58 |
| **Total** | **59,715.66** | **59,715.66** | **64,152.58** | **64,152.58** |
| **Financial liabilities:** | | | | |
| Debt securities | 42,194.10 | 43,715.77 | 46,027.46 | 48,499.98 |
| Borrowings | 39,323.81 | 39,177.63 | 37,582.58 | 37,826.90 |
| Subordinated liabilities | 3,683.32 | 3,842.40 | 4,945.73 | 5,163.22 |
| Lease liabilities | 35.53 | 35.53 | 35.80 | 35.80 |
| **Total** | **85,236.76** | **86,771.33** | **88,591.57** | **91,525.90** |

* 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.

# Notes forming part of consolidated financial statements

**(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, 2022 | Level 1 | Level 2 | Level 3 | Total | Valuation technique for level 3 items |
|---|---|---|---|---|---|
| **Financial assets:** | | | | | |
| Loans | - | - | 59,715.66 | 59,715.66 | Discounted cash flow approach |
| Government securities | - | - | - | - | Discounted cash flow approach |
| **Total** | **-** | **-** | **59,715.66** | **59,715.66** | |
| **Financial liabilities:** | | | | | |
| Debt securities | - | - | 43,715.77 | 43,715.77 | Discounted cash flow approach |
| Borrowings (other than government securities) | - | - | 39,177.63 | 39,177.63 | Discounted cash flow approach |
| Subordinated liabilities | - | - | 3,842.40 | 3,842.40 | Discounted cash flow approach |
| Lease liabilities | - | - | 35.53 | 35.53 | Discounted cash flow approach |
| **Total** | **-** | **-** | **86,771.33** | **86,771.33** | |

(₹ in crore)

| As at March 31, 2021 | Level 1 | Level 2 | Level 3 | Total | Valuation technique for level 3 items |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Loans | - | - | 64,152.58 | 64,152.58 | Discounted cash flow approach |
| Government securities | - | - | - | - | Discounted cash flow approach |
| **Total** | **-** | **-** | **64,152.58** | **64,152.58** | |
| Financial liabilities: | | | | | |
| Debt securities | - | - | 48,499.98 | 48,499.98 | Discounted cash flow approach |
| Borrowings (other than government securities) | - | - | 37,826.90 | 37,826.90 | Discounted cash flow approach |
| Subordinated liabilities | - | - | 5,163.22 | 5,163.22 | Discounted cash flow approach |
| Lease liabilities | - | - | 35.80 | 35.80 | Discounted cash flow approach |
| **Total** | **-** | **-** | **91,525.90** | **91,525.90** | |

# Notes forming part of consolidated financial statements

## 51 Disclosure pursuant to Ind AS 107 "Financial Instruments: Disclosures:

### (a) Expected credit loss - loans:

(₹ in crore)

| Particulars | | As at March 31, 2022 | | | As at March 31, 2021 | | |
|---|---|---|---|---|---|---|---|
| | | 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) | 53,250.41 | 1,091.66 | 52,158.75 | 58,304.56 | 908.82 | 57,395.74 |
| Loss allowance measured at life-time expected credit losses | Financial assets for which credit risk has increased significantly and not credit-impaired (Stage 2) | 7,916.93 | 1,101.47 | 6,815.46 | 5,562.19 | 345.61 | 5,216.58 |
| | Financial assets for which credit risk has increased significantly and credit-impaired (Stage 3) | 2,175.46 | 1,434.01 | 741.45 | 5,360.40 | 3,820.14 | 1,540.26 |
| **Total** | | **63,342.80** | **3,627.14** | **59,715.66** | **69,227.15** | **5,074.57** | **64,152.58** |

### (b) Reconciliation of loss allowance provision - Loans:

(₹ in crore)

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Loss allowance as on April 1, 2020** | **571.74** | **268.44** | **3,784.80** | **4,624.98** |
| New assets originated or purchased | 461.25 | 60.59 | 35.71 | 557.55 |
| Amount written off | - | - | (2,230.13) | (2,230.13) |
| Transfers to Stage 1 | 43.35 | (26.24) | (17.12) | (0.01) |
| Transfers to Stage 2 | (30.17) | 34.57 | (4.41) | (0.01) |
| Transfers to Stage 3 | (27.72) | (143.69) | 171.41 | - |
| Impact on year end ECL of exposure transferred between stages during the year | (42.17) | 331.10 | 1,476.54 | 1,765.47 |
| Increase / (decrease) in provision on existing financial assets (net of recovery) | (67.46) | (179.17) | 603.35 | 356.72 |
| **Loss allowance as on March 31, 2021** | **908.82** | **345.60** | **3,820.15** | **5,074.57** |

# Notes forming part of consolidated financial statements

(₹ in crore)

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| New assets originated or purchased | 857.17 | 25.76 | 44.39 | 927.32 |
| Amount written off | - | - | (1,797.23) | (1,797.23) |
| Transfers to Stage 1 | 22.80 | (7.99) | (14.81) | - |
| Transfers to Stage 2 | (117.67) | 130.61 | (12.94) | - |
| Transfers to Stage 3 | (34.35) | (7.28) | 41.63 | - |
| Impact on year end ECL of exposure transferred between stages during the year | (22.29) | 225.08 | 961.18 | 1,163.97 |
| Increase / (decrease) in provision on existing financial assets (Net of recovery) | (522.80) | 389.69 | (1,608.36) | (1,741.47) |
| **Loss allowance as on March 31, 2022** | **1,091.66** | **1,101.47** | **1,434.01** | **3,627.14** |

## (c) Reconciliation of Gross carrying amount - loans:

(₹ in crore)

| Particulars | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **Gross carrying amount as at April 1, 2020** | **61,601.66** | **3,546.07** | **6,062.11** | **71,209.84** |
| New assets originated or purchased | 20,470.70 | 742.96 | 146.87 | 21,360.53 |
| Amount written off | - | - | (2,241.94) | (2,241.94) |
| Transfers to Stage 1 | 278.34 | (243.04) | (35.30) | - |
| Transfers to Stage 2 | (3,136.01) | 3,147.63 | (11.62) | - |
| Transfers to Stage 3 | (1,622.99) | (470.63) | 2,093.62 | - |
| Net recovery | (19,287.14) | (1,160.80) | (653.34) | (21,101.28) |
| **Gross carrying amount as at March 31, 2021** | **58,304.56** | **5,562.19** | **5,360.40** | **69,227.15** |
| New assets originated or purchased | 26,911.40 | 320.95 | 63.60 | 27,295.95 |
| Amount written off | - | - | (1,846.58) | (1,846.58) |
| Transfers to Stage 1 | 224.60 | (193.05) | (31.55) | - |
| Transfers to Stage 2 | (3,382.31) | 3,414.95 | (32.64) | - |
| Transfers to Stage 3 | (1,340.98) | (199.07) | 1,540.05 | - |
| Net recovery | (27,466.86) | (989.04) | (2,877.82) | (31,333.72) |
| **Gross carrying amount as at March 31, 2022** | **53,250.41** | **7,916.93** | **2,175.46** | **63,342.80** |

# Notes forming part of consolidated financial statements

## 52 Additional information pursuant to Schedule III to the Companies Act, 2013 for the year ended March 31, 2022

(₹ 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 consoli-dated net assets | Amount | As % of consoli-dated profit or loss | Amount | As % of consoli-dated OCI | Amount | As % of consoli-dated total compre-hensive income | Amount |
| **Parent** | | | | | | | | | |
| L&T Finance Holdings Limited | (A) | 56.50% | 11,271.13 | 20.79% | 218.18 | 3.77% | 2.42 | 19.81% | 220.60 |
| **Subsidiaries** | | | | | | | | | |
| **Indian** | | | | | | | | | |
| L&T Finance Limited | | 82.67% | 16,491.23 | 77.01% | 807.98 | 96.71% | 62.02 | 78.14% | 870.00 |
| L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited) | | 6.72% | 1,340.38 | 0.39% | 4.11 | 1.03% | 0.66 | 0.43% | 4.77 |
| L&T Investment Management Limited* | | 2.71% | 541.57 | 14.43% | 151.38 | -1.56% | (1.00) | 13.51% | 150.38 |
| L&T Infra Investment Partners | | 2.00% | 398.81 | -4.42% | (46.33) | - | - | -4.16% | (46.33) |
| L&T Financial Consultants Limited | | 1.23% | 245.15 | 6.45% | 67.67 | 0.05% | 0.03 | 6.08% | 67.70 |
| L&T Infra Investment Partners Advisory Private Limited | | 0.11% | 21.52 | 0.34% | 3.58 | - | - | 0.32% | 3.58 |
| L&T infra Investment Partners Trustee Private Limited | | 0.00% | 0.08 | 0.00% | 0.01 | - | - | 0.00% | 0.01 |
| L&T Mutual Fund Trustee Limited | | 0.00% | 0.96 | 0.00% | 0.04 | - | - | 0.00% | 0.04 |
| Mudit Cement Private Limited | | 0.11% | 22.28 | -0.60% | (6.26) | - | - | -0.56% | (6.26) |
| **Total Subsidiaries** | **(B)** | | **19,061.98** | | **982.18** | | **61.71** | | **1,043.89** |
| Non-controlling interests in subsidiaries | (C) | -0.90% | (179.83) | -1.99% | (20.87) | 0.00% | - | -1.87% | (20.87) |
| Consol adjustment and elimination | (D) | -51.16% | (10,205.58) | -12.41% | (130.25) | 0.00% | - | -11.70% | (130.25) |
| **Total (A+B+C+D)** | | **100.00%** | **19,947.70** | **100.00%** | **1,049.24** | **100.00%** | **64.13** | **100.00%** | **1,113.37** |

# Notes forming part of consolidated financial statements

## 53 Disclosure pursuant to Ind AS 7 "Statement of Cash Flows" - Changes in liabilities arising from financing activities:

(₹ in crore)

| Particulars | April 1, 2021 | Cash flows | Others | March 31, 2022 |
|---|---|---|---|---|
| Debt securities | 46,027.46 | (3,401.33) | (432.03) | 42,194.10 |
| Borrowings (other than debt securities) | 37,582.58 | 2,076.06 | (334.83) | 39,323.81 |
| Subordinated liabilities | 4,945.73 | (1,257.20) | (5.21) | 3,683.32 |
| **Total** | **88,555.77** | **(2,582.47)** | **(772.07)** | **85,201.23** |

(₹ in crore)

| Particulars | April 1, 2020 | Cash flows | Others | March 31, 2021 |
|---|---|---|---|---|
| Debt securities | 43,992.31 | 2,233.80 | (198.65) | 46,027.46 |
| Borrowings (other than debt securities) | 44,523.00 | (6,845.84) | (94.58) | 37,582.58 |
| Subordinated liabilities | 5,379.18 | (447.10) | 13.65 | 4,945.73 |
| **Total** | **93,894.49** | **(5,059.14)** | **(279.58)** | **88,555.77** |

## 54 Relationship with Struck off Companies

| Sr No | Name of struck off Company | Nature of transactions with struck off Company | Balance Outstanding as at March 31, 2022 (₹ in crore) | Balance Outstanding as at March 31, 2021 (₹ in crore) | Relationship with the struck off Company |
|---|---|---|---|---|---|
| 1 | Victor Properties Private Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 2 | Pegasus Mercantile Private Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 3 | Architectural Glass Private Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 4 | Kothari Intergroup Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 5 | Sanvi Fincare Consultancy Private Limited | Shares held by struck off Company | 0.00* | 0.00* | Equity Shareholder |
| 6 | Earl Grey Hotels Private Limited | Service provided by struck off Company | - | - | Service Provider |
| 7 | Inmech Engineering Private Limited | Loan given to struck off Company | 0.00* | 0.00* | Borrower |

*Amount less than ₹ 50,000

# Notes forming part of consolidated financial statements

**55 The following additional information (other than what is already disclosed elsewhere) is disclosed in terms of amendments dated March 24, 2021 in Schedule III to the Companies Act 2013 with effect from 1st day of April, 2021:-**

1. There are no charges or satisfaction yet to be registered with Registrar of Companies beyond the statutory period as applicable.

2. The Group has not traded or invested in Crypto currency or Virtual Currency during the financial year 2021-2022.

3. There is no proceeding has been initiated or pending against the Group for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

4. The details is not applicable to the Group, releated to transactions not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (such as, search or survey or any other relevant provisions of the Income Tax Act, 1961), unless there is immunity for disclosure under any scheme and shall also state whether the previously unrecorded income and related assets have been properly recorded in the books of account during the year.

5. The Group is not declared wilful defaulter by any bank or financial Institution or other lender.

6. The Group has not advanced or loaned or invested funds (either borrowed funds or share premium or any other sources or kind of funds) to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Intermediary shall :

   (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Group (Ultimate Beneficiaries) or

   (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;

7. The Group has not received any funds from any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding (whether recorded in writing or otherwise) that the Group shall :

   (i) directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or

   (ii) provide any guarantee, security or the like to or on behalf of the Ultimate Beneficiaries;

**56** In assessing the recoverability of loans, receivables, intangible assets and investments, the L&T Financial Services (LTFS) Group has performed sensitivity analysis on the assumptions used and based on current indicators of future economic conditions, the LTFS group expects to recover the carrying amount of these assets. However, the going concern assumption will not get impacted by the COVID-19 pandemic.

# Notes forming part of consolidated financial statements

**57** The Company has entered into a definitive agreement with HSBC Asset Management (India) Private Limited ("HSBC AMC") on December 23, 2021 to sell 100% equity shares of L&T Investment Management Limited ("LTIM"), a wholly owned subsidiary of the Company, which is the investment manager of L&T Mutual Fund, for an aggregate purchase consideration of USD 425 million (subject to adjustments as set out in the definitive agreement). The said transaction is subject to the requisite regulatory approvals.Accordingly, as required by Ind-AS 105, LTIM has been presented in the aforesaid financial results as "Non-Current Assets held for sale and discontinued operations".

**58** There are no amounts due and outstanding to be credited to Investor Education & Protection Fund as at March 31, 2022.

**59** Figures for the previous year have been regrouped/re-classified to conform to the figures of the current year.

**60** The above financial statements have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at its meeting held on April 29, 2022.

For and on behalf of the Board of Directors of
**L&T Finance Holdings Limited**

**S. N. Subrahmanyan**
Non-Executive Chairman
(DIN: 02255382)

**Dinanath Dubhashi**
Managing Director &
Chief Executive Officer
(DIN: 03545900)

**Apurva Rathod**
Company Secretary

**Sachinn Joshi**
Chief Financial Officer

Place : Mumbai
Date : April 29, 2022

# L&T Finance Holdings Limited

Regd. Office: Brindavan, Plot No. 177, C.S.T. Road, Kalina, Santacruz (East),
Mumbai – 400 098, Maharashtra, India. CIN: L67120MH2008PLC181833
E-mail: igrc@ltfs.com; Website: www.ltfs.com; Phone: +91 22 6212 5000; Fax: +91 22 6212 5553

## Notice of the Fourteenth Annual General Meeting

**Notice** is hereby given that the **Fourteenth Annual General Meeting** ("AGM") of the Members of **L&T Finance Holdings Limited** will be held on Monday, July 11, 2022 at 3.30 p.m. through electronic mode [video conference ("VC") or other audio-visual means ("OAVM")] to transact the following business:

**Ordinary Business:**

1. To consider and adopt the audited standalone financial statements of the Company together with the report of the Board of Directors and the Auditors thereon for the financial year ended March 31, 2022 and audited consolidated financial statements of the Company together with the report of the Auditors thereon for the financial year ended March 31, 2022.
2. To declare dividend on Equity Shares.
3. To appoint a director in place of Mr. Dinanath Dubhashi (DIN: 03545900), who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass, with or without modification(s), the following resolution as an **ORDINARY RESOLUTION:**

   **"RESOLVED THAT** Mr. Prabhakar B. (DIN: 02101808), a Director liable to retire by rotation, who does not offer himself for re-appointment, be not re-appointed as a Director of the Company and the vacancy so created on the Board of Directors of the Company be not filled-up."

**Special Business:**

5. **Sale of undertaking under Section 180(1)(a) of the Companies Act, 2013:**

   To consider and, if thought fit, to pass the following resolution as a **SPECIAL RESOLUTION:**

   **"RESOLVED THAT** pursuant to the provisions of Section 180(1)(a) and such other provisions as may be applicable, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), applicable provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), any other rules / regulations / guidelines, if any, prescribed by the Ministry of Corporate Affairs, Securities and Exchange Board of India ("SEBI"), Reserve Bank of India, stock exchanges where the shares of the Company are listed, and / or any other statutory / regulatory authority and the Memorandum and Articles of Association of the Company, and subject to completion of certain agreed contractual conditions including obtaining approvals, consents and permissions as may be necessary from statutory / regulatory authorities / third parties including SEBI, the consent of the Members of the Company be and is hereby accorded to sell 100% shareholding of the Company in its wholly-owned subsidiary, i.e., L&T Investment Management Limited to HSBC Asset Management (India) Private Limited for an aggregate consideration and on such terms and conditions as deemed fit by the Board of Directors ("Board", which term shall include a duly authorised committee / authorised persons thereof).

   **RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to undertake and perform all such acts, deeds, matters and things as may be deemed necessary, proper, desirable and expedient in its absolute discretion, for the purpose of giving effect to this resolution or to settle any question, difficulty or doubt that may arise in this regard or incidental thereto, take any other steps which may be incidental, consequential, relevant or ancillary in this regard, as it may in its absolute discretion deem fit in the interest of the Company, without being required to seek any further consent or approval of the Members and the decision of the Board of Directors shall be final and conclusive.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to delegate all or any of the powers conferred herein, to a committee or any such person(s) as the Board of Directors may deem fit in its absolute discretion, with the power to take such steps and to do all such acts, deeds, matters and things as may be deemed fit and proper for the purposes of giving effect to the aforesaid resolution including without limitation to settle any question, difficulty or doubt that may arise in this regard."

**By Order of the Board of Directors**
**For L&T Finance Holdings Limited**

**Apurva Rathod**
Company Secretary
ACS 18314

**Date:** April 29, 2022
**Place:** Mumbai

**NOTES:**

1. The Statement as required under Section 102 of the Companies Act, 2013 ("the Act") is annexed to the Notice.
2. Ministry of Corporate Affairs ("MCA") has vide its circulars dated April 8, 2020, April 13, 2020, May 5, 2020, January 13, 2021, December 8, 2021, December 14, 2021 and May 5, 2022 ("MCA Circulars") permitted the holding of the AGM through VC / OAVM. In compliance with the provisions of the Act, MCA Circulars and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the Fourteenth AGM is being held through VC / OAVM on Monday, July 11, 2022 at 3.30 p.m. The deemed venue of the AGM shall be the Registered Office of the Company.

   The procedure for joining the AGM through VC / OAVM is mentioned in this Notice.
3. Since the AGM is being held through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM.

   The route map, proxy form as well as the attendance slip are therefore, not annexed to this Notice.
4. Members shall have the option to vote electronically ("e-voting") either before the AGM ("remote e-voting") or during the AGM. In compliance with the provisions of Section 108 of the Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 and any amendments thereto, Secretarial Standard on General Meetings ("SS-2"), Regulation 44 of the SEBI Listing Regulations and MCA Circulars, the facility for remote e-voting and e-voting in respect of the business to be transacted at the AGM is being provided by the Company through Central Depository Services (India) Limited ("CDSL"). Necessary arrangements have been made by the Company with CDSL to facilitate remote e-voting and e-voting during the AGM.
5. The Company has appointed Mr. S. N. Ananthasubramanian, Practicing Company Secretary (Membership No.: FCS-4206) as the scrutinizer for scrutinizing the entire voting process i.e., remote e-voting and e-voting during the AGM to ensure that the process is carried out in a fair and transparent manner.
6. Members are permitted to join the AGM through VC / OAVM, 15 minutes before the scheduled time of commencement of AGM and while the AGM is in progress, by following the procedure mentioned in this Notice. The facility of participation at the AGM through VC / OAVM will be made available to atleast 1,000 Members on a first come first served basis. This will not include large shareholders (shareholders holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Nomination and Remuneration Committee and Stakeholders' Relationship Committee, Auditors, etc. who are allowed to attend the AGM without any restrictions pertaining to joining the AGM on a first come first served basis. Institutional Investors who are Members of the Company, are encouraged to attend the AGM and vote.
7. The attendance of the Members joining the AGM through VC / OAVM will be counted for the purpose of ascertaining the quorum under Section 103 of the Act.
8. Members attending the AGM through VC / OAVM should note that those who are entitled to vote but have not exercised their right to vote by remote e-voting, may vote during the AGM through remote e-voting for the business specified in the Notice. The Members who have exercised their right to vote by remote e-voting may attend the AGM but cannot vote again.
9. Voting rights shall be reckoned on the paid-up value of the shares registered in the name of the Members / list of Beneficial Owners maintained by National Securities Depository Limited ("NSDL") and CDSL (NSDL and CDSL collectively referred as "Depositories") as on the cut-off date i.e., Monday, July 4, 2022 ("Cut-off date").
10. A person, whose name is recorded in the Register of Members / list of Beneficial Owners maintained by the Depositories as on the Cut-off date only shall be entitled to avail the facility of remote e-voting or e-voting during the AGM.
11. Any person who becomes a Member of the Company after sending of Annual Report and holding shares as on the Cut-off date shall also follow the procedure stated herein.

    A person who is not a Member as on the Cut-off date should treat this Notice for information purposes only.
12. In case of joint holders, only such joint holder who is higher in the order of names will be entitled to vote during the AGM.

13. The Company has fixed Monday, July 4, 2022 as the record date for determining entitlement of Members to receive dividend for the financial year ended March 31, 2022, if approved by the Members at the AGM.

14. If the dividend as recommended by the Board is approved at the AGM, payment of such dividend will be made on or before Wednesday, August 10, 2022 subject to deduction of tax at source, as applicable:

    a. to all the Members in respect of shares held in physical form whose names appear in the Company's Register of Members as on the Cut-off date; and

    b. to all Beneficial Owners in respect of shares held in dematerialised form whose names appear in the list of Beneficial Owners furnished by Depositories as at the close of business hours on the Cut-off date.

15. Pursuant to Finance Act 2020, dividend income is taxable in the hands of shareholders w.e.f. April 1, 2020 and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, please refer the Finance Act, 2020 and the amendments thereof. The shareholders are requested to update their PAN with the Company / Registrar and Transfer Agents viz. Link Intime India Private Limited ("RTA") (in case of shares held in physical form) and with the Depositories / Depository Participants ("DPs") (in case of shares held in demat form).

    **Resident shareholders:**

    For resident shareholders, who have provided PAN, tax shall be deducted at source under Section 194 of the Income Tax Act, 1961 ("IT Act") at 10% on the amount of dividend.

    Tax shall be deducted at source at 20% wherein:

    a. Shareholders do not have PAN / have not registered their valid PAN details in their demat account / with the Company / RTA.

    b. Shareholders are classified as specified persons under Section 206AB.

       No tax shall be deducted on the dividend payable to a resident individual if the total dividend to be received by the resident individual shareholders during FY23 does not exceed ₹ 5,000. In cases where dividend payable to a resident individual exceeds ₹ 5,000 but the shareholder provides Form 15G / Form 15H and meets all the required eligibility conditions, no tax will be deducted at source.

    Apart from cases stated above, following categories of shareholders are exempt from tax deduction at source:

    a. Life Insurance Corporation of India [clause (a) to 2nd proviso to Section 194]

    b. General Insurance Corporation of India / The New India Assurance Company Limited / United India Insurance Company Limited / The Oriental Insurance Company Limited / National Insurance Company Limited [clause (b) to 2nd proviso to Section 194]

    c. Any other insurer in respect of any shares owned by it or in which it has full beneficial interest [clause (c) to 2nd proviso to Section 194]

    d. Dividend income credited / paid to a "business trust", as defined in clause (13A) of Section 2, by a special purpose vehicle referred to in the explanation to clause (23FC) of Section 10 [clause (d) to 2nd proviso to Section 194]

    The following payees are also not subject to tax deducted at source in view of the provisions of Sections 196 and 197A of the IT Act and CBDT notification:

    a. Government [Section 196(i)]

    b. Reserve Bank of India [Section 196(ii)]

    c. A corporation established by or under a Central Act which is, under any law for the time being in force, exempt from income-tax on its income [Section 196(iii)]

    d. Mutual Fund [Section 196(iv)]

    e. any person for, or on behalf of, the New Pension System Trust referred to in Section 10(44) [sub-section 1E to Section 197A]

    f. Category I or a Category II Alternative Investment Fund (registered with Securities and Exchange Board of India ("SEBI") as per Section 115UB) as per notification 51/2015

**Non-resident shareholders:**

For a Foreign Portfolio Investor ("FPI"), taxes shall be deducted at source under Section 196D of the IT Act at 20% (plus applicable surcharge and cess).

For other non-resident shareholders, taxes are required to be deducted in accordance with the provisions of Section 195 of the IT Act, at the rates in force. As per the relevant provisions of the IT Act, the tax shall be deducted at the rate of 20% (plus applicable surcharge and cess) on the amount of dividend payable to them.

FPI and the non-resident shareholders have the option to be governed by the provisions of the Double Tax Avoidance Agreement (“DTAA”) between India and the country of tax residence of the shareholder, if they are more beneficial to them.

To avail benefit of rate of deduction of tax at source under DTAA, such FPI / non-resident shareholders will have to provide the following:

a. Self-attested copy of the PAN allotted by the Indian Income Tax authorities.

   In case of non-availability of PAN, following details and documents to be furnished:

   (i) name, e-mail address, contact number;

   (ii) address in the country of which the deductee is a resident;

   (iii) tax residency certificate;

   (iv) Tax Identification Number of the deductee in the country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the deductee is identified by the Government of that country or the specified territory of which he claims to be a resident.

b. Tax residency certificate from the jurisdictional tax authorities confirming residential status which covers the period of FY23.

c. Declaration by the non-resident shareholder in prescribed Form 10F.

d. Self-declaration by the non-resident shareholder as to:

   - Eligibility to claim tax treaty benefits based on the tax residential status of the shareholder, including having regard to the Principal Purpose Test (if any), introduced in the applicable tax treaty with India;
   - No Permanent Establishment / fixed base in India in accordance with the applicable tax treaty;
   - Shareholder being the beneficial owner of the dividend income to be received on the equity shares.

   In case of non-resident shareholders, having permanent establishment in India, if they are classified as “specified person” as per the provisions of Section 206AB, tax will be deducted at a rate higher of:

   i. twice the rate as per the provisions of IT Act; or

   ii. twice the rate in force; or

   iii. 5%.

**General:**

In order to enable us to determine the appropriate tax rate at which tax has to be deducted at source under the respective provisions of the IT Act, we request resident shareholders, FPI and non-resident shareholders to upload the details and documents referred to in this Notice in the specified format and as applicable on the link *https://linkintime.co.in/formsreg/submission-of-form-15g-15h.html*. No communication on the tax determination / deduction shall be entertained beyond 11:59 p.m. on Monday, July 4, 2022.

Deduction of tax at a rate lower than statutory rate or no deduction of tax shall depend upon the completeness of the documents and the satisfactory review of the forms and the documents, submitted by resident shareholders, to the Company / RTA.

Please note that the Company is not obligated to apply the beneficial DTAA rates at the time of tax deduction / withholding on dividend amounts. Application of beneficial DTAA rate shall depend upon the completeness and satisfactory review of the documents submitted, by FPI / non-resident shareholders to the Company / RTA.

Tax deducted by the Company is final and the Company shall not refund / adjust the tax so deducted subsequently.

16. Members who still hold share certificate(s) in physical form are advised to dematerialize their shareholding to avail the benefits of dematerialisation, which includes easy liquidity since trading is permitted in dematerialised form only, electronic transfer, savings in stamp duty and elimination of any possibility of loss of documents. With effect from April 1, 2019, requests for transfer of securities are not permitted unless the securities are held in a dematerialised form with a depository. Further, with effect from January 24, 2022, transmission or transposition of securities held in physical or dematerialised form can be effected only in dematerialised form.

17. Members holding shares in dematerialised form are requested to update with their respective DPs, their bank account details (account number, 9 digit MICR and 11 digit IFSC), e-mail address and mobile number. Members holding shares in physical form may communicate details to the Company / RTA before the Cut-off date, by quoting the folio no. and attaching a scanned copy of the cancelled cheque leaf of their bank account and a self-attested scanned copy of the PAN card.

18. Members can avail of the facility of nomination in respect of shares held by them pursuant to the provisions of Section 72 of the Act.

19. Additional information of Directors seeking appointment / re-appointment at the ensuing AGM, as required under Regulation 36(3) of the SEBI Listing Regulations and Clause 1.2.5 of the SS-2, is annexed to the Notice.

20. In line with MCA Circulars and circulars issued by SEBI, the Notice calling the AGM along with the Annual Report for FY22 ("Annual Report") is being sent through electronic mode to those Members whose e-mail addresses are registered with the Company / Depositories. A Member can request for a physical copy of the Annual Report by sending an e-mail to the Company at *igrc@ltfs.com*. Members may note that the Annual Report will also be available on the website of the Company at *https://www.ltfs.com/investors.html*, the website of the stock exchanges i.e., BSE Limited and National Stock Exchange of India Limited at *www.bseindia.com* and *www.nseindia.com* respectively. The Notice is also disseminated on the website of CDSL (agency providing the remote e-voting facility and e-voting during the AGM) at *www.evotingindia.com*.

    For the purpose of receiving the Notice of the AGM and the Annual Report through electronic mode in case the e-mail address is not registered with the respective DPs / Company / RTA, Members may register the e-mail addresses by sending e-mail to the Company at *igrc@ltfs.com*. Please provide the below mentioned details in e-mail:

    - For Members holding shares in physical form: folio no., name of shareholder, scanned copy of the share certificate, PAN (self-attested scanned copy of PAN card).
    - For Members holding shares in dematerialised form: DP ID & Client ID, name of the shareholder and PAN.

    Members who have not yet registered their e-mail addresses are requested to register the same with their DPs in case the shares are held in dematerialised form and with Company / RTA in case the shares are held in physical form.

21. All the documents referred in the Notice are available for inspection electronically from the date of dispatch of Notice till Monday, July 11, 2022. Members seeking to inspect such documents are requested to write to the Company at *igrc@ltfs.com*. Alternatively, all the documents are available for inspection at the Registered Office of the Company on any working day, between 11:00 a.m. (IST) to 1:00 p.m. (IST).

22. **Investor Grievance Redressal:** The Company has designated an exclusive e-mail address i.e., *igrc@ltfs.com* to enable the investors to register their complaints / send correspondence, if any.

23. **Webcast:** The Company is providing the facility of live webcast of proceedings of the AGM. Members who are entitled to participate in the AGM can view the proceedings of AGM by logging on the website of CDSL at *www.evotingindia.com* using the login credentials.

24. **Unclaimed Dividends:** Pursuant to the provisions of Sections 124 and 125 of the Act read with the Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016, dividends which remain unclaimed / unpaid for a period of 7 years are required to be transferred to Investor Education and Protection Fund.

    The Company requests the Members to claim the unclaimed dividends within the prescribed period. The details of the unclaimed dividends are available on the website of the Company at *https://www.ltfs.com/investors.html* and Ministry of Corporate Affairs at *www.iepf.gov.in*. Members can contact the RTA for claiming the unclaimed dividends standing to the credit in their account.

25. **Note for Preference Shareholders:** A Member holding preference shares is entitled to attend the AGM through VC / OAVM and vote during the AGM subject to the applicable provisions of the Act.

**PROCEDURE FOR REMOTE E-VOTING, ATTENDING THE AGM AND E-VOTING DURING THE AGM:**

The voting period begins on Friday, July 8, 2022 from 9:30 a.m. (IST) and ends on Sunday, July 10, 2022 at 5:00 p.m. (IST). During this period, Members of the Company, holding shares either in physical form or in dematerialised form, as on the Cut-off date, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter and the same will be enabled during the AGM for the Members who have not casted their vote through remote e-voting.

The Members who have casted their vote by remote e-voting prior to the AGM may also attend / participate in the AGM through VC / OAVM but shall not be entitled to cast their vote again.

**A. 1. Procedure and instructions for individual Members holding shares in dematerialised form:**

| Type of Members | Login Method |
|---|---|
| **Individual Members holding securities in dematerialised form with CDSL** | 1) Users opting for CDSL's Easi / Easiest facility, can login through their existing User ID and password. Option will be made available to reach e-voting page without any further authentication. The URLs for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on "Login" icon and select "New System Myeasi".<br>2) After successful login, the Easi / Easiest user will be able to see the e-voting Menu. On clicking the e-voting menu, the user will be able to see his / her holdings along with links of the respective e-voting service provider ("ESP") i.e., CDSL as per information provided by the Company. Additionally, links are available with the ESPs, so that the user can visit the ESPs site directly.<br>3) If the user is not registered for Easi / Easiest facility, option to register is available at https://web.cdslindia.com/myeasi./Registration/ EasiRegistrat<br>4) Alternatively, the user can directly access e-voting page by providing DP ID & Client ID and PAN from a link available on https://evoting.cdslindia.com/Evoting/EvotingLogin. The system will authenticate the user by sending OTP on the registered mobile no. & e-mail ID as recorded in the demat account. After successful authentication, the user will be able to see the e-voting option where the e-voting is in progress and also directly access the system of all ESPs. |

| Type of Members | Login Method |
|---|---|
| **Individual Members holding securities in dematerialised form with NSDL** | 1) If the user is already registered for NSDL IDeAS facility, please visit the e-services website of NSDL. The URL for using the e-services is https://eservices.nsdl.com Once the home page of e-services is launched, the user can click on the "Beneficial Owner" icon under "Login" which is available under "IDeAS" section. A new screen will open. The user will have to enter the User ID and password. After successful authentication, the user will be able to see e-voting services. Click on "Access to e-voting" under e-voting services and the user will be able to see e-voting page. Click on company name or name of the ESP and the user will be re-directed to ESP website for casting vote during the remote e-voting period or joining meeting through VC / OAVM & voting during the AGM.<br>2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS Portal" or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp<br>3) Visit the e-voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a personal computer or on a mobile. Once the home page of e-voting system is launched, click on the icon "Login" which is available under 'Shareholder / Member' section. A new screen will open. User will have to enter User ID (i.e. sixteen digit |

| Type of Members | Login Method |
|---|---|
| | demat account number of NSDL), password / OTP and a verification code as shown on the screen. After successful authentication, user will be redirected to NSDL site wherein you can see e-voting page. Click on company name or ESP name and user will be redirected to the website of ESP for casting vote during the remote e-voting period or joining the AGM through VC / OAVM & voting during the AGM. |
| **Individual Members (holding securities in dematerialised form) logging in through their DPs** | User can also login using the login credentials of demat account through the user's DP registered with NSDL / CDSL for e-voting facility. After successful login, user will be able to see e-voting option. Once user clicks on the e-voting option, the user will be redirected to NSDL / CDSL Depository site after successful authentication, wherein user can see e-voting feature. Click on company name or name of the ESP and user will be redirected to ESP website for casting vote during the remote e-voting period or for joining the AGM through VC / OAVM & voting during the AGM. |

**2. Procedure and instructions for non-individual Members holding shares in dematerialised form and Members holding shares in physical form:**

(i) The user should log on to the e-voting website www.evotingindia.com.

(ii) Click on "Shareholders".

(iii) Now enter the User ID

a. For CDSL: 16 digits beneficiary ID

b. For NSDL: 8 character DP ID followed by 8 digits Client ID

c. Members holding shares in physical form should enter folio no. registered with the Company.

(iv) Next: Enter the image verification as displayed and Click on "Login".

(v) If you are holding shares in dematerialised form and had logged on to www.evotingindia.com and voted on an earlier resolution of any other company, then your existing password is to be used.

(vi) If you are a first time user follow the steps given below:

| For Members holding shares in dematerialised form and physical form | |
|---|---|
| **PAN** | • Enter your 10 digit alpha-numeric PAN issued by Income Tax Department.<br>• Members who have not updated their PAN with the Company / DP are requested to contact the Company through e-mail on igrc@ltfs.com. |
| **Dividend bank details or date of birth (DOB)** | • Enter the dividend bank details or DOB (in dd/mm/yyyy format) as recorded in the demat account or in the Company records in order to login.<br>• If both the details are not recorded with the depository or Company, please enter the member ID / folio no. in the dividend bank details field by following the instructions. |

(vii) After entering these details appropriately, click on "SUBMIT" tab.

(viii) Members holding shares in physical form will then directly reach the Company selection screen. However, Members holding shares in dematerialised form will now reach "Password Creation" menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that the said company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

(ix) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.

(x) Click on Electronic Voting Sequence Number ("EVSN") of "L&T Finance Holdings Limited".

(xi) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.

(xii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the details of the Resolution.

(xiii) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and modify your vote.

(xiv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.

(xv) You can also take a print of the votes cast by clicking on "Click here to print" option on the voting page.

(xvi) If a demat account holder has forgotten the login password then enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.

(xvii) Note for non - individual Members and custodians:

- Non-individual Members (i.e. other than individuals, HUF, NRI etc.) and custodians are required to log onto www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the registration form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details, a compliance user should be created using the admin login and password. The compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board resolution and Power of Attorney (POA) which they have issued in favour of the custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively, non-individual Members are required to send the relevant Board resolution / authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the scrutinizer and to the Company, if the aforesaid documents are not uploaded on the CDSL e-voting system, for scrutinizer to verify the same.

(xviii) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an e-mail to helpdesk.evoting@cdslindia.com or call 022-2305 8738 and 022-2305 8542 / 43.

(xix) All grievances connected with the e-voting facility may be addressed to Mr. Rakesh Dalvi, Manager, Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400 013 or send an e-mail to helpdesk.evoting@cdslindia.com or call 022-2305 8542 / 43.

**B. Procedure and instructions for Members attending the AGM through VC / OAVM:**

(i) Members will be able to attend the AGM through VC / OAVM or view the live webcast of AGM through the facility provided by CDSL at www.evotingindia.com by using their remote e-voting login credentials and selecting the EVSN for the Company's AGM.

(ii) Members are encouraged to join the AGM through laptops / iPads for better experience.

(iii) Members connecting through mobile devices or tablets or laptop connecting via mobile hotspot may experience loss of audio / video due to fluctuation in the network.

Members are requested to use an internet facility with a good bandwidth to avoid facing any disturbance during the AGM.

(iv) Members who would like to express their views or ask questions during the AGM may register themselves as a speaker by sending their request from their registered e-mail address mentioning their name, DP ID and Client ID / folio no., PAN, mobile number along with their queries at igrc@ltfs.com from Tuesday, July 5, 2022 from 9:30 a.m. (IST) to Thursday, July 7, 2022 till

5:00 p.m. (IST). Those Members who have registered themselves as a speaker will be allowed to express their views / ask questions during the AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the AGM.

**C. Procedure and instructions for Members for e-voting during the AGM:**

(i) The procedure to be followed for e-voting on the day of the AGM will be the same as mentioned above for remote e-voting.

(ii) Only those Members, who are present at the AGM through VC / OAVM and have not casted their vote on the resolutions through remote e-voting and are otherwise not barred from doing so, shall be eligible to vote through e-voting during the AGM.

(iii) If any votes are cast by the Members through the e-voting facility available during the AGM and if the said Members have not participated in the AGM through VC / OAVM facility, then the votes cast by such Members shall be considered invalid as the facility of e-voting during the AGM is available only to the Members attending the AGM.

(iv) Members who need any technical assistance before or during the AGM, can contact Mr. Rakesh Dalvi, Manager, Central Depository Services (India) Limited, A-Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400 013 or send an e-mail to *helpdesk.evoting@cdslindia.com* or call 022-2305 8542 / 43.

**Declaration of Results:**

1) The scrutinizer shall, immediately after the conclusion of voting at the AGM, first count the votes cast during the AGM, thereafter unblock the votes cast through remote e-voting and submit, not later than two days of conclusion of the AGM, a consolidated scrutinizer's report of the total votes cast in favour or against, if any, to the Chairperson of the Company or the person authorized by him, who shall countersign the same.

2) Based on the scrutinizer's report, the Company will submit within two working days of the conclusion of the AGM to the stock exchanges, details of the voting results as required under Regulation 44(3) of the SEBI Listing Regulations.

3) The results declared along with the scrutinizer's report, will be hosted on the website of the Company at *https://www.ltfs.com* and on the website of CDSL at *www.cdslindia.com* immediately after the declaration of the result by the Chairperson or a person authorised by him in writing and communicated to the stock exchanges.

**Important notice to shareholders holding shares in physical form ("physical shareholders"):**

SEBI has vide its circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P /CIR/2021/655 dated November 3, 2021 read with clarificatory Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/687 dated December 14, 2021, introduced common and simplified norms for processing investor's service requests by RTAs and norms for furnishing PAN, KYC details and nomination. In view of the same, physical shareholders are requested to submit their PAN, full KYC details (postal address with PIN, mobile number, e-mail address, bank details, signature) and nomination details in Form ISR-1 at the earliest. Non-availability of any of the aforesaid documents / details with the Company / RTA on or after April 1, 2023 will result in freezing of the physical shareholders' folios pursuant to the aforesaid SEBI circular.

Physical shareholders are requested to dematerialise their shareholding at the earliest. Any investor service requests including transfer / transmission requests shall be processed in dematerialised form only. Request for dematerialisation can be submitted to the RTA of the Company.

**EXPLANATORY STATEMENT PURSUANT TO PROVISIONS OF SECTION 102 OF THE COMPANIES ACT, 2013 FORMING PART OF THE NOTICE DATED APRIL 29, 2022.**

The following Explanatory Statement relating to the accompanying Notice sets out all material facts in respect of the resolution:

**ITEM NO. 5:**

The Board at its Meeting held on December 23, 2021 has approved, subject to the approval of the shareholders of the Company and other requisite regulatory and statutory authorities, the proposal of sale of 100% of the paid-up share capital of L&T Investment Management Limited ("LTIML"), a wholly-owned subsidiary of the Company and the asset manager of L&T Mutual Fund ("the Fund") to HSBC Asset Management (India) Private Limited ("HSBC AMC") ("Proposed Transaction") and the execution, delivery and performance of the transaction documents in relation thereto including the transfer agreement, subject to the terms set out therein, including completion of conditions precedent.

The Company, LTIML, L&T Mutual Fund Trustee Limited, HSBC Securities and Capital Markets (India) Private Limited, HSBC AMC and individuals constituting the board of trustees of HSBC Mutual Fund ("HSBC Board of Trustees") have executed a transfer agreement dated December 23, 2021 ("Transfer Agreement"), inter alia, for the Proposed Transaction, which is subject to receipt of requisite approvals. Simultaneously with the sale, the schemes managed by LTIML will be managed by HSBC AMC, HSBC Board of Trustees will be appointed as the trustee of the schemes of the Fund, and certain schemes of the Fund will be merged and consolidated with HSBC schemes in accordance with the SEBI (Mutual Funds), Regulations, 1996 (as amended from time to time).

The aggregate purchase consideration is INR equivalent of USD 425 million, subject to adjustments as set out in the definitive documents. Further, the Proposed Transaction is subject to completion of customary condition precedents.

In this regard, the Company has also made intimations to the stock exchanges where the Company has listed its shares.

As per Section 180(1)(a) of the Companies Act, 2013, a special resolution of the members of the company is required to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company (i.e., in which the investment of the company exceeds 20% of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates 20% of the total income of the company during the previous financial year).

Since the total income of LTIML during the previous financial year, exceeds 20% of the total income of the Company on a standalone basis, a special resolution of the Members is being sought for approval of the Proposed Transaction.

The Board is of the opinion that the aforementioned proposal is in the best interest of the Company and accordingly recommends the special resolution set forth in Item No. 5 of the Notice for approval of the Members.

None of the Directors, Key Managerial Personnel and their relatives, other than to the extent of their shareholding in the Company, are concerned / interested, financially or otherwise, in the above resolution.

**Additional information of Director seeking re-appointment / appointment at the Fourteenth Annual General Meeting pursuant to SS-2 and SEBI Listing Regulations:**

| | |
|---|---|
| **Name of the Director** | Dinanath Dubhashi<br>(DIN: 03545900) |
| **Date of Birth/(Age)** | May 31, 1966 (56 years) |
| **Qualifications** | B. E. (Mechanical) and Post Graduate from IIM, Bangalore |
| **Date of first appointment on the Board** | April 14, 2016. Re-appointed as the Managing Director & Chief Executive Officer w.e.f. April 14, 2021 to April 13, 2026. |
| **Remuneration** | As approved by the Members of the Company at the AGM held on July 28, 2021.[(1)] |
| **Experience / brief profile / nature of expertise in specific functional areas** | With a rich experience of over three decades, Dinanath Dubhashi has worked in multiple domains of Financial Services such as Retail & Infrastructure lending, Rural Finance, Corporate Banking, Cash Management, Credit Ratings, Insurance and Wealth Management.<br>He has been associated with LTFH since 2007 and has been instrumental in scaling up the retail business operations manifold, across customer segments and geographies. During his tenure as MD & CEO since 2016, LTFH has achieved several market leading positions in Farm Equipment Finance, Two-Wheeler Finance, Micro Loans and Renewable Power Finance.<br>The strategy roadmap defined under his leadership has transformed LTFH into an organisation focussed on delivering sustainable returns through decisive strategic choices. The increase in retail proportion of loan book under his leadership, to 51% in FY22, has been built on the foundations of distinctive digital and analytics-based offering and a robust risk management framework.<br>As a part of his professional journey, he has also been associated with organisations such as BNP Paribas, CARE Ratings and SBI Capital Markets in various capacities.<br>He has been co-chairing the FICCI Committee on NBFCs since 2018 and is also on the Board of the Finance Industry Development Council (FIDC). |
| **Terms and conditions of appointment/ re-appointment** | Re-appointed as the Managing Director & Chief Executive Officer on the terms and conditions as approved by the Members at the AGM held on July 28, 2021. |
| **Directorships held in other companies (excluding foreign companies) as on April 29, 2022** | 1. L&T Finance Limited<br>2. L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited)<br>3. L&T Investment Management Limited<br>4. L&T Infra Investment Partners Advisory Private Limited<br>5. Finance Industry Development Council |
| **Memberships / Chairpersonship of committees across companies as on April 29, 2022 (only statutory committees as required to be constituted under the Act considered)** | **A. Audit Committee**<br>1. L&T Finance Limited<br>2. L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited)<br>**B. Nomination and Remuneration Committee**<br>1. L&T Finance Limited<br>2. L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited)<br>**C. Corporate Social Responsibility and ESG Committee**<br>1. L&T Finance Holdings Limited<br>2. L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited)[(C)]<br>3. L&T Investment Management Limited |

| | |
|---|---|
| | **D. Corporate Social Responsibility Committee**<br>1. L&T Infra Investment Partners Advisory Private Limited<br>**E. Stakeholders Relationship Committee**<br>1. L&T Finance Limited(C)<br>2. L&T Infra Credit Limited (formerly known as L&T Infra Debt Fund Limited)(C) |
| **Listed entities from which the Director has resigned in the past three years** | Nil |
| **In case of independent directors, the skills and capabilities required for the role and the manner in which the proposed person meets such requirements** | N.A. |
| **Shareholding in the Company (equity) including shareholding as a beneficial owner** | 2,30,975 shares (0.0093%) |
| **Relationship with other Directors / Manager / Key Managerial Personnel** | None |
| **Number of Board Meetings attended during FY22** | All meetings (i.e., eleven out of eleven meetings) |

(1) For details pertaining to the remuneration last drawn, please refer the Board's Report

(C) Chairperson

**By Order of the Board of Directors**
**For L&T Finance Holdings Limited**

**Apurva Rathod**
Company Secretary
ACS 18314

**Date:** April 29, 2022
**Place:** Mumbai

**Registered Office:**
L&T Finance Holdings Limited
Brindavan, Plot No. 177, C.S.T. Road
Kalina, Santacruz (East)
Mumbai - 400 098, Maharashtra, India
Phone: +91 22 6212 5000
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