L&T Infra
Tax Saving Bonds
2011A SERIES

PROSPECTUS
February 1, 2011

L&T Infra

L&T INFRASTRUCTURE FINANCE COMPANY LIMITED

Registered Office: Mount Poonamallee Road, Manapakkam, Chennai - 600 089; Tel: +91 44 2252 6000; Fax: +91 44 2252 8688
Corporate Office: 3B, Laxmi Towers, C-25, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051
Tel: +91 22 4060 5300; Fax: +91 22 4060 5353; Website: www.ltinfra.com
Compliance Officer: Mr. Vinay Tripathi; 3A/Laxmi Towers, First Floor, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
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PUBLIC ISSUE BY L&T INFRASTRUCTURE FINANCE COMPANY LIMITED (THE "COMPANY" OR "ISSUER") OF LONG TERM INFRASTRUCTURE BONDS WITH A FACE VALUE OF ₹ 1,000 EACH, IN THE NATURE OF SECURED, REDEEMABLE, NON-CONVERTIBLE DEBENTURES, HAVING BENEFITS UNDER SECTION 80 CCF OF THE INCOME TAX ACT, 1961 (THE "DEBENTURES" OR THE "BONDS"), AGGREGATING UP TO ₹ 1,000 MILLION WITH AN OPTION TO RETAIN AN OVERSUBSCRIPTION OF UP TO ₹ 3,000 MILLION FOR ALLOTMENT OF ADDITIONAL BONDS (THE "ISSUE").
THE ISSUE BEING REFERRED TO AS THE ISSUE OF LONG TERM INFRASTRUCTURE BONDS 2011A SERIES.
FOR ANY QUERIES REGARDING THE ISSUE, PLEASE CONTACT US ON EITHER OF OUR TOLL FREE NOS. 1800 102 2131 OR +91 22 4060 5444 OR WRITE TO US AT savetax@ltinfra.com. FOR FURTHER DETAILS, INVESTORS CAN VISIT THE WEBSITE: www.ltinfrabond.com.

The Issue is being made pursuant to the provisions of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended (the "**Debt Regulations**").

GENERAL RISK

Investors are advised to read the section titled "*Risk Factors*" carefully before taking an investment decision in this Issue. For the purposes of taking an investment decision, investors must rely on their own examination of the Issuer and of the Issue, including the risks involved. Specific attention of the investors is invited to the section titled "*Risk Factors*" on pages 7 to 20 of this Prospectus.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

CREDIT RATINGS

The Bonds have been rated 'CARE AA+' by CARE and 'LAA+' by ICRA. Instruments with a rating of 'CARE AA+' by CARE are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk. Instruments with a rating of 'LAA+' by ICRA indicates high credit quality and the rated instruments carry low credit risk. The rating provided by CARE and ICRA may be suspended, withdrawn or revised at any time by the assigning rating agency on the basis of new information etc., and should be evaluated independently of any other rating. The rating is not a recommendation to buy, sell or hold securities and investors should take their own decisions. Please refer to page 26 of this Prospectus for the rationales for the above ratings.

LISTING

The Bonds offered through this Prospectus are proposed to be listed on the National Stock Exchange of India Limited (the "**NSE**"). Our Company has received the 'in-principle' approval from the NSE for listing of the Bonds through a letter dated January 31, 2011. For the purposes of this Issue, the NSE shall be the Designated Stock Exchange.

LEAD MANAGERS TO THE ISSUE

ICICI Securities	HDFC BANK	KARVY INVESTOR SERVICES LIMITED	SBI Capital Markets Limited
ICICI Securities Limited ICICI Centre H.T. Parekh Marg Churchgate, Mumbai 400 020 Maharashtra, India Tel : +91 22 2288 2460 Fax : +91 22 2282 6580 E-mail : ltinfra.bondissue@icicisecurities.com Investor Grievance Email.: customercare@icicisecurities.com Website : www.icicisecurities.com Contact Person: Mr. Manvendra Tiwari Compliance Officer: Mr. Subir Saha SEBI Registration No: INM000011179	**HDFC Bank Limited#** **Investment Banking Division** Trade World, 'A' Wing, 1st Floor, Kamala Mills Compound, Senapati Bapat Marg Lower Parel (W), Mumbai 400 013, India Tel: +91 22 4080 4108 Fax: +91 22 4080 4114 Email: paresh.soni@hdfcbank.com Investor Grievance Email: investor.redressal@hdfcbank.com Website: www.hdfcbank.com Contact Person: Mr. Paresh Soni Compliance Officer: Mr. Manoj Nadkarni Registration No.: INM000011252	**Karvy Investor Services Limited** "Karvy House" 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad – 500 034 Tel: +91 40 2342 8774 Fax: +91 40 2337 4714 Email: cmg@karvy.com Investor Grievance E mail: igmbd@karvy.com Website: www.karvy.com Contact Person: Mr. Omkar Barve Compliance Officer: Mr. Rajnish Rangari SEBI Registration No.: INM000008365	**SBI Capital Markets Limited*** 202, Maker Tower 'E' Cuffe Parade Mumbai 400 005 Tel: +91 22 2217 8300 Fax: +91 22 2218 8332 Email: ltinfra.bondissue@sbicaps.com Investor Grievance Email.: investor.relations@sbicaps.com Website: www.sbicaps.com Contact Person: Mr. Ashish Sable Compliance Officer: Mr. Bhaskar Chakraborty SEBI Registration No. INM000003531

CO-MANAGERS TO THE ISSUE			DEBENTURE TRUSTEE TO THE ISSUE	REGISTRAR TO THE ISSUE
BAJAJ CAPITAL ALWAYS ACTING IN YOUR INTEREST (%)	Integrated TOTAL FINANCIAL SOLUTIONS PROVIDER	Investors	बैंक ऑफ महाराष्ट्र Bank of Maharashtra ONE FAMILY ONE BANK A Govt. of India Enterprise	
Bajaj Capital Limited 5th Floor, 97, Bajaj House, Nehru Place, New Delhi- 110019 India Tel : +91 22 4009 9999 Fax : +91 22 4009 9911 E-mail : sumitd@bajajcapital.com Website : www.bajajcapital.com SEBI Registration No: INM000010544	**Integrated Enterprises (India) Limited** 5A, 2nd Floor, Kences Towers, 1 Ramakrishna Street, North Usman Road, T Nagar, Chennai – 600 017 Tel: +91 44 2814 0801 Fax: +91 44 2814 2479 Email: mbd@iepindia.com Website: www.iepindia.com SEBI Registration No.: INM000002640	**RR Investors Capital Services Private Limited** 133-A, 13th Floor, A-wing, Mittal Tower, Nariman Point, Mumbai – 400 021 Tel: +91 22 2288 6627/28 Fax: +91 22 2285 1925 Email: lntinfra@rrfcl.com Website: www.rrfinance.com / www.rrfcl.com SEBI Registration No.: INM000007508	**Bank of Maharashtra** Legal Services Department, Head Office: "Lokmangal", 1501, Shivajinagar, Pune - 411 005 Tel: +91 20 2553 6256 Fax: +91 20 2551 3123 Website: www.bankofmaharashtra.in Email: bomcolaw@mahabank.co.in	**Sharepro Services (India) Private Limited** 13 A B, Samhita Warehousing Complex 2nd floor, Sakinaka Telephone Exchange Lane Andheri - Kurla Road, Sakinaka, Andheri (E), Mumbai – 400 072 Tel: +91 22 6191 5419/408/416/402 Fax: +91 22 6191 5444 Email: prakashk@shareproservices.com Investor Grievance Email: ltinfra2@shareproservices.com Website: www.shareproservices.com Contact Person: Mr. Prakash Khare Compliance Officer: Mr. Prakash Khare SEBI Registration No.: INR000001476

ISSUE PROGRAMME

ISSUE OPENS ON: February 7, 2011			ISSUE CLOSES ON: March 7, 2011

The subscription list for this Issue shall remain open for subscription during banking hours for the period indicated above, except that it may close on such earlier date as may be decided by the Board / Committee of Directors of our Company, as the case may be. In case of an earlier closure, our Company shall ensure that notice is given to investors through advertisements prior to such earlier closure date.

** In compliance with the proviso to regulation 21A (1) and explanation (iii) to regulation 21A (1) of the SEBI (Merchant Bankers) Regulations, 1992, SBI Capital Markets Limited would be involved only in the marketing of the Issue.*

 # HDFC Bank Limited has filed an application dated November 23, 2010 with the SEBI, in the prescribed manner, for renewal of its certificate of registration which was valid until January 22, 2011.

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SECTION I: GENERAL

DEFINITIONS & ABBREVIATIONS

CONVENTIONAL / GENERAL TERMS AND ABBREVIATIONS

Term	Description
Companies Act / Act	The Companies Act, 1956, as amended
AGM	Annual General Meeting
AS	Accounting Standard
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Competition Act	Competition Act, 2002, as amended
Depositories Act	Depositories Act, 1996, as amended
DRR	Debenture Redemption Reserve
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended
FII (s)	Foreign Institutional Investor(s)
Financial Year / FY/ Fiscal Year	Financial Year ending March 31
GDP	Gross Domestic Product
GIR	General Index Registration Number
G-Sec	Government Securities
Indian GAAP	Generally Accepted Accounting Principles in India
IRDA	Insurance Regulatory and Development Authority
I.T. Act / Income Tax Act	Income Tax Act, 1961, as amended
MCA	Ministry of Corporate Affairs, Government of India
MNC	Multi-National Corporation / Company
NAV	Net Asset Value
NECS	National Electronic Clearing System
NEFT	National Electronic Fund Transfer
NII(s)	Non-Institutional Investor(s)
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
PAN	Permanent Account Number
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended
ROC	Registrar of Companies, Tamil Nadu, Chennai
₹ /Rs. / INR / Rupees	The lawful currency of the Republic of India
RTGS	Real Time Gross Settlement
SCRA	Securities Contracts (Regulation) Act, 1956, as amended
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India constituted under the SEBI Act
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended

Term	Description
TDS	Tax Deducted at Source

ISSUE RELATED TERMS

Term	Description
5 Year Buyback Date	The first Working Day after five years from the Date of Allotment, as more particularly described in the section titled "Terms of the Issue - Buyback of Bonds" on page 87 of this Prospectus
5 Year Buyback Intimation Period	The period commencing from 6 months preceding the 5 Year Buyback Date and ending 3 months prior to the 5 Year Buyback Date
7 Year Buyback Date	The first Working Day after seven years from the Date of Allotment, as more particularly described in the section titled "Terms of the Issue - Buyback of Bonds" on page 87 of this Prospectus
7 Year Buyback Intimation Period	The period commencing from 6 months preceding the 7 Year Buyback Date and ending 3 months prior to the 7 Year Buyback Date
Allotment / Allotted	Unless the context otherwise requires, allotment of Bonds to the successful applicants pursuant to this Issue
Allottee(s)	A successful applicant to whom the Bonds are being / have been Allotted
Applicant	Applicant for the Bonds in the Issue
Application Amount	The total amount to be paid by an applicant along with the Application Form which is the total value of the Bonds being applied for
Application Form	The form used by an applicant to apply for Bonds being issued through the Prospectus
Basis of Allotment	The basis on which Bonds will be allotted to applicants under the Issue and is described in the section titled "*Issue Procedure – Basis of Allotment*" on page 103 of this Prospectus
Bonds / Debentures	Long term infrastructure bonds 2011A series, in the nature of secured, redeemable, non-convertible debentures of our Company of face value of ₹ 1,000 each, having benefits under section 80 CCF of the Income Tax Act, issued in terms of this Prospectus
Bondholder(s) / Debenture Holder(s)	Holder(s) of the Bonds / Debentures
Buyback Amount	The principal amount and the accrued interest (if any) or the cumulative interest payments which are due, till the Buyback Date more particularly specified in the section titled "*The Issue*" on page 28 of this Prospectus
CARE	Credit Analysis & Research Limited
Co-Managers	Bajaj Capital Limited, Integrated Enterprises (India) Limited and RR Investors Capital Services Private Limited
CRISIL	CRISIL Limited
Date of Allotment	The date on which the Bonds will be allotted pursuant to this Issue
Debt Regulations	SEBI (Issue and Listing of Debt Securities) Regulations, 2008
Depository(ies)	National Securities Depository Limited (NSDL) and / or Central Depository Services (India) Limited (CDSL)
Designated Stock Exchange	NSE
DP / Depository Participant	A depository participant as defined under the Depositories Act
Draft Prospectus	The Draft Prospectus dated January 18, 2011
Escrow Accounts	Accounts opened with the Escrow Collection Bank(s) and in whose favour the applicants can issue cheques or bank drafts in respect of the

Term	Description
	application amount while submitting the application
Escrow Agreement	Agreement dated January 28, 2011 entered into amongst our Company, the Registrar, the Escrow Collection Bank(s) and the Lead Managers for collection of the application amounts towards allotment of Bonds and for remitting refunds for non-allottees, if any, of the amounts collected, to the applicants on the terms and conditions thereof
Escrow Collection Bank(s) / Bankers to the Issue	The bank(s) with whom the Escrow Accounts will be opened, as specified on page 23 of this Prospectus
FITCH	Fitch Ratings India Private Limited
ICRA	ICRA Limited
Issue	Public issue by L&T Infrastructure Finance Company Limited of Bonds with a face value of ₹ 1,000 each, in the nature of secured, redeemable, non-convertible debentures, having benefits under section 80 CCF of the I.T. Act, aggregating up to ₹ 1,000 million with an option to retain an oversubscription up to ₹ 3,000 million for allotment of additional Bonds
Issue Closing Date	March 7, 2011, or such other earlier date as may be decided by the Board / Committee of Directors of our Company, as the case may be, and informed to the authorities (the NSE and/or SEBI) and communicated to investors through advertisements prior to such earlier closure date
Issue Opening Date	February 7, 2011
KYC Documents	Documents required for fulfilling the know your customer requirements prescribed by RBI as prescribed in "*KYC Documents*" on page 100 of this Prospectus
Lead Managers	ICICI Securities Limited, HDFC Bank Limited, Karvy Investor Services Limited and SBI Capital Markets Limited
Lock-in Period	5 years from the Date of Allotment
Maturity Amount	The principal amount and the accrued interest (if any) or the cumulative interest payments which are due, till the Maturity Date, more particularly specified in the section titled "*The Issue*" at page 27 of this Prospectus
Maturity Date	10 years from the Date of Allotment
Option(s)	Option(s) being offered to the applicants as stated in the section titled "*Issue Related Information*" at page 80 of this Prospectus
Prospectus / Offer Document	This Prospectus dated February 1, 2011 containing *inter alia* the coupon rate for the Bonds and certain other information filed with the ROC in accordance with the provisions of the Act and the Debt Regulations
Refund Bank	IDBI Bank Limited
Registrar / Sharepro	Sharepro Services (India) Private Limited, being the Registrar to the Issue and the transfer agent to our Company
Simple Mortgage Deed / Debenture Trust-cum–Hypothecation Deed	The simple mortgage deed / debenture trust-cum-hypothecation deed, as the case may be, to be executed between our Company and the Debenture Trustee in relation to this Issue
Stock Exchange	NSE
Trustees / Debenture Trustee	Trustees for the Bondholders, in this case being Bank of Maharashtra
WDM	Wholesale Debt Market
YTM	Yield to Maturity
Working Day	Working day shall mean any day other than a Saturday or a Sunday or a day on which the banks are not open for business in Mumbai

COMPANY / INDUSTRY RELATED TERMS

Term	Description
"L&T Infra", "Issuer", "the Company", "we", "us" and "our Company"	L&T Infrastructure Finance Company Limited, a public limited company incorporated under the Act having its registered office at Mount Poonamallee Road, Manapakkam, Chennai - 600 089
ALCO	Asset-Liability Management Committee
ALM	Asset-Liability Management
Articles / Articles of Association / AOA	Articles of Association of the Issuer, as amended
Auditors / Statutory Auditors	M/s. Deloitte Haskins and Sells, Chartered Accountants, the statutory auditors of our Company
Board / Board of Directors	The Board of Directors of the Issuer
Committee of Directors	The Committee of Directors of the Issuer
CAR	Capital Adequacy Ratio
CP	Commercial Paper
CRAR	Capital-to-Risk-Weighted Assets Ratio
FIMMDA	Fixed Income, Money Markets and Derivatives Association
ICC	Investment and Credit Committee
IFC	'Infrastructure Finance Company', as defined under applicable RBI guidelines
L&T	Larsen & Toubro Limited
L&TFH	L&T Finance Holdings Limited
Memorandum / MOA	Memorandum of Association of the Issuer, as amended
NBFC	Non-Banking Financial Company as defined under Section 45-I(f) of the RBI Act, 1934
NBFC-ND-SI	Systemically Important Non-Deposit Taking NBFC
Notification	Notification No. 48/2010/F.No.149/84/2010-SO(TPL) dated July 9, 2010 issued by the Central Board of Direct Taxes
NPA	Non Performing Asset
Promoters / our Promoters	The promoters of our Company are Larsen & Toubro Limited and L&T Finance Holdings Limited
USD	United States Dollar, the official currency of the United States of America

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements such as “aim”, “anticipate”, “shall”, “will”, “will continue”, “would pursue”, “will likely result”, “expected to”, “contemplate”, “seek to”, “target”, “propose to”, “future”, “goal”, “project”, “could”, “may”, “in management’s judgment”, “objective”, “plan”, “is likely”, “intends”, “believes”, “expects” and other similar expressions or variations of such expressions. These statements are primarily meant to give the investor an overview of our Company’s future plans, as they currently stand. Our Company operates in a highly competitive, dynamic and regulated business environment, and a change in any of these variables may necessitate an alteration of our Company’s plans. Further, these plans are not static, but are subject to continuous internal review and policies, and may be altered, if the altered plans suit our Company’s needs better.

Further, many of the plans may be based on one or more underlying assumptions (all of which may not be contained in this Prospectus) which may not come to fruition. Thus, actual results may differ materially from those suggested by the forward-looking statements. Our Company and all intermediaries associated with this Prospectus do not undertake to inform the investor of any change in any matter in respect of which any forward-looking statements are made.

All statements contained in this Prospectus that are not statements of historical fact constitute “forward-looking statements” and are not forecasts or projections relating to our Company’s financial performance. All forward-looking statements are subject to risks, uncertainties and assumptions that may cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that may cause actual results to differ materially from our Company’s expectations include, amongst others:

- General economic and business environment in India;
- Our Company’s ability to successfully implement its strategy and growth plans;
- Our Company’s ability to compete effectively and access funds at competitive cost;
- Effectiveness and accuracy of internal controls and procedures;
- Changes in domestic or international interest rates and liquidity conditions;
- Defaults by end customers resulting in an increase in the level of non-performing assets in its portfolio;
- Rate of growth of its loan assets and ability to maintain concomitant level of capital;
- Downward revision in credit rating(s);
- Potential mergers, acquisitions or restructurings and increased competition;
- Changes in tax benefits and incentives and other applicable regulations, including various tax laws;
- Our Company’s ability to retain its management team and skilled personnel;
- Changes in laws and regulations that apply to NBFCs in India, including laws that impact its lending rates and its ability to enforce the assets financed/secured to it; and
- Changes in political conditions in India.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company nor any of its Directors have any obligation, or intent to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. For further discussion of the factors that could affect our Company’s future financial performance, see the section titled “*Risk Factors*” beginning on page 7 of this Prospectus.

PRESENTATION OF FINANCIALS & USE OF MARKET DATA

Unless stated otherwise, the financial information used in this Prospectus is derived from our Company's financial statements for the period from April 18, 2006 to June 30, 2007, period from July 1, 2007 to March 31, 2008 and FY 2009 and 2010 and the six month period ending September 30, 2010 prepared in accordance with Indian GAAP and the Act and are in accordance with Paragraph B Part – II of Schedule II to the Act, the Debt Regulations, as stated in the report of our Company's Statutory Auditors, M/s. Deloitte Haskins and Sells, Chartered Accountants, included in this Prospectus.

In this Prospectus, any discrepancies in any table between the total and the sum of the amounts listed are due to rounding-off.

Except as specifically disclosed, all financial / capital ratios and disclosures regarding NPAs in this Prospectus are in accordance with the applicable RBI norms.

Unless stated otherwise, macroeconomic, growth rates, industry data and information regarding market position contained in this Prospectus have been obtained from publications prepared / compiled by professional organisations and analysts, data from other external sources, our knowledge of the markets in which we compete, providers of industry information, government sources and multilateral institutions, with their consent, wherever necessary. Such publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured.

The extent to which the market and industry data used in this Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. The methodologies and assumptions may vary widely among different industry sources.

While we have compiled, extracted and reproduced this data from external sources, including third parties, trade, industry or general publications, we accept responsibility for accurately reproducing such data. However, neither we nor the Lead Managers have independently verified this data and neither we nor the Lead Managers make any representation regarding the accuracy of such data. Similarly, while we believe our internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither we nor the Lead Managers can assure potential investors as to their accuracy.

SECTION II: RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Prospectus before making any investment decision relating to the Issue. If any of the following risks or other risks that are not currently known or are deemed immaterial at this time, actually occur, our business, financial condition and results of operation could suffer, the trading price of the Bonds could decline and you may lose all or part of your redemption amounts and / or interest amounts. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein. The order of the risk factors appearing hereunder is intended to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another. Unless the context requires otherwise, the risk factors described below apply to us / our operations only.

This Prospectus also contains forward-looking statements that involve risks and uncertainties. Our Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Prospectus.

You must rely on your own examination of our Company and this Issue, including the risks and uncertainties involved.

INTERNAL RISKS

1. ***As an NBFC, the risk of default and non-payment by borrowers and other counterparties may materially and adversely affect our profitability and asset quality. Any such defaults and non-payments would result in write-offs and/or provisions in our financial statements which may materially and adversely affect our profitability and asset quality.***

   Any lending or investment activity is exposed to credit risk arising from the risk of default and non-payment by borrowers and other counterparties. Our total loan portfolio was ₹ 52,729.81 million as at September 30, 2010. The size of our loan portfolio is expected to grow as a result of our expansion strategy in existing as well as new products. This will continue to expose us to an increasing risk of defaults as our portfolio expands.

   Our gross NPAs as a percentage of total outstanding loans were 1.20%, 1.84%, 0% and 0% as of September 30, 2010, March 31, 2010, 2009 and 2008, respectively, while the net NPAs as a percentage of net outstanding loans were 1.01%, 1.66%, 0.00% and 0.00% as of September 30, 2010, March 31, 2010, 2009 and 2008 respectively.

   The borrowers and/or guarantors and/or third parties may default in their repayment obligations due to various reasons including insolvency, lack of liquidity, and operational failure.

   We cannot be certain, and cannot assure you, that we will be able to improve our collections and recoveries in relation to the NPAs or otherwise adequately control our level of NPAs in the future. Moreover, as our loan portfolio matures, we may experience greater defaults in principal and/or interest repayments. Thus, if we are not able to control or reduce our level of NPAs, the overall quality of our loan portfolio may deteriorate and our results of operations may be adversely affected. Furthermore, our current provisions may not be adequate when compared to the loan portfolios of other financial institutions.

   We have made provisions of ₹ 104.15 million in respect of gross NPAs as of September 30, 2010. In addition, we maintain a provision against standard assets, as a matter of policy. As of September 30, 2010 and March 31, 2010, we have made provisions of ₹ 208.00 million and ₹ 251.60 million respectively in respect of standard assets. There can be no assurance that there will be no further deterioration in our provisioning coverage as a percentage of NPAs or otherwise, or that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs. In the event of any further deterioration in our NPA portfolio, there could be a more significant and substantial material and adverse impact on our business, future financial performance and results of operations.

2. ***The private infrastructure development industry in India is still at a relatively early stage of development and is linked to the continued growth of the Indian economy, the sectors on which we focus and stable and experienced regulatory regimes. In the event that central and state government***

initiatives and regulations in the infrastructure industry do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India or in specific sectors, our business, future financial performance and results of operations could be materially and adversely affected.

We believe that the further development of India's infrastructure is dependent on formulation and effective implementation of state and central government programs and policies that facilitate and encourage private sector investment in infrastructure projects in India. Many of these programs and policies are developing and evolving and their success will depend on whether they are properly designed to address the issues facing infrastructure development in India and are effectively implemented. Additionally, these programs will need continued support from stable and experienced regulatory regimes that not only encourage the continued movement of private capital into infrastructure development but also lend to increased competition, appropriate allocation of risk, transparency, effective dispute resolution and more efficient and cost-effective services to the end-consumer.

The availability of private capital and the continued growth of the infrastructure development industry are also linked to the continued growth of the Indian economy. Many specific factors within each industry sector may also influence the success of the projects within those sectors, including changes in policies, regulatory frameworks and market structures. While there has been progress in sectors such as telecommunications, transportation, energy, tourism and industrial and commercial infrastructure, other sectors such as urban infrastructure and healthcare have not progressed to the same degree. Further, since infrastructure services in India have historically been provided by the central and state governments without charge or at a low charge to consumers, the growth of the infrastructure industry will be impacted by consumers' income levels and the extent to which they would be willing to pay or can be induced to pay for infrastructure services. If the central and state governments' initiatives and regulations in the infrastructure industry do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India or in specific sectors, our business, future financial performance and results of operations could be materially and adversely affected.

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

Our total loan portfolio is secured by a mix of both movable and immovable assets and/or other collaterals. The value of certain types of assets may decline due to inherent operational risks, the nature of the asset secured in our favour and adverse market and economic conditions (both global and domestic).

The value of the security or collateral granted in our favor, as the case may be, may also decline due to delays in insolvency, winding-up and foreclosure proceedings, defects in title, difficulty in locating movable assets, documentation relevant to the assets and the necessity of obtaining regulatory approvals for the enforcement of our collateral over those assets, and as such, we may not be able to recover the estimated value of the assets which would materially and adversely affect our business, future financial performance and results of operations.

In the event of default by our borrowers, we cannot guarantee that we will be able to realize the full value of our collateral, due to, among other things, delays on our part in taking immediate action and in bankruptcy foreclosure proceedings, stock market downturns, defects in the perfection of collateral and fraudulent transfers by borrowers. In the event a specialized regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed.

4. ***If we are unable to manage our rapid growth effectively, our business, future financial performance and results of operations could be materially and adversely affected.***

The business of our Company has grown rapidly since we began our operations. From March 31, 2008 to March 31, 2010, our gross loans outstanding increased by a CAGR of 52.95%.

We intend to continue to grow our businesses, which could place significant demands on our operational, credit, financial and other internal risk controls. It may also exert pressure on the adequacy of our capitalization, making management of asset quality increasingly important.

Our future business plan is dependent on our ability to borrow to fund our growth. We may have difficulty obtaining funding on attractive terms. Adverse developments in the Indian credit markets, such as the increase in interest rates in March 2010, may significantly increase our debt service costs and the overall cost of our funds. An inability to manage our growth effectively and failure to secure the required funding therefore on favorable terms, or at all, could have a material and adverse effect on our business, future financial performance and results of operations.

5. ***Our Company is involved in certain legal and other proceedings.***

Our Company is currently involved in a number of legal proceedings in India. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. If any new developments arise, for example, a change in Indian law or rulings against us by the appellate courts or tribunals, we may face losses and we may have to make provisions in our financial statements, which could increase our expenses and our liabilities. Decisions in such proceedings adverse to our interests may have a material adverse effect on our business, future financial performance and results of operations.

Details of legal proceedings involving our Company are set out below:

(in ₹ million)

Particulars	Number of cases filed	Amount involved
Cases filed against our Company	4	Nil
Cases filed by our Company	10	583.40

For further details of these legal proceedings, see the section titled "*Outstanding Litigation and Statutory Defaults*" on page 106 of this Prospectus.

6. ***Infrastructure projects carry certain risks which, to the extent they materialize, could adversely affect our business and result in our loans and investments declining in value which could have a material and adverse effect on our business, future financial performance and results of operations.***

Our Company primarily provides debt, equity or hybrid financing, and financial advisory services related to infrastructure projects in India. As at September 30, 2010 our loans and advances were ₹ 52,729.81 million. Infrastructure projects are characterized by project-specific risks as well as general risks. These risks are generally beyond our control, and include:

- political, regulatory and legal actions that may adversely affect project viability;
- interruptions or disruption in domestic or international financial markets, whether for equity or debt funds;
- changes in government and regulatory policies;
- delays in the construction and operation of infrastructure projects;
- adverse changes in market demand or prices for the products or services that the project, when completed, is expected to provide;
- the unwillingness or inability of consumers to pay for infrastructure services;
- shortages of, or adverse price developments for, raw materials and key project inputs such as oil and natural gas;
- potential defaults under financing arrangements with lenders and investors;
- failure of third parties to perform on their contractual obligations;
- adverse developments in the overall economic environment in India;
- interest rate or currency exchange rate fluctuations or changes in tax regulations;

- economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve; and

- the other risks discussed in the sub-section "*External Risks — Risks Relating to India*", on page 17 of this Prospectus.

To the extent these or other risks relating to the projects we finance materialize, the quality of our asset portfolio and our profitability may decline, which would have a material and adverse effect on our business, future financial performance and results of operations.

7. ***Our Company has significant exposure to certain sectors and to certain borrowers and if these exposures become non-performing, such exposure could increase the level of non-performing assets in our portfolio and materially affect our business, future financial performance and results of operations and the quality of our asset portfolio.***

As at September 30, 2010, our five largest single sector exposures were in the power, telecommunications, roads, oil and gas and ports sectors, which constituted 34.99%, 15.70%, 13.59%, 6.55% and 4.52%, (aggregating to total percentage exposure of 75.35% for these five sectors) respectively, of our total exposure of ₹ 52,729.81 million. For the foreseeable future, we expect to continue to have a significant concentration of loans in these five sectors and to certain borrowers. Any negative trends or financial difficulties in the power, telecommunications, roads, oil and gas or ports sectors, particularly among our large borrowers, could increase the level of non-performing assets in our portfolio and materially and adversely affect our business, future financial performance and results of operations.

As at September 30, 2010, the ten largest borrowers in our Company in the aggregate accounted for 33.26% of our total exposure and the ten largest borrower groups in the aggregate accounted for 40.79% of our total exposure. As at September 30, 2010, our largest single borrower and our largest borrower group accounted for 4.74% and 5.22%, respectively, of the total exposure of our Company. Credit losses on our significant single borrower and group exposures could materially and adversely affect our business, future financial performance and results of operations.

The customers of our Company may default on their obligations to us as a result of their bankruptcy, lack of liquidity, operational failure, breach of contract, government or other regulatory intervention and other reasons such as their inability to adapt to changes in the macro business environment. Historically, borrowers or borrower groups have been adversely affected by economic conditions in varying degrees. For example, in Fiscal Year 2009, we have restructured three loans, originally amounting to ₹ 500 million, ₹ 750 million and ₹ 750 million, granted to certain companies in the infrastructure real estate sector. At the time of such restructuring, ₹ 465.61 million, ₹ 659.09 million and ₹ 740.00 million were outstanding on these loans, respectively. Such restructuring of loans affects our ability to recover the dues from the borrowers and the predictability of cash flows. Credit losses due to financial difficulties of these borrowers or borrower groups in the future could materially and adversely affect our business, future financial performance and results of operations.

8. ***We may experience delays in enforcing collateral when the borrowers who are customers of our Company default on their obligations to us, which may result in failure to recover the expected value of collateral and may materially and adversely affect our business and future financial performance.***

As at September 30, 2010, 100% of the loans of our Company were secured by project assets and/or other collateral:

- for debt provided on a senior basis (comprising 50.98% of the value of our outstanding loan assets, excluding equity), we have a general first ranking charge on the project assets; and

- for loans provided on a mezzanine basis (comprising 49.02% of the value of our outstanding loan assets, excluding equity), we have a general second or subservient charge on assets or other collateral securities of companies having established cash flows.

Although we seek to maintain a collateral value to loan ratio of at least 100% for our secured loans, an economic downturn or the other project risks could result in a fall in collateral values. Additionally, the realizable value of our collateral in a liquidation may be lower than its book value.

Moreover, foreclosure of such collateral may require court or tribunal intervention that may involve protracted proceedings and the process of enforcing security interests against collateral can be difficult. Additionally, the realizable value of our collateral in liquidation may be lower than its book value, particularly in relation to projects which are not completed when default and enforcement of security occurs. Further, as at September 30, 2010, loans provided on a mezzanine basis (comprising 49.02% of the value of our outstanding loan assets) were made on a non-recourse or limited recourse basis. With respect to disbursements made on a non-recourse basis, only the related project assets are available to repay the loan in the event the borrowers are unable to meet their obligations under the loan agreements. With respect to disbursements made on a limited recourse basis, project sponsors generally give undertakings for funding shortfalls and cost overruns.

We cannot guarantee that we will be able to realize the full value of our collateral, due to, among other things, defects in the perfection of collateral, delays on our part in taking immediate action in bankruptcy foreclosure proceedings, stock market downturns, claims of other lenders, legal or judicial restraint and fraudulent transfers by borrowers. In the event a specialized regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed.

9. ***Our equity investments in infrastructure projects can be particularly volatile and may not be recovered.***

We make direct minority equity investments in infrastructure projects. As at September 30, 2010, our equity investments accounted for 1.32% of our total infrastructure loans and investments. The value of these investments depends on the success and continued viability of these projects. In addition to the project-specific risks described in the above risk factors, we have limited control over the operations or management of these projects. Therefore, our ability to realize expected gains as a result of our equity interest in a project is highly dependent on factors outside of our control. Write-offs or write-downs in respect of our equity portfolio may materially and adversely affect our business, future financial performance and results of operations.

10. ***As a consequence of being regulated as an NBFC and an IFC, we have to adhere to certain individual and borrower group exposure limits under the RBI regulations.***

Our Company is regulated by the RBI as an NBFC. In terms of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended (the "**Prudential Norms Directions**") our Company is required to comply with the prescribed exposure limits.

Further, our Company has been classified as an IFC by the RBI, which classification is subject to certain conditions including a minimum 75% of the total assets of such NBFC being deployed in infrastructure loans (as defined under the Prudential Norms Directions), net owned funds of ₹ 3,000 million or more, a minimum credit rating of "A" or an equivalent credit rating of CRISIL, FITCH, CARE or ICRA or any other accrediting rating agency and a capital to risk-weighted asset ratio of 15%. As an IFC, our Company's single borrower limit for lending may exceed the concentration of credit norms applicable to an NBFC that is not an IFC by an additional 10% of its owned fund, and its single group limit for lending may exceed such credit norms by an additional 15% of its owned fund.

In the event that our Company is unable to comply with the exposure norms within the specified time limit, or at all, our Company may be subject to regulatory actions by the RBI including the levy of fines or penalties and/or the cancellation of registration as an NBFC or IFC. Our Company's inability to continue being classified as an IFC may impact our growth and expansion plans by affecting our competitiveness in relation to our competitors. We cannot assure you that we may not breach the exposure norms in the future. Any levy of fines or penalties or the cancellation of our registration as an NBFC or IFC by the RBI due to the breach of exposure norms may adversely affect our business, prospects, results of operations, financial condition and the trading price of the Bonds.

11. ***We have entered into certain related party transactions***

We have entered into certain transactions with related parties. Such transactions we have entered into and any future transactions with our related parties could potentially involve conflicts of interest. For more information regarding our related party transactions, see the section titled "*Financial Statements – Related Party Disclosure*" on page F-27 of this Prospectus.

12. ***We are controlled by our Promoters.***

As of September 30, 2010, our Promoters control, directly or indirectly, 100% of our outstanding Equity Shares. In addition, and in the event of any such change of control, merger, consolidation, takeover or other business combination involving us, a transfer of shares by our Promoters, or actions such as a preferential allotment to any investor or a conversion of any convertible instruments, our ability to leverage the "Larsen & Toubro" brand may be adversely affected and the benefits of being a Larsen & Toubro group company.

13. ***Any increase in or realization of our contingent liabilities could adversely affect our financial condition.***

As at September 30, 2010, our financial statements disclosed and reflected the following contingent liabilities:

(₹ in million)

Particulars	As at September 30, 2010
Income tax matters	0.50
Non fund based exposure	3,981.28

If at any time we are compelled to realize all or a material proportion of these contingent liabilities, it would have a material and adverse affect on our business, future financial performance and results of operations.

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

NBFCs in India are subject to strict regulation and supervision by the RBI. We require certain approvals, licenses, registrations and permissions for operating our business, including registration with the RBI as an NBFC-ND. In addition, the RBI has recently classified our Company as an IFC. Such approvals, licenses, registrations and permissions must be maintained/renewed over time, applicable requirements may change and we may not be aware of or comply with all requirements all of the time. We are required to obtain and maintain a certificate of registration for carrying on business as an NBFC that is subject to numerous conditions. For further details, see the section titled "*Regulations and Policies*" on page 114 of this Prospectus.

Given the extensive regulation of the financial services industry, it is possible that we could be found, by a court, arbitration panel or regulatory authority not to have complied with applicable legal or regulatory requirements. Further, we may be subject to lawsuits or arbitration claims by customers, employees or other third parties in the different state jurisdictions in India in which we conduct our business. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. If we fail to comply, or a regulator claims we have not complied, with any of these conditions, our certificate of registration may be suspended or cancelled and we shall not be able to carry on such activities. We may also incur substantial costs related to litigation if we are subject to significant legal action, which may materially and adversely affect our business, future financial performance and results of operations.

15. ***We do not own the "Larsen & Toubro" or "L&T" trademarks and logos and have not entered into any agreement as yet with our parent, L&T, with respect to such trademark or logo. In addition, we may be unable to adequately protect our intellectual property since a number of our trademarks, logos and other intellectual property rights may not be registered and therefore do not enjoy any statutory protection. Further, we may be subject to claims alleging breach of third party intellectual property rights.***

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

Further, the "L&T" trademark is registered in favour of our Promoter. Pursuant to a trademark license agreement dated December 1, 2010 (the "**Trademark License Agreement**") with our Promoter, our Company has been granted a global non-exclusive, non-transferrable license to use the "L&T" trademark and logo for a consideration of up to 0.15% of the consolidated assets of L&T Finance Holdings Limited or 5% of the consolidated PAT of L&T Finance Holdings Limited, whichever is lower plus service tax. The Trademark License Agreement can be terminated by the parties thereto upon written notice in accordance with its terms. Furthermore, the Trademark License Agreement can also be terminated by any party upon change in management control of any of the licensees or upon breach of the terms of the Trademark License Agreement by any of the licensees. In the event that the Trademark License Agreement is terminated, we may have to discontinue the use of the "L&T" trademark and logo.

16. ***Our insurance coverage may not adequately protect us against losses, and successful claims against us that exceed our insurance coverage could harm our results of operations and diminish our financial position.***

We maintain insurance coverage of the type and in the amounts that we believe are commensurate with our operations. Our insurance policies, however, may not provide adequate coverage in certain circumstances and may be subject to certain deductibles, exclusions and limits on coverage. In addition, there are various types of risks and losses for which we do not maintain insurance, such as losses due to business interruption and natural disasters, because they are either uninsurable or because insurance is not available to us on acceptable terms. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or results in changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, future financial performance and results of operations.

17. ***A failure of our operational systems or infrastructure, or those of third parties, could impair our liquidity, disrupt our businesses, cause damage to our reputation and result in losses.***

Our business is highly dependent on our ability to process a large number of transactions. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions. As we grow our business, the inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses. Additionally, shortcomings or failures in our internal processes or systems could lead to an impairment of our financial condition, financial loss, disruption of our business and reputational damage.

Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available to, and received by, our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and range of products. Our failure to maintain or improve or upgrade our management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations.

We may also be subject to disruptions of our operating systems, arising from events that are wholly or partially beyond our control including, for example, computer viruses or electrical or telecommunication service disruptions, which may result in a loss or liability to us.

18. ***Our failure to comply with financial and other restrictions imposed on us under the terms of our borrowings could adversely affect our ability to conduct our business and operations.***

In connection with our borrowings from lenders, we have agreed to restrictive covenants that require, among other things, that we maintain certain levels of debt, capital and asset quality. These restrictive covenants require that we either obtain the prior approval of, or provide notice to, our lenders in connection with certain activities, such as undertaking any merger, amalgamation or restructuring or making substantial changes in the composition of our management. Our ability to execute expansion plans, including our ability to obtain additional financing on terms and conditions acceptable to us, could be severely and negatively impacted as a result of these restrictions and limitations. Our failure to comply with any of these covenants could result in an event of default, which could accelerate our need to repay the related borrowings and trigger cross-defaults under other borrowings which could materially and adversely affect our liquidity, financial condition and business operations. An event of default would also affect our ability to raise new funds or renew maturing borrowings as needed to conduct our operations and pursue our growth initiatives.

19. ***We may be required to increase our capital ratio or amount of reserve funds, which may result in changes to our business and accounting practices that may materially and adversely affect our business and results of operations.***

We are subject to the RBI minimum capital to risk weighted assets ratio regulations. Pursuant to Section 45 -IC of the RBI Act, every NBFC is required to create a reserve fund and transfer thereto a sum not less than 20.0% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. In Fiscal Year 2009, our Company was subject to the general NBFC capital to risk asset ratio requirement of 10%. This limit was increased to 12% for Fiscal Year 2010. Our Company has been designated an Infrastructure Finance Company as from July 2010, and as such, must maintain a capital to risk asset ratio of 15%.

As on March 31, 2009 and 2010, our Company's total capital to risk asset ratio was 26.16% and 23.27%, respectively. As on September 30, 2010, our Company's total capital to risk asset ratio was 18.03%.

The RBI may also in the future require compliance with other financial ratios and standards. Compliance with such regulatory requirements in the future may require us to alter our business and accounting practices or take other actions that could materially and adversely affect our business and operating results.

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

Our business is dependent on interest income from the loans they disburse. Accordingly, we are affected by volatility in interest rates in our lending operations. Being a non-deposit accepting NBFC, we are exposed to greater interest rate risk compared to banks or deposit-accepting NBFCs. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced a relatively high degree of volatility.

If interest rates rise we may have greater difficulty in maintaining a low effective cost of funds compared to our competitors which may have access to low-cost deposit funds. Further, in case our borrowings are linked to market rates, we may have to pay interest at a higher rate as compared to other lenders. Fluctuations in interest rates may also adversely affect our treasury operations. In a rising interest rate environment, especially if the rise were sudden or sharp, we could be adversely affected by the decline in the market value of our securities portfolio and other fixed income securities. In addition, the value of any interest rate hedging instruments we may enter into in the future would be affected by changes in interest rates.

When interest rates decline, we are subject to greater repricing and prepayment risks as borrowers take advantage of the attractive interest rate environment. When assets are repriced, our spread on our loans, which is the difference between our average yield on loans and our average cost of funds, could be affected. During periods of low interest rates and high competition among lenders, borrowers may seek to reduce their borrowing cost by asking lenders to reprice loans. If we reprice loans, our results may be adversely affected in the period in which the repricing occurs. If borrowers prepay loans, the return on our capital may be impaired as any prepayment premium we receive may not fully compensate us for the redeployment of such funds elsewhere.

Further, a material proportion of the loans provided by us is long-term in nature and may not have escalation clauses and may be on a fixed rate basis. Any increase in interest rates over the duration of such loans may result in us losing interest income. Our inability to effectively and efficiently manage interest rate variations may adversely affect our business, future financial performance and result of operations.

21. ***Our business requires substantial capital, and any disruption in funding sources would have a material and adverse effect on our liquidity and financial condition.***

The liquidity and ongoing profitability of our business are, in large part, dependent upon our timely access to, and the costs associated with, raising capital. Our funding requirements historically have been met from a combination of shareholder funding, secured and unsecured loan funds, such as Rupee- denominated term loans from banks and financial institutions, the issuance of redeemable non-convertible debentures and commercial paper and inter-corporate deposits from L&T. Thus, our business depends and will continue to depend on our ability to access diversified funding sources. Our ability to raise funds on acceptable terms and at competitive rates continues to depend on various factors including our credit ratings, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/or lenders' perception of demand for debt and equity securities of NBFCs, and our current and future results of operations and financial condition.

Our funding strategy was adversely affected by the ongoing crisis in the global credit markets since 2008. Through the second half of 2008 and the first half of 2009, capital and lending markets remained highly volatile and access to liquidity was adversely affected. These conditions resulted in increased borrowing costs and difficulty in accessing funds in a cost-effective manner. Changes in economic and financial conditions or continuing lack of liquidity in the market could make it difficult for us to access funds at competitive rates. As an NBFC, we also face certain restrictions on our ability to raise money from international markets which may further constrain our ability to raise funds at attractive rates.

Any disruption in our primary funding sources at competitive costs would have a material adverse effect on our liquidity and financial condition.

22. ***We face asset-liability mismatches which could affect our liquidity, and which may as a consequence have a material and adverse effect on our business, future financial performance and results of operations.***

We have an asset-liability management policy in place which categorizes all interest rate sensitive assets and liabilities into various time period categories according to contracted residual maturities or anticipated repricing dates, as may be relevant in each case. The difference between the value of assets and liabilities maturing, or being repriced, in any time period category provides the measure to which we are exposed to the risk of potential changes in the margins on new or repriced assets and liabilities.

The following table sets out an analysis of the maturity profile of certain of our Company's interest-bearing assets and interest-bearing liabilities across time buckets as at September 30, 2010 and March 31, 2010 and 2009:

(₹ In million)

	One month	**Over one month- two months**	**Over two months up to three months**	**Over three months up to six months**	**Over six months up to one year**	**Over one year- Three years**	**Over three years- five years**	**Over five years**	**Total**
LIABILITIES:									
Borrowings from Banks:									
September 30, 2010	1,028.43	546.18	0.00	1,233.30	929.10	4,916.60	6,833.50	437.49	15,924.60
March 31, 2010	—	50.00	125.00	2,917.50	1,683.36	5,866.40	6,825.30	450.00	17,917.56
March 31, 2009	—	—	50.00	224.20	1,613.30	7,242.30	5,744.60	837.60	15,712.00
Market Borrowings:									
September 30, 2010	2,750.00	2,250.00	3,250.00	4,250.00	6,250.00	6,800.00	1,500.00	2,250.00	29,300.00
March 31, 2010	1,100.00	—	250.00	500.00	1,550.00	11,050.00	—	—	14,450.00
March 31, 2009	500.00	500.00	—	—	—	1,000.00	—	—	2,000.00
ASSETS:									

	One month	Over one month- two months	Over two months up to three months	Over three months up to six months	Over six months up to one year	Over one year- Three years	Over three years- five years	Over five years	Total
Advances:									
September 30, 2010	1,361.93	647.80	601.22	4,769.79	9,790.12	16,678.73	10,670.20	8,210.02	52,729.81
March 31, 2010	1,835.30	635.10	625.80	1,653.90	6,500.90	15,766.70	9,188.50	6,678.79	42,884.99
March 31, 2009	1,931.50	692.40	223.50	1,536.50	3,465.10	7,580.80	3,816.70	3,413.97	22,660.47
Investments:									
September 30, 2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,250.00	4,250.00
March 31, 2010	—	—	—	—	—	—	—	250.00	250.00
March 31, 2009	900.00	—	—	—	—	—	—	250.00	1,150.00

The difference between the value of assets and liabilities maturing, or being repriced, in any time period category provides the measure to which we are exposed to the risk of potential changes in the margins on new or repriced assets and liabilities.

Accordingly, we face potential liquidity risks due to varying periods over which our assets and liabilities mature. As is typical for NBFCs, a portion of our funding requirements is met through a combination of shareholder funding, secured and unsecured loan funds, such as Rupee- denominated term loans from banks and financial institutions, the issuance of redeemable non-convertible debentures and commercial paper and inter-corporate deposits. However, a large portion of our loan assets mature over the medium term. Consequently, our inability to obtain additional credit facilities or renew our existing credit facilities, in a timely and cost-effective manner or at all, may lead to mismatches between our assets and liabilities, which in turn may adversely affect our business, future financial performance and results of operations.

In addition, such funding mismatches between our assets and liabilities are aggravated when our customers pre-pay any of the financing facilities we grant to them.

23. ***Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons.***

Our future performance will be affected by the continued service of our management team and skilled personnel. We also face a continuing challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow. There is significant competition for management and other skilled personnel in the various segments of the financial services industry in which we operate, and it may be difficult to attract and retain the personnel we need in the future. The loss of key personnel may have a material and adverse effect on our business, future financial performance, results of operations and ability to grow in line with our strategy and future plans.

24. ***We are exposed to various operational risks, including the risk of fraud and other misconduct by employees or outsiders.***

As with other financial intermediaries, we are exposed to various operational risks such as fraud or misconduct by our employees or by an outsider, unauthorized transactions by employees or third parties, misreporting of and non-compliance with various statutory and legal requirements and operational errors. It may not always be possible to deter employees from or otherwise prevent misconduct or misappropriation of cash collections, and the precautions we take to detect and prevent these activities may not always be effective. Any instance of employee misconduct, fraud or improper use or disclosure of confidential information could result in regulatory and legal proceedings which if unsuccessfully defended, could materially and adversely affect our business, future financial performance and results of operations.

25. ***Our business is based on the trust and confidence of our customers; any damage to that trust and confidence may materially and adversely affect our business, future financial performance and results of operations.***

We are dedicated to earning and maintaining the trust and confidence of our customers; and we believe that the good reputation created thereby, and inherent in the "Larsen & Toubro" brand name is essential to our business. As such, any damage to our reputation, or that of the "Larsen & Toubro" brand name, could substantially impair our ability to maintain or grow our business. In addition, any action on the part of any of the Larsen & Toubro group companies that negatively impact the "Larsen & Toubro" brand could have a material and adverse affect on our business, future financial performance and results of operations.

EXTERNAL RISKS

Risks Relating to India

1. ***Governmental and statutory regulations, including the imposition of an interest-rate ceiling, may adversely affect our operating results and financial position.***

As a non-deposit taking NBFC, our Company is subject to regulation by Indian governmental authorities, including the RBI. These laws and regulations impose numerous requirements on us, including asset classifications and prescribed levels of capital adequacy, cash reserves and liquid assets. There may be future changes in the regulatory system or in the enforcement of the laws and regulations that could adversely affect us.

For instance, a number of states in India have enacted laws to regulate money lending transactions. These state laws establish maximum rates of interest that can be charged by a person lending money. For unsecured loans, these maximum rates typically range from 12.0% to 15.0% per annum. Currently, the RBI requires that the board of all NBFCs adopt an interest rate model taking into account relevant factors such as the cost of funds, margin and risk premium. It is unclear whether NBFCs are required to comply with the provisions of state money lending laws that establish ceilings on interest rates. In January 2010, the High Court of Gujarat held that the provisions of the RBI Act have an overriding effect upon state money lending laws. However, the subject matter is pending before the Supreme Court of India in a different case and the final decision has not been passed.

In the event that the government of any state in India requires us to comply with the provisions of their respective state money lending laws, or imposes any penalty against us, our Directors or our officers, including for prior non-compliance, our business, future financial performance and results of operations may be materially and adversely affected.

2. ***Political instability or changes in the Government in India or in the Government of the states where we operate could cause us significant adverse effects.***

We are incorporated in India and all of our operations, assets and personnel are located in India. Consequently, our performance and the market price and liquidity of our Bonds may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India. The central government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Our business is also impacted by regulation and conditions in the various states in India where we operate. Our business, and the market price and liquidity of our Bonds may be affected by interest rates, changes in central government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India. Since 1991, successive central governments have pursued policies of economic liberalization and financial sector reforms. However, there can be no assurance that such policies will be continued. A significant change in the central government's policies could adversely affect our business, financial condition and results of operations and could cause the price of our Bonds to decline.

3. ***Regional hostilities, terrorist attacks, civil disturbances or social unrest, regional conflicts could adversely affect the financial markets and the trading price of our Bonds could decrease.***

Certain events that are beyond our control, such as terrorist attacks and other acts of violence or war, may adversely affect worldwide financial markets and could potentially lead to a severe economic recession, which could adversely affect our business, results of operations, financial condition and cash flows, and more generally, any of these events could lower confidence in India's economy.

India has also experienced social unrest in some parts of the country. If such tensions occur in other parts of the country leading to overall political and economic instability, it could have a materially adverse effect on our business, future financial performance, results of operations and the trading price of the Bonds.

4. ***Any downgrading of India's debt rating by an international rating agency could have a negative impact on the trading price of the Bonds.***

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing may be available. This could have an adverse effect on our business and future financial performance, its ability to obtain financing for capital expenditures and the trading price of the Bonds.

5. ***Outbreaks of epidemic diseases may adversely affect our operations.***

Pandemic disease, caused by a virus such as H5N1 (the "**avian flu**" virus), or H1N1 (the "**swine flu**" virus), could have a severe adverse effect on our business. A new and prolonged outbreak of such diseases may have a material adverse effect on our business and financial conditions and results of operations. Although the long-term effect of such diseases cannot currently be predicted, previous occurrences of avian flu and swine flu had an adverse effect on the economies of those countries in which they were most prevalent. In the case of any of such diseases, should the virus mutate and lead to human-to-human transmission of the disease, the consequence for our business could be severe. An outbreak of a communicable disease in India or in the particular region in which we conduct business operations would adversely affect our business, future financial performance and results of operations.

6. ***Trading of the Bonds may be limited by temporary exchange closures, broker defaults, settlement delays, strikes by brokerage firm employees and disputes.***

The Indian Stock Exchanges have experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

Risks Associated with the Bonds

1. ***The Bonds are classified as "Long Term Infrastructure Bonds" and eligible for tax benefits under Section 80CCF of the Income Tax Act up to an amount of ₹20,000 per annum. In the event that your investment in Long Term Infrastructure Bonds exceeds ₹ 20,000 per annum, you shall be eligible for benefits under Section 80CCF of the Income Tax Act only for an amount up to ₹20,000 per annum.***

The Bonds are classified as long term infrastructure bonds and are being issued in terms of Section 80CCF of the Income Tax Act and the Notification. In accordance with Section 80CCF of the Income Tax Act, the amount, not exceeding ₹ 20,000 per annum, paid or deposited as subscription to long term infrastructure bonds during the previous year relevant to the assessment year beginning April 01, 2011 shall be deducted in computing the taxable income of a Resident Individual or HUF. In the event that any Applicant applies for and is allotted long term infrastructure bonds in excess of ₹ 20,000 per annum (including long term infrastructure bonds issued by any other eligible issuer), the aforestated tax benefit shall be available to such Applicant only to the extent of ₹ 20,000 per annum. Subscription to additional Bonds will not be eligible for deduction in taxable income.

2. ***There has been no prior secondary market for Long Term Infrastructure Bonds and it may not develop in the future, and the price of the Bonds may be volatile***

Long Term Infrastructure Bonds have no established trading market. Moreover, the Bonds are subject to statutory lock-in for a period of five years from the date of Allotment and no trading market would exist or be established for the Bonds for the said period despite the Bonds being listed on NSE. Even after the expiry of the Lock-in Period, there can be no assurance that a public market for these Bonds would develop. The proposed tax changes to the income tax regime by introduction of the draft Direct

Tax Code ("DTC") may result in extinguishment of benefits available under Section 80CCF of the Income Tax Act. This may result in no further issuance of the Bonds after DTC is approved by the Government of India. Although an application has been made to list the Bonds on NSE, there can be no assurance that an active public market for the Bonds will develop, and if such a market were to develop, there is no obligation on us to maintain such a market. The liquidity and market prices of the Bonds can be expected to vary with changes in market and economic conditions, our financial condition and prospects and other factors that generally influence market price of Bonds. Such fluctuations may significantly affect the liquidity and market price of the Bonds, which may trade at a discount to the price at which you purchase the Bonds.

Moreover, the price of the Bonds on the Stock Exchanges may fluctuate after this Issue as a result of several other factors.

3. ***The legal regime in respect of public issue of infrastructure bonds has been recently introduced and its efficiency is yet to be established.***

The legal regime in relation to public issue of infrastructure bonds was introduced in the Finance Bill of 2010, along with the tax benefits upon investment. Pursuant to a notification dated July 9, 2010, the Ministry of Finance issued terms and conditions required for issuance of Long Term Infrastructure Bonds. We cannot assure you that any other company would be issuing infrastructure bonds in future and that a market for infrastructure bonds would develop in future.

4. ***There is no guarantee that the Bonds issued pursuant to this Issue will be listed on NSE in a timely manner, or at all.***

In accordance with Indian law and practice, permissions for listing and trading of the Bonds issued pursuant to this Issue will not be granted until after the Bonds have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of Bonds to be submitted. There could be a failure or delay in listing the Bonds on the Stock Exchanges. Any failure or delay in obtaining the approval would restrict an investor's ability to trade in the Bonds.

5. ***You may not be able to recover, on a timely basis or at all, the full value of the outstanding amounts and/or the interest accrued thereon in connection with the Bonds.***

Our ability to pay interest accrued on the Bonds and/or the principal amount outstanding from time to time in connection therewith would be subject to various factors inter-alia including our financial condition, profitability and the general economic conditions in India and in the global financial markets.

We cannot assure you that we would be able to repay the principal amount outstanding from time to time on the Bonds and/or the interest accrued thereon in a timely manner, or at all.

6. ***Debenture Redemption Reserve ("DRR") would be created up to an extent of 50% for the Bonds.***

The Department of Company Affairs General Circular No.9/2002 No.6/3/200 1 -CL.V dated April 18, 2002 specifies that NBFCs which are registered with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934 shall create DRR to the extent of 50 per cent of the value of the debentures issued through public issue. Therefore our Company will be maintaining debenture redemption reserve to the extent of 50 per cent of the Bonds issued and the Bondholders may find it difficult to enforce their interests in the event of or to the extent of a default. In the case we are unable to generate adequate profits, we may not be able to provide for the DRR even to the extent of the stipulated 50 per cent.

7. ***Any downgrading in credit rating of our Bonds may affect our the trading price of the Bonds***

The Bonds proposed to be issued under this Issue have been rated 'CARE AA+' from CARE and 'LAA+' by ICRA. We cannot guarantee that these ratings will not be downgraded. The ratings provided by CARE and ICRA may be suspended, withdrawn or revised at any time. Any revision or downgrading in the above credit ratings may lower the value of the Bonds and may also affect our Company's ability to raise further debt.

8. ***The Bondholders are required to comply with certain lock-in requirements***

The Bondholders are required to hold the Bonds for a minimum period of five years before they can sell the same or utilise the buy-back option offered by our Company. This may lead to a lack of liquidity for the Bondholders during such periods (whether before or after the expiry of the Lock-in Period).

9. ***Changes in interest rates may affect the price of our Company's Bonds.***

All securities where a fixed rate of interest is offered, such as our Company's Bonds, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the price of our Company's Bonds.

10. ***Payments made on the Bonds is subordinated to certain tax and other liabilities preferred by law.***

The Bonds will be subordinated to certain liabilities preferred by law such as to claims of the Government on account of taxes. In particular, in the event of bankruptcy, liquidation or winding-up, our Company's assets will be available to pay obligations on the Bonds only after all of those liabilities that rank senior to these Bonds have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Bonds.

11. ***There may be a delay in making refunds to applicants.***

We cannot assure you that the monies refundable to you, on account of (a) withdrawal of your applications, (b) withdrawal of the Issue, or (c) failure to obtain the final approval from the NSE for listing of the Bonds, will be refunded to you in a timely manner. We, however, shall refund such monies, with the interest due and payable thereon, as prescribed under applicable statutory and/or regulatory provisions.

SECTION III: INTRODUCTION

GENERAL INFORMATION

L&T Infrastructure Finance Company Limited

Date of Incorporation: April 18, 2006

A public limited company incorporated under the Act.

Registered Office

Mount Poonamallee Road, Manapakkam, Chennai - 600 089

Corporate Office

3B, Laxmi Towers, C-25, 'G' Block, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051

Registration

Certification of incorporation dated April 18, 2006 issued by the Registrar of Companies, Tamil Nadu, Chennai (Corporate Identification Number: U67190TN2006PLC059527).

Original certificate of registration no. N-07-00759 dated January 10, 2007, issued by the RBI under section 45-IA of the RBI Act, classifying our Company as a non-deposit taking, non-banking financial institution. Fresh certificate of registration dated July 7, 2010, issued by the RBI under section 45-IA of the RBI Act, classifying our Company as an Infrastructure Finance Company.

Income-Tax Registration

PAN: AABCL2283L

Compliance Officer

Name	:	Mr. Vinay Tripathi
Address	:	3A/Laxmi Towers, First Floor, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
Telephone	:	+91 22 4060 5411
Fax	:	+91 22 4060 5353
E-Mail	:	infrabonds2011A@ltinfra.com

Investors can contact the Registrar or the Compliance Officer in case of any pre-issue or post-issue related problems such as non-receipt of letters of allotment, demat credit, refund orders or interest on application money.

Lead Managers

ICICI Securities Limited
ICICI Centre
H.T. Parekh Marg
Churchgate, Mumbai 400020
Maharashtra, India
Tel : +91 22 2288 2460
Fax : +91 22 2282 6580
E-mail : ltinfra.bondissue@icicisecurities.com
Investor Grievance Email: customercare@icicisecurities.com
Website : www.icicisecurities.com
Contact Person: Mr. Manvendra Tiwari
Compliance Officer: Mr. Subir Saha
SEBI Registration No: INM000011179

HDFC Bank Limited#
Investment Banking Division
Trade World, 'A' Wing, 1st Floor,
Kamala Mills Compound,
Senapati Bapat Marg
Lower Parel (W), Mumbai 400 013, India
Tel: +91 22 4080 4108
Fax: +91 22 4080 4114
Email: paresh.soni@hdfcbank.com
Investor Grievance Email: investor.redressal@hdfcbank.com
Website: www.hdfcbank.com
Contact Person: Mr. Paresh Soni
Compliance Officer: Mr. Manoj Nadkarni
Registration No.: INM000011252

SBI Capital Markets Limited*
202, Maker Tower 'E'
Cuffe Parade
Mumbai 400 005
Tel: +91 22 2217 8300
Fax: +91 22 2218 8332
Email: ltinfra.bondissue@sbicaps.com
Investor Grievance Email: investor.relations@sbicaps.com
Website: www.sbicaps.com
Contact person: Mr. Ashish Sable
Compliance Officer: Mr. Bhaskar Chakraborty
SEBI Registration No.: INM000003531

Karvy Investor Services Limited
Karvy House 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad – 500 034
Tel: +91 40 2342 8774
Fax: +91 40 2337 4714
Email: cmg@karvy.com
Investor Grievance Email: igmbd@karvy.com
Website: www.karvy.com
Contact Person: Mr. Omkar Barve
Compliance Officer: Mr. Rajnish Rangari
SEBI Registration No: INM000008365

** In compliance with the proviso to regulation 21A (1) and explanation (iii) to regulation 21A (1) of the SEBI (Merchant Bankers) Regulations, 1992, SBI Capital Markets Limited would be involved only in the marketing of the Issue.*
#HDFC Bank Limited has filed an application dated November 23, 2010 with the SEBI, in the prescribed manner, for renewal of its certificate of registration which was valid until January 22, 2011.

Co-Managers

Bajaj Capital Limited
5th Floor, 97, Bajaj House,
Nehru Place,
New Delhi- 110019
India
Tel : +91 22 4009 9999
Fax : +91 22 4009 9911
E-mail : sumitd@bajajcapital.com
Website : www.bajajcapital.com
SEBI Registration No:
INM000010544

Integrated Enterprises (India) Limited
5A, 2nd Floor, Kences Towers,
1 Ramakrishna Street,
North Usman Road,
T Nagar,
Chennai – 600 017
Tel: +91 44 2814 0801
Fax: +91 44 2814 2479
Email: mbd@iepindia.com
Website: www.iepindia.com
SEBI Registration No.:
INM000002640

RR Investors Capital Services Private Limited
133-A, 13th Floor, A-wing, Mittal Tower,
Nariman Point,
Mumbai – 400 021
Tel: +91 22 2288 6627/28
Fax: +91 22 2285 1925
Email: ltinfra@rrfcl.com
Website: www.rrfinance.com / www.rrfcl.com
SEBI Registration No.:
INM000007508

Debenture Trustee

Bank of Maharashtra
Legal Services Department,
Head Office: “Lokmangal”,
1501, Shivajinagar,
Pune - 411 005
Tel: +91 20 2553 6256
Fax: +91 20 2551 3123
Website: www.bankofmaharashtra.in
Email: bomcolaw@mahabank.co.in

Bank of Maharashtra, by its letter dated January 17, 2011 has given its consent to act as Debenture Trustee to the proposed Issue and for its name to be included in this Prospectus and in all subsequent periodical communications sent to the holders of the Bonds issued pursuant to this Issue.

All the rights and remedies of the Debenture Holders under this Issue shall vest in and shall be exercised by the appointed Debenture Trustee for this Issue without having it referred to the Debenture Holders. All investors under this Issue are deemed to have irrevocably given their authority and consent to the Debenture Trustee so appointed by our Company for this Issue to act as their trustee and for doing such acts and signing such documents to carry out their duty in such capacity. Any payment by our Company to the Debenture Holders/Debenture Trustee, as the case may be, shall, from the time of making such payment, completely and irrevocably discharge our Company *pro tanto* from any liability to the Debenture Holders. For details on the terms of the Debenture Trust cum-Hypothecation Deed, please refer to the section titled “*Issue Related Information*” on page 80 of this Prospectus.

Registrar

Sharepro Services (India) Private Limited
13 A B, Samhita Warehousing Complex
2nd Floor, Sakinaka Telephone Exchange Lane
Andheri - Kurla Road
Sakinaka, Andheri (E), Mumbai – 400 072
Tel: +91 22 6191 5419/408/416/402
Fax: +91 22 6191 5444
Contact Person: Mr. Prakash Khare
Website: www.shareproservices.com
E-mail: prakashk@shareproservices.com
Investor Grievance Email: ltinfra2@shareproservices.com
Compliance Officer: Mr. Prakash Khare
SEBI Registration Number: INR000001476

The investors can contact the Registrar in case of any pre-issue/post-issue related problems such as non-receipt of letters of allotment, demat credit, refund orders or interest on application money.

Statutory Auditors

Deloitte Haskins & Sells
12, Dr. Annie Besant Road
Opp. ShivSagar Estate
Worli, Mumbai – 400 018
Tel: +91 22 6667 9000
Fax: +91 22 6667 9100
Firm registration no: 117366W

Credit Rating Agencies

Credit Analysis & Research Limited
4th Floor, Godrej Colisium
Somaiya Hospital Road
Off Eastern Express Highway,
Sion (East), Mumbai – 400 022, India
Tel: +91 22 6754 3456
Fax: +91 6754 3457
E-mail: care@careratings.com

ICRA Limited
Electric Mansion, 3rd Floor,
Appasaheb Marathe Marg,
Prabhadevi,
Mumbai – 400 025
Tel: +91 22 2433 1046
Fax: +91 22 2433 1390
E-mail: mumbai@icraindia.com
Website: www.icra.in
Contact Person: Karthik Srinivasan

Legal Advisor to the Issuer

AZB & Partners
23rd Floor, Express Towers
Nariman Point
Mumbai - 400 021
Tel: +91 22 6639 6880
Fax: +91 22 6639 6888

Legal Advisor to the Lead Managers

Krishnamurthy & Co.
96, Free Press House
215 Nariman Point
Mumbai – 400021
Tel: +91 22 6749 2595
Fax: +91 22 6749 2593

Escrow Collection Banks / Bankers to the Issue

Axis Bank Limited
Universal Insurance Building
Sir P.M. Road, Fort
Mumbai - 400 001, India
Tel: +91 22 6610 7339
Fax: +91 22 2283 5785
Contact Person: Mr. Roshan Mathias

City Union Bank
24-BD, Raja Bahadur Compound,
Ambalal Doshi Marg, Fort
Mumbai 400 023, India
Tel: +91 22 2267 7376
Fax: +91 22 6633 8005
Contact Person: Mr. S. Narayanan

Dhanlaxmi Bank Limited
Janmabhoomi Chambers,
Janmabhoomi Marg, Fort,
Mumbai - 400001, India
Tel. : +91 22 6154 1700
Fax : +91 22 6154 1725
Contact Person: Mr. Venkataraghavan TA

Federal Bank
Corporate Banking Branch,
1st Floor, 32, Raj Bahadur Mansion, Mumbai Samachar Marg, Fort
Mumbai – 400 001, India
Tel. : +91 22 2268 0251
Fax : +91 22 2268 0254
Contact Person: Mr. Francis Xavier

HDFC Bank Limited
FIG- OPS Department Lodha, I Think Techno Campus, O-3 Level, Next To Kanjurmarg Railway Station, Kanjurmarg (East),
Mumbai – 400 042
Tel. : +91 22 3075 2928
Fax : +91 22 2579 9801
Contact Person: Mr. Deepak Rane

ICICI Bank Limited
Capital Markets Division,
30, Mumbai Samachar Marg, Fort,
Mumbai – 400 001, India
Tel. : +91 22 6631 0322
Fax : +91 22 6631 0350
Contact Person: Mr. Anil Gadoo

IDBI Bank Limited*
Unit No. 2, Corporate Park,
Near Swastik Chambers,
Sion – Trombay Road,
Chembur,
Mumbai 400071, India
Tel. : +91 22 6690 8402
Fax : +91 22 6690 8424
Contact Person: Mr. M. N. Kamat

ING Vysya Bank Limited
Plot C No. 12, 'G' Block, 8th floor
Bandra Kurla Complex
Mumbai 400 051, India
Tel. : +91 22 3309 5868
Fax : +91 22 2652 2812
Contact Person: Mr. Amit Kavale

State Bank of India
Capital Markets Branch, Videocon
Heritage Building, D. N. Road,
Fort,
Mumbai 400 001, India
Tel. : +91 22 2209 4932
Fax : +91 22 2209 4921
Contact Person: Mr. R. K. Prasad

** IDBI Bank Limited has filed an application dated November 3, 2010 with the SEBI, in the prescribed manner, for renewal of its certificate of registration which is valid until February 6, 2011.*

Bankers to our Company

Bank of Baroda
Corporate Financial Services
Branch: 1st Floor, 3, Walchand
Hirachand Marg, Ballard Pier,
Mumbai 400 001
Tel No. + 91 22 4340 7300
Fax No. + 91 22 2265 5778

Canara Bank
Prime Corporate Branch II, 2nd
Floor, Varma Chambers, Homji
Street, Fort, Mumbai - 400 001
Tel No. + 91 22 2266 6951
Fax No. + 91 22 2262 6641

The South Indian Bank Limited
Nariman Point Branch, G 8
Embassy Centre, 207 - Nariman
Point, Mumbai, India - 400 021
Tel No. + 91 22 2284 4133
Fax No. + 91 22 2202 6423

Citibank N.A
Citi Centre, 7th Floor, Bandra
Kurla Complex, Bandra (E),
Mumbai - 400 051
Tel No. + 91 22 4006 5757
Fax No. + 91 22 4006 5847

City Union Bank
706, Mount Road, Chennai- 600
006
Tel No. + 91 44 2829 7300
Fax No. + 91 44 2829 7359

Dhanlaxmi Bank
Trade View, Second Floor, Near
Gate NO.4, Kamala Mills
Compound, Lower Parel (W),
Mumbai - 400 013
Tel No. + 91 22 61541700

ICICI Bank Limited
ICICI Bank Towers, Bandra Kurla
Complex, Bandra (E), Mumbai -
400 051
Tel No. + 91 22 2653 1414
Fax No. + 91 22 2653 1122

IDBI Bank Limited
Mittal Court, Nariman Point,
Mumbai - 400 021
Tel No. + 91 22 6658 8100
Fax No. + 91 22 6658 8130

Kotak Mahindra Bank Limited
5th Floor, Dani Corporate Bank,
158, CST Road, Kalina, Santacruz
(E), Mumbai - 400 098
Tel No. + 91 22 6759 5559
Fax No. + 91 22 6759 5374

Punjab and Sind Bank
J. K. Somani Bldg, British Hotel
Lane, Fort, Mumbai
Tel No. + 91 22 2265 1737
Fax No. + 91 22 2265 1737

State Bank of Bikaner and Jaipur
Sir P.M. Road, United India Life
Building, Fort, Mumbai - 400 023
Tel No. + 91 22 2266 3189
Fax No. + 91 22 2266 0875

State Bank of India
CAG - Mumbai, Neville House,
3rd Floor, J.N. Heredia Marg,
Ballard Estate, Mumbai - 400 001
Tel No. + 91 22 6154 2911
Fax No. + 91 22 6154 2819

Syndicate Bank
Nariman Point Branch, 227,
Nariman Bhavan, Ground Floor,
Mumbai - 400 021
Tel No. + 91 22 2202 9881
Fax No. + 91 22 2202 4812

Indian Overseas Bank
International Business Branch, 2,
Wood Street,
Kolkatta - 700 016
Tel No. + 91 33 2283 4231
Fax No. + 91 22 2287 2772

Yes Bank Limited
Nehru Centre, 9th floor,
Discovery of India,
Dr. A. B. Road, Worli,
Mumbai – 400 018
Tel No. + 91 22 6669 9000
Fax No. + 91 22 2490 0314

Lead Brokers to the Issue

Almondz Global Securities Limited
33, 6th Floor, Vaswani Mansion,
Dinsha Vachha Road,
Opp. K.C. College,
Churchgate, Mumbai – 400 020.
India
Tel : +91 22 2287 0580

Eastern Financiers Limited
Allahabad Bank Building,
14, India Exchange Place,
Kolkata – 700 001.
Tel: +91 33 2231 4743/ 4010 4213
Fax: +91 33 2230 6993
E-mail: dharmesh@easternfin.com
Contact Person: Dharmesh Yagnik

Enam Securities Private Limited
Khatau Building, 2nd Floor, 44
Bank Street, Fort,
Mumbai 400001
Tel: +91 22 2267 7901
Fax: + 91 22 2266 5613
E-mail: vinay@enam.com
Contact Person: Ajay Sheth / Vinay

Fax : +91 22 2287 0581
E-mail :
surendra.tare@almondz.com
Contact Person: Surendra N. Tare

Ketkar

HDFC Securities Limited
Office Floor 8, "I Think" Bldg,
Jolly Board Campus, Opp.
Crompton Greaves Factory,
Kanjurmarg (East)
Mumbai – 400042
Tel: +91 22 3075 3442
Fax: + 91 22 3075 3435
E-mail: sunil.raula@hdfcsec.com / priya.rushi@hdfcsec.com
Contact Person: Sunil Raula

IDBI Capital Market Services Limited
5th Floor, Mafatlal Centre,
Nariman Point,
Mumbai – 400 021
Tel: + 91 22 4322 1212
Fax: + 91 22 2285 0785
E-mail: info@idbicapital.com
Contact Person: Prasad Chitnis

IFCI Financial Services Limited
7th Floor, Earnest House,
Nariman Point,
Mumbai – 400021
Tel: +91 22 4333 5111 / 181 / 184
Fax: +91 22 4333 5100
E-mail: santanu@ifinltd.in / kamlesh@ifinltd.in
Contact Person: Santanu Ray / Kamlesh Vishwakarma

India Infoline Limited
IIFL Center, 8th floor, N-Wing,
Kamala Mills Compund, Off.
Senapati Bapat Marg,
Lower Parel
Mumbai – 400013
Tel: +91 22 4646 4753
Fax: +91 22 4646 4700
E-mail:
abhinay.chikne@iiflcap.com
Contact Person: Abhinay Chikne

JM Financial Services Private Limited
141, Maker Chambers III,
Nariman Point,
Mumbai - 400021
Tel: +91 22 3021 3500 / 2266 5577-80
Fax: +91 22 2266 5577-80
E-mail: rohit.singh@jmfinancial.in
Contact Person: Rohit Singh

Kotak Securities Limited
Nirlon House, 1st Floor,
Dr. Annie Beasant Road, Worli,
Mumbai – 400 025
Tel No. + 91 22 6652 9191
Fax No. + 91 22 6661 7041
E-mail: ipo.redressal@kotak.com
Contact Person: Sanjeeb Kumar Das

NJ India Invest Private Limited
901, NJ Centre,
Udna Udyog Nagar, Sangh Sahkari Complex,
Central Road No. 10,
Udna,
Surat – 394210
Tel: +91 261 3985934
Fax: +91 261 3985880
E-mail: husaini@njindiainvest.com
Contact Person: Husaini Kanchwala

SMC Global Securities Limited
17, Netaji Subhash Marg,
Opp. Golcha Cinema,
Delhi
Tel: + 91 11 6110 5999
Fax: + 91 11 2326 1059
E-mail: mkg@smcindiaonline.com
Contact Person: Mahesh Kumar Gupta

Sharekhan Limited
10th Floor, Beta Building,
Lodha iThink Techno Campus, Off JVLR, Opp. Kanjurmarg Railway Station,
Kanjurmarg (East),
Mumbai – 400041
Tel: +91 22 6116 9178
Fax: +91 22 6748 1891
E-mail: pankajp@sharekhan.com
Contact Person: Pankaj Patel

SHCIL Services Limited
SHCIL House, Plot No. P-51,
TTC Industrial Area, MIDC,
MHAPE,
Navi Mumbai – 400 710
Tel No. + 91 22 6177 8650
Fax No. + 91 22 6177 8600
E-mail:
raviranjan@stockholding.com
Contact Person: Veleena Almeida

Standard Chartered Securities (India) Limited
1st Floor, Standard Chartered Tower,
201B/1, Western Express Highway,
Goregaon (E)
Mumbai - 400063
Tel: +91 22 6751 5999
Fax: + 91 22 6755 9607
E-mail:
sanjay.rajoria@sc.com
Contact Person: Sanjay Rajoria

Brokers registered with any of the recognised stock exchange would be eligible to act as brokers to the Issue. / Brokers to the Issue shall be finalised prior to filing of the Prospectus with the RoC.

Minimum Subscription

Under the Debt Regulations, our Company is required to stipulate a minimum subscription amount which it seeks to raise. The consequence of minimum subscription amount not being raised is that the Issue shall not proceed and the application moneys received are refunded to the Applicants.

However, SEBI has, by way of letter no. IMD/DF1/OW/21395/2010 dated September 28, 2010, exempted our Company from the requirements of prescribing a minimum subscription amount for the Bonds. Therefore, there is no minimum subscription amount for the Issue.

Impersonation

Attention of the investors is specifically drawn to the provisions of sub-section (1) of Section 68A of the Act, relating to punishment for fictitious applications.

Credit Ratings

CARE

By its letter dated September 28, 2010, CARE has assigned a rating of 'CARE AA+' to this issue of Bonds by the Issuer to the extent of ₹ 7,000 million with a minimum maturity of 10 years. Instruments with this rating are considered to offer a high safety for timely servicing of debt obligations. Such instruments carry very low credit risk. Set out below is an extract of the rating rationale adopted by CARE:

"The rating factors in the strong parentage of L&T Infra Larsen & Toubro Ltd. (L&T Ltd)., the promoter company, is a highly rated corporate of long standing, guidance available from eminent professionals serving on the Board of Directors and accumulated experience of its key management personnel as well as the synergies expected from the association with the parent L&T Ltd. It also derives comfort from L&T Ltd.'s demonstrated track record of support to its subsidiaries in the past. The rating also takes into account the large capital base of L& T Infra, equity infusion during FY10 as well as the continued growth momentum in the company's operations. Going forward, L&T Infra's ability to scale up operations, maintain high capital adequacy in view of capital intensive nature of infrastructure lending business, manage risks associated with infrastructure sector financing – in addition to maintaining its asset quality and profitability - shall be the key rating sensitivities."

ICRA

By its letter dated January 14, 2011, ICRA has assigned a rating of 'LAA+' to this issue of Bonds by the Issuer to the extent of ₹ 7,000 million. Instruments with this rating are considered of high credit quality and carries low credit risk. Set out below is an extract of the rating rationale adopted by ICRA:

"*The upgrade reflects the steady improvement in the financial and business profile of the company and the expected improvement in financial flexibility and access to competitive cost of funds pursuant to its classification as an Infrastructure Finance Company (IFC) by the Reserve Bank of India. The upgrade is also supported by an improvement in L&T Infra's operating environment, and the likely equity infusion from the Parent L&T Finance Holdings Limited which is planning to raise equity through an IPO in the current fiscal. The ratings continue to draw support from the financial and strategic leverage derived from its ultimate parent (the company is a step-down subsidiary of Larsen & Toubro Limited (L&T) which is rated LAAA with stable outlook by ICRA), the technical and operational expertise in the infrastructure financing space flowing to L&T Infra from its strong Parent, vastly experienced core management team and comfortable capitalisation levels in relation to business plans. The current capitalisation levels of the company are comfortable with a regulatory capital adequacy ratio of 22.7% as on June 2010 and the share from the equity proceeds from the proposed IPO of its parent L&T Finance Holdings Ltd, is likely to provide adequate capitalisation support for the company's business plans. The key rating sensitivities include the ability of the company to scale up operations while maintaining good profitability, to maintain control over asset quality indicators given the concentration risk arising out of large ticket exposures and exposures to projects under implementation. Gross NPA% was at 1.8% as on Mar-10 as a result of a few slippages in fiscal 2010; however, there were no additional slippages in the current fiscal till date and gross NPAs declined to 1.5% as on Jun-10. ICRA takes comfort from the implicit equity support from the Parent to keep the entity adequately capitalised in relation to portfolio risk and to support portfolio growth over the medium term.*

L&T Infra registered a sharp growth in business volumes of 146% in fiscal 2010 to ₹ 3,498 crore as compared to ₹ 1,424 crore in the previous year following a recovery in the infrastructure sector in the previous fiscal. The *volume growth in the current fiscal is expected to remain strong, notwithstanding a 20% decline in the first quarter on a year-on-year basis. As a result, the lending portfolio grew to ₹4,288 crore as on March 2010 and further to ₹4,475 crore as on June 2010. The company refrained from making fresh exposures to commercial real estate since fiscal 2009 and its share in total portfolio declined to 3% as on June 2010 from 14% as on March 2009. However, fresh exposures were largely made in the power generation (34% of portfolio), Road (15%) and Telecom (15%) sectors. Exposures to top 5 sectors comprised 73% and exposures to top 25 borrowers comprised 53% of the total portfolio; it would be important to diversify the portfolio further, to absorb any systemic credit quality shocks. L&T Infra's gross NPAs were at 1.8% as on March 2010, which declined to 1.5% as on June 2010. While there have been no fresh slippages in the current fiscal, there have been delayed receipts in certain accounts. While ICRA expects some slippages going forward, the asset quality indicators are expected to remain under control given L&T Infra's risk management systems and project appraisal capabilities.*"

Kindly note that the above ratings are not a recommendation to buy, sell or hold the Bonds and investors should take their own independent decisions. The ratings may be subject to revision or withdrawal at any time by the rating agencies and each rating should be evaluated independently of any other rating. CARE and ICRA have a right to suspend or withdraw the rating(s) at any time on the basis of new information, etc.

Utilisation of Issue proceeds

Our Board / Committee of Directors, as the case may be, certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Act;

- The funds raised through this Issue will be utilized towards "infrastructure lending" as defined by the RBI in the regulations issued by it from time to time, after meeting the expenditures of, and related to, the Issue;

- details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised; and

- details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested.

Issue Programme

The subscription list for this Issue shall remain open for subscription during banking hours for the period indicated below, except it may close on such earlier date as may be decided by the Board / Committee of Directors of our Company, as the case may be. In case of an earlier closure, our Company shall ensure that notice is given to investors through advertisements prior to such earlier closure date.

ISSUE OPENS ON	**FEBRUARY 7, 2011**
ISSUE CLOSES ON	**MARCH 7, 2011**

THE ISSUE

The following is a summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the chapter titled "*Terms of the Issue*" beginning on page 82 of this Prospectus.

Salient Terms of the Bonds

Issuer	L&T Infrastructure Finance Company Limited
Issue	Public issue of Bonds, in the nature of secured, redeemable, non-convertible debentures of our Company, having benefits under section 80 CCF of the Income Tax Act aggregating up to ₹ 1,000 million with an option to retain an oversubscription of up to ₹ 3,000 million for allotment of additional Bonds to be issued in terms of this Prospectus.
Instrument Options	Series 1: 8.20% annual coupon paying 10 year bond with a buyback option at the end of 5 years and at the end of 7 years; and Series 2: 8.30% cumulative coupon paying 10 year bond with a buyback option at the end of 5 years and at the end of 7 years.
Frequency of Interest	Annual, i.e. yearly payment of interest for Series 1; Cumulative, i.e. cumulative interest payment at the end of maturity or buyback, as applicable for Series 2.
Stock Exchanges proposed for listing of the Bonds	NSE
Face Value	₹ 1,000
Issue Price	₹ 1,000
Minimum Application	5 (Five) Bonds. For the purpose of fulfilling the requirement of minimum subscription of 5 (Five) Bonds, an Applicant may choose to apply for 5 (Five) Bonds of the same series or 5 (Five) Bonds across different series
Issuance	In dematerialised form*
Trading	In demat form post the Lock-in period
Lock In period	5 years from the Date of Allotment
Redemption /Maturity Date	10 years from the Date of Allotment
Security	Exclusive first charge on specific receivables of the Company with an asset cover of 1 time of the total outstanding amount of Bonds, as may be agreed between the Company and the Trustees for the Debenture holders and first pari-passu mortgage/charge on the leasehold rights on 300 sq.ft. undivided share of vacant land situated at Commander-in-Chief Road, Egmore, Chennai in the State of Tamil Nadu
Security Cover	1 time
Debenture Trustee	Bank of Maharashtra
Depositories	NSDL and CDSL
Registrar	Sharepro Services (India) Private Limited
Lead Managers	ICICI Securities Limited, HDFC Bank Limited, SBI Capital Markets Limited and Karvy Investor Services Limited
Rating(s)	CARE AA+ by CARE and LAA+ by ICRA
Issue Schedule**	Issue Opening Date: February 7, 2011 and Issue Closing Date: March 7, 2011
Date of Allotment	The date of allotment shall be the date on which the Board / Committee of Directors, as the case may be, approves the allotment of the Bonds

Modes of Payment	• National Electronic Clearing System • Cheques / Demand Drafts / Warrants • Direct Credit • NEFT • RTGS For further details please refer to the section titled "*Terms of the Issue – Modes of Payment*" on page 90 of this Prospectus
Buyback Options	Buyback option available to the Investors at the end of 5 years and 7 years

** In terms of Regulation 4(2)(b) of the Debt Regulations, the Company will make public issue of the Bonds in the dematerialised form. However, in terms of Section 8 (1) of the Depositories Act, the Company, at the request of the Investors who wish to hold the Bonds in physical form will fulfil such request.*

*** The Issue shall remain open for subscription during banking hours for the period indicated above, except that it may close on such earlier date as may be decided by the Board / Committee of Directors of our Company, as the case may be. In case of an earlier closure, our Company shall ensure that notice is given to investors through advertisements prior to such earlier closure date.*

The specific terms of the instrument are set out below:

Series	**1**	**2**
Frequency of Interest	Annual	Cumulative
Buyback Facility	Yes	Yes
Buyback Date	First Working Day after 5 years from the Date of Allotment and first Working Day after 7 years from the Date of Allotment	First Working Day after 5 years from the Date of Allotment and first Working Day after 7 years from the Date of Allotment
Interest Rate	8.20% p.a.	8.30% p.a. compounded annually
Maturity Date	10 years from the Date of Allotment.	10 years from the Date of Allotment.
Maturity Amount (₹)	1,000	2,220
Buyback Amount (₹)	1,000 at the end of 5 years / 1,000 at the end of 7 years	1,490 at the end of 5 years / 1,748 at the end of 7 years
Buyback intimation period	The period commencing from 6 months preceding the corresponding Buyback Date and ending 3 months prior to the corresponding Buyback Date	
Yield of the Bond on Maturity*	8.20% p.a.	8.30% p.a. compounded annually
Yield of the Bond on Buyback*	8.20% p.a.	8.30% p.a. compounded annually

** As per 80CCF Notification, the Yield of the Bond (to be paid by the Issuer) shall not exceed the yield on government securities of corresponding residual maturity as reported by the Fixed Income Money Market and Derivatives Association of India (FIMMDA), as on the last working day of the month immediately preceding the month of the issue of the Bond.*

Instruments at a glance

The investment made in these bonds will be eligible for tax benefits under Section 80 CCF of the Income Tax Act, 1961. The Table below provides the yield to the investors on maturity (with tax benefits) and the yield to the investors on buyback (with tax benefits) for the applicable tax rates.

Series	1		2	
Face Value per Bond	1,000		1,000	
Interest / Coupon Rate Offered	8.20% p.a		8.30% p.a compounded annually	
Frequency of Interest Payment	Annual		Cumulative	
Time to Maturity	10 years		10 years	
Time to Buyback	5 years and 7 years		5 years and 7 years	
Tax Rate (%)	**YIELD TO THE INVESTORS ON MATURITY (with Tax Benefits u/s 80CCF)**			
10.30	9.87%		9.48%	
20.60	11.82%		10.83%	
30.90	14.16%		12.38%	
Tax Rate (%)	**YIELD TO THE INVESTORS ON BUYBACK (with Tax Benefits u/s 80CCF)**			
	Buyback at the end of 5 years	**Buyback at the end of 7 years**	**Buyback at the end of 5 years**	**Buyback at the end of 7 years**
10.30	10.99%	10.34%	10.68%	9.99%
20.60	14.23%	12.83%	13.41%	11.93%
30.90	18.10%	15.81%	16.61%	14.17%

The Issue proposed to be made hereunder shall be made in India to investors specified under "*Who Can Apply*" on page 97 of this Prospectus.

THE BONDS ARE CLASSIFIED AS "LONG TERM INFRASTRUCTURE BONDS" IN TERMS OF SECTION 80CCF OF THE INCOME TAX ACT AND THE NOTIFICATION. IN ACCORDANCE WITH SECTION 80CCF OF THE INCOME TAX ACT, THE AMOUNT, NOT EXCEEDING ₹ 20,000 PER ANNUM, PAID OR DEPOSITED AS SUBSCRIPTION TO LONG TERM INFRASTRUCTURE BONDS DURING THE PREVIOUS YEAR RELEVANT TO THE ASSESSMENT YEAR BEGINNING APRIL 01, 2011 SHALL BE DEDUCTED IN COMPUTING THE TAXABLE INCOME OF A RESIDENT INDIVIDUAL OR HUF. IN THE EVENT THAT ANY APPLICANT APPLIES FOR THE BONDS IN EXCESS OF ₹ 20,000 PER ANNUM, (INCLUDING LONG TERM INFRASTRUCTURE BONDS ISSUED BY ANY OTHER ELIGIBLE ENTITY), THE AFORESTATED TAX BENEFIT SHALL BE AVAILABLE TO SUCH APPLICANT ONLY TO THE EXTENT OF ₹ 20,000 PER ANNUM.

For example on a tax rate of 30.90% and an investment of not less than ₹ 20,000, the effective tax saving that will be available under Section 80CCF of the Income Tax Act will be a maximum of ₹ 6,180 for the Assessment Year 2011-12.

SUMMARY FINANCIAL INFORMATION

L&T Infrastructure Finance Company Limited

Statement of Profits, As Audited **(₹ in million)**

	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Income					
Operating Income	3,083.68	4,487.16	2,945.45	1,059.53	67.63
Other Income	7.17	17.07	14.44	43.71	63.81
	3,090.85	**4,504.23**	**2,959.89**	**1,103.24**	**131.44**
Expenditure					
Interest & Other Charges	1,561.13	2,456.44	1,629.72	334.49	-
Employee Cost	56.78	82.25	62.93	46.26	22.21
Establishment Expenses	24.13	26.43	18.79	13.76	11.81
Other Expenses	24.79	29.84	29.98	21.89	17.71
Provisions and Contingencies	(18.45)	253.60	77.00	-	-
Depreciation / Amortisation	1.13	2.48	1.78	1.25	0.76
	1,649.51	**2,851.04**	**1,820.20**	**417.65**	**52.49**
Profit Before Taxation	**1,441.34**	**1,653.19**	**1,139.69**	**685.59**	**78.95**
Provision for taxation					
Current Tax	447.50	633.00	407.00	226.20	28.60
Deferred Tax Liability / (Assets)	14.20	(93.50)	(32.60)	6.29	0.31
Fringe Benefit Tax	-	0.04	0.70	1.42	0.20
Income Tax for earlier year	-	5.08	-	-	-
Total Tax Expenses	**461.70**	**544.62**	**375.10**	**233.91**	**29.11**
Profit after Taxation	**979.64**	**1,108.57**	**764.59**	**451.68**	**49.84**

L&T Infrastructure Finance Company Limited

Statement of Assets and Liabilities, As Audited

(₹ in million)

		As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
A	**Fixed Assets**					
	Gross Block	14.94	13.86	10.98	8.96	8.17
	Less: Depreciation and amortisation	7.00	5.87	3.78	2.00	0.76
	Net Block	7.94	7.99	7.20	6.96	7.41
B	**Investments**	4,250.00	250.00	1,150.00	599.07	2,087.39
C	**Deferred Tax Assets (net)**	105.30	119.50	26.00	-	-
D	**Infrastructure Loans**	52,417.66	42,554.39	22,583.47	18,331.81	2,393.12
E	**Current Assets, Loans and Advances**					
	Sundry Debtors	-	4.15	-	-	-
	Cash and Bank Balance	0.58	50.94	2.20	221.20	566.69
	Other Current Assets	292.37	119.36	84.81	27.54	22.29
	Loans and Advances	355.07	303.06	244.23	19.66	35.40
		648.02	477.51	331.24	268.40	624.38
F	**Loan Funds**					
	Secured Loans	30,724.60	27,467.56	16,712.00	10,400.00	-
	Unsecured Loans	14,500.00	4,900.00	1,000.00	3,250.00	-
		45,224.60	32,367.56	17,712.00	13,650.00	-
G	**Deferred Tax Liability (net)**	-	-	-	6.60	0.31
H	**Current Liabilities and Provisions**					
	Current Liabilities	1,090.70	911.43	116.57	53.59	55.09
	Provisions	8.30	4.72	3.23	6.55	22.08
		1,099.00	916.15	119.80	60.14	77.17
I	**Networth (A+B+C+D+E-F-G-H)**	**11,105.32**	**10,125.68**	**6,266.11**	**5,489.50**	**5,034.82**
	Networth Represented by					
	Sources of Funds					
	Shareholders' Funds					
	Share Capital	6,834.00	6,834.00	5,000.00	5,000.00	2,430.00
	Reserves and Surplus	4,271.32	3,291.68	1,266.11	501.52	49.84
	Share Application Money	-	-	-	-	2,570.00
	Less: Miscellaneous Expenditure to the extent not written off	-	-	-	12.02	15.02
		11,105.32	**10,125.68**	**6,266.11**	**5,489.50**	**5,034.82**

L&T Infrastructure Finance Company Limited **(₹ in million)**

Statement of Cash Flows, As Audited

		Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
A	**Cash flow from operating activities**					
	Profit Before Taxation	1,441.34	1,653.19	1,139.69	685.59	78.95
	Adjustment for:					
	Depreciation / Amortisation	1.13	2.48	1.78	1.25	0.76
	Provision for Compensated Absences	3.15	0.77	1.28	0.48	0.22
	Provision for gratuity	0.44	0.72	0.59	0.54	0.12
	Loss on sale of assets	-	0.33	0.00	0.03	-
	Share issue expenses written off	-	-	12.02	3.01	5.01
	Profit on sale of current investments	-	(0.78)	-	(35.48)	(62.39)
	Dividend on current investments	(6.28)	(15.74)	(14.40)	(5.30)	(0.28)
	Interest on Bank Deposits	(0.89)	(0.09)	(0.04)	(2.93)	(1.14)
	Interest on Income Tax Refund	-	(0.45)	-	-	-
	Provision on Standard Assets	(43.60)	174.60	77.00	-	-
	Provision on Non Performing Assets	25.15	79.00	-	-	-
	Operating profit before working capital changes:	**1,420.44**	**1,894.03**	**1,217.92**	**647.19**	**21.25**
	Adjustment for :					
	Infrastructure Loans disbursed (net of repayment)	(9,844.82)	(20,224.52)	(4,328.66)	(15,938.69)	(2,393.12)
	Subscription of Cumulative Convertible Debentures	(750.00)	-	-	-	-
	Subscription of Preference Shares	(2,250.00)	-	-	-	-
	(Increase) / Decrease in Sundry Debtors	4.15	(4.15)	-	-	-
	(Increase) / Decrease in loans and advances	(181.27)	(31.17)	(9.10)	15.87	(31.68)
	Increase in other current assets	(173.04)	(34.45)	(57.23)	(6.19)	(22.29)
	Decrease in trade and other payables	179.15	795.33	62.50	(1.29)	54.87
	Cash generated from operations	**(11,595.39)**	**(17,604.93)**	**(3,114.57)**	**(15,283.11)**	**(2,370.97)**
	Direct taxes paid	(318.25)	(665.33)	(628.37)	(244.31)	(9.83)
	Net cash flow from operating activities	**(11,913.64)**	**(18,270.26)**	**(3,742.94)**	**(15,527.42)**	**(2,380.80)**
B.	**Cash flows from investing activities**					
	Purchase of fixed assets (Net of corresponding liabilities)	(0.95)	(4.09)	(1.56)	(1.08)	(7.96)
	Sale of fixed assets	-	-	0.03	0.04	-
	Purchase of current investments (including Term Deposits for a period of greater than 3 months)	(14,082.45)	(23,040.26)	(11,293.02)	(15,363.24)	(6,195.75)
	Sale of current investments	14,082.45	23,941.05	10,742.08	17,136.55	4,170.75
	Investment in equity shares	(500.28)	-	-	(250.00)	-
	Investment in Cumulative Convertible Debentures	(499.72)	-	-	-	-
	Dividend received on current investments	6.28	15.74	14.40	5.30	0.28
	Interest on Bank Deposits	0.91	0.01	-	3.86	0.20
	Net cash from (used in) investing activities	**(993.76)**	**912.45**	**(538.07)**	**1,531.43**	**(2,032.48)**

	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Cash flows from financing activities					
Proceeds from Issue of Share Capital (including Share Premium)	-	2,751.00	-	-	2,430.00
Share Application Money	-	-	-	-	2,570.00
Share Issue Expenses	-	-	-	-	(20.03)
Proceeds from Borrowings (net of repayment)	12,857.04	14,655.55	4,062.01	13,650.00	-
Net cash generated (used in) financing activities	**12,857.04**	**17,406.55**	**4,062.01**	**13,650.00**	**4,979.97**
Net Decrease in cash and cash equivalents (A+B+C)	(50.36)	48.74	(219.00)	(345.99)	566.69
Cash and cash equivalents as at beginning of the year / period (Refer note below)	50.44	1.70	220.70	566.69	-
Cash and cash equivalents as at end of the year / period (Refer note below)	0.08	50.44	1.70	220.70	566.69
Note:					
Cash and Bank Balance as at end of the year / period	0.58	50.94	2.20	221.20	566.69
Less: Term Deposits for a period of greater than 3 months	0.50	0.50	0.50	0.50	-
Cash and cash equivalents as at end of the year / period	0.08	50.44	1.70	220.70	566.69
Composition of Cash and Cash Equivalents					
Cash on Hand	0.00	0.01	0.01	0.01	0.00
Balances with Schedule Bank :					
- In Current Account	0.08	0.43	1.69	220.69	0.19
- In Fixed Deposit Account (maturity up to 3 months)	-	50.00	-	-	566.50
- In Fixed Deposit Account (maturity exceeding 3 months)	0.50	0.50	0.50	0.50	-
Total	**0.58**	**50.94**	**2.20**	**221.20**	**566.69**

CAPITAL STRUCTURE

Details of Share Capital

The share capital of our Company as at date of this Prospectus is set forth below:

Share Capital	Amount (in ₹)
Authorised Capital 2,000,000,000 equity shares of ₹10 each	20,000,000,000
Issued, Subscribed and Paid-up Capital 683,400,000 equity shares of ₹10 each	6,834,000,000

Changes in the authorised capital of our Company as on the date of this Prospectus is set forth below:

S. No.	Month and Year	Alteration
1	May 2006	The authorized share capital of our Company was increased to ₹ 20,000,000 (divided into 2,000,000 equity shares of ₹ 10/- each) from ₹ 5,000,000
2	August 2006	The authorized share capital of our Company was increased to ₹ 50,000,000 (divided into 5,000,000 equity shares of ₹ 10/- each) from ₹ 20,000,000
3	February 2007	The authorized share capital of our Company was increased to ₹ 5,000,000,000 (divided into 500,000,000 equity shares of ₹ 10 each) from ₹ 50,000,000
4	March 2010	The authorized share capital of our Company was increased to ₹ 20,000,000,000 (divided into 2,000,000,000 equity shares of ₹ 10 each) from ₹ 5,000,000,000

Changes in the issued and subscribed capital (equity capital) of our Company till the date of this Prospectus are set forth below:

S. No.	Date/ Nature of Allotment	No of Shares (Face Value of ₹ 10/- each)	Total Paid-up Capital (Cumulative in ₹)	Issue Price (₹)	Consideration (₹)	Name of the Shareholder
1.	August 12, 2006 Subscription to Memorandum of Association	49,994	499,940	10	499,940	Larsen & Toubro Limited
		1	499,950	10	10	Y. M. Deosthalee#
		1	499,960	10	10	K. V. Rangaswami#
		1	499,970	10	10	N. Sivaraman#
		1	499,980	10	10	K. Venkatesh#
		1	499,990	10	10	B. Ramakrishnan#
		1	500,000	10	10	T. S. Sundaresan#
2.	August 12, 2006 Private Placement to L&T	2,950,000	30,000,000	10	29,500,000	Larsen & Toubro Limited
3.	March 20, 2007 Rights Issue to L&T	240,000,000	2,430,000,000	10	2,400,000,000	Larsen & Toubro Limited
4.	August 2, 2007 Private Placement to L&T	257,000,000	5,000,000,000	10	2,570,000,000	Larsen & Toubro Limited
The 499,999,994 equity shares held by L&T were transferred at par value to L&TFH on March 31, 2009.						
5.	March 29,2010 Private Placement to L&TFH	183,400,000	6,834,000,000	15*	2,751,000,000	L&T Finance Holdings Limited

Currently held jointly with L&TFH
** Includes premium of ₹5 per share*

(1) There is no lock-in period in respect of these shares.
(2) We have not made any public offering of shares in the past.
(3) The present issue, being of Bonds, will have no bearing on the capital structure as aforesaid.

(4) The Company does not have preference shares in its capital structure since its incorporation.

Shareholding pattern of our Company as on the date of this Prospectus is set forth below:-

S No.	Name of Shareholder	No. of Shares held	% Holding
1.	L & T Finance Holdings Limited	683,399,994	99.99
2.	Mr. Y. M. Deosthalee	1*	0.00
3.	Mr. K. V. Rangaswami	1*	0.00
4.	Mr. Narayanaswami Sivaraman	1*	0.00
5.	Mr. Krishnamurthy Venkatesh	1*	0.00
6.	Mr. B. Ramakrishnan	1*	0.00
7.	Mr. T. Subramanian Sundareshan	1*	0.00
	Total	683,400,000	100.00

* Held jointly with L&TFH

List of top 10 debenture holders (secured redeemable non-convertible debentures issued by our Company vide various series on private placement basis) and commercial papers holders as on January 28, 2011

Top ten holders of non-convertible debentures issued by us

1. Larsen and Toubro limited
2. ICICI Prudential Interval Fund - Annual Interval Plan - I
3. United Bank of India
4. HDFC Trustee Company Limited HDFC MF Monthly Income Plan Long Term Plan
5. Bank of India
6. Reliance Capital Trustee Company Limited-A/C Reliance Fixed Horizon Fund-XIV
7. ICICI Prudential Fixed Maturity Plan Series 52 One Year Plan C
8. Reliance Capital Trustee Company Limited -Reliance Fixed Horizon Fund XIII
9. HDFC Trustee Company Limited A/C High Interest Fund Short Term Plan
10. HDFC Trustee Company Limited- HDFC Floating Rate Income Fund A/C Long Term Plan

Top 10 holders of commercial papers issued by us

1. UTI-Liquid Cash Plan
2. L AND T Infrastructure Finance Company Limited - CP Redemption A/C
3. Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Cash Plus
4. Axis Mutual Fund Trustee Limited A/C Axis Mutual Fund A/C Axis Liquid Fund A/C
5. Jai Corp Limited
6. HDFC Trustee Company Limited A/C HDFC Liquid Fund
7. UTI Short Term Income Fund
8. UTI-Money Market Fund
9. Deutsche Bank International Asia - Debt Fund
10. IDBI MF-Ultra Short Term Fund A/C

Debt–Equity Ratio:

The debt-equity ratio of our Company prior to this Issue is based on a total outstanding debt of ₹ 50,145.30 million and shareholder funds amounting to ₹ 11,621.82 million, which was 4.31 times, as on December 31, 2010. The debt-equity ratio post the Issue (assuming subscription of ₹ 4,000 million) is 4.66 times, based on a total outstanding debt of ₹ 50,145.30 million and shareholders' fund of ₹ 11,621.82 million as on December 31, 2010.

(₹ in million)

Particulars	Prior to the Issue	Post the Issue*
Secured Loans	37,795.30	41,795.30
Unsecured Loans	12,350.00	12,350.00

Particulars	Prior to the Issue	Post the Issue*
Total Debt	50,145.30	54,145.30
Share Capital	6,834.00	6,834.00
Reserves	4,787.82	4,787.82
Total Shareholders' Funds	11,621.82	11,621.82
Debt-Equity Ratio (Number of times)	4.31	4.66

** The debt-equity ratio post the Issue is indicative on account of the assumed inflow of ₹ 4,000 million from the proposed Issue in the secured debt category as on December 31, 2010. The actual debt-equity ratio post the Issue would depend on the actual position of debt and equity on the Date of Allotment.*

OBJECTS OF THE ISSUE

Issue Proceeds

The funds raised through this Issue will be utilized towards "infrastructure lending" as defined by the RBI in the regulations issued by it from time to time, after meeting the expenditures of, and related to, the Issue.

The Bonds will be in the nature of debt and will be eligible for capital allocation and accordingly will be utilized in accordance with statutory and regulatory requirements including requirements of the RBI and the Ministry of Finance.

The main objects clause of the Memorandum of Association of the Company permits the Company to undertake its existing activities as well as the activities for which the funds are being raised through this Issue.

Further, in accordance with the Debt Regulations, the Company will not utilize the proceeds of the Issue for providing loans to or acquisition of shares of any person who is a part of the same group as the Company or who is under the same management as the Company or any subsidiary of the Company.

The Issue proceeds shall not be utilized towards full or part consideration for the purchase or any other acquisition, inter alia by way of a lease, of any property.

Issue Expenses

A portion of the Issue proceeds will be used to meet Issue expenses. The following are the estimated Issue expenses:

(₹ in million)

Activity	**Amount (*₹ in million*)**	**% of Issue Size of ₹ 4,000 million**
Lead Management Fee	10	0.25
Advertising and Marketing Expenses and Selling and Brokerage Commissions	150	3.75
Printing, Stationery and Distribution	15	0.38
Others (Debenture Trustee Fees, Registrar Fee, Credit Rating Fee, Legal Fees, Stamp Duty & Registration expense etc.)	15	0.38
Total	**190**	**4.75**

The fees detailed in the table above may also be paid by way of commission to various intermediaries.

Monitoring of Utilization of Funds

There is no requirement for appointment of a monitoring agency in terms of the Debt Regulations. Our Board of Directors shall monitor the utilisation of the proceeds of the Issue. Our Company will disclose the utilization of the proceeds of the Issue under a separate head along with details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue, in our Company's financial statements for the relevant financial year. Our Company shall report the use of the proceeds in its annual report and other report submitted by us to any regulatory authority. Our Company shall also file these along with term sheets to the Infrastructure Division, Department of Economic Affairs, Ministry of Finance, within three months from the end of financial year.

STATEMENT OF TAX BENEFITS

Under the current tax laws the following tax benefits inter alia, will be available to the Bondholder as mentioned below. The benefits are given as per the prevailing tax laws and may vary from time to time in accordance with amendments to the law or enactments thereto. The Bondholder is advised to consider in his own case the tax implications in respect of subscription to the Bond after consulting his tax advisor as alternate views are possible. We are not liable to the Bondholder in any manner for placing reliance upon the contents of this statement of tax benefits.

To our Bondholders

A. INCOME TAX

I To the Resident Bondholder

1. **Deduction u/s 80CCF**

(a) According to section 80CCF, an amount not exceeding Rupees twenty thousand invested in long term infrastructure bonds shall be allowed to be deducted from the total income of an Individual or Hindu Undivided Family. This deduction shall be available over and above the aggregate limit of ₹ One Lakh as provided under sections 80C, 80CCC and 80CCD read with section 80CCE; and

(b) Section 80CCF reads as "In computing the total income of an assessee, being an individual or a Hindu undivided family, there shall be deducted, the whole of the amount, to the extent such amount does not exceed twenty thousand rupees, paid or deposited, during the previous year relevant to the assessment year beginning on the 1st day of April, 2011, as subscription to long term infrastructure bonds as may, for the purposes of this section, be notified by the Central Government.

2. **Taxability of Interest**

Taxability of interest on Bonds received by Bondholders would be based upon the method of accounting adopted by the resident bond holder as mentioned and subject to the provisions of the Income Tax Act ("I.T. Act").

3. **Withholding Tax**

No income tax is deductible at source on interest on Bonds as per the provisions of section 193 of the I.T. Act in respect of the following:

(a) In case the payment of interest on Bonds held in physical form to a resident individual Bondholder by the company by an account payee cheque or such Bond being listed on a recognized stock exchange in India, provided the amount of interest or the aggregate of the amounts of such interest paid or likely to be paid during the financial year does not exceed ₹ 2,500;

(b) When the Assessing Officer issues a certificate on an application by a Bondholder on satisfaction that the total income of the Bondholder justifies nil/lower deduction of tax at source as per the provisions of Section 197(1) of the I.T. Act;

(c) When the resident Bondholder (not being a company or a firm or a senior citizen) submits a declaration to the payer in the prescribed Form 15G verified in the prescribed manner to the effect that the tax on his estimated total income of the financial year in which such income is to be included in computing his total income will be 'nil' as per the provisions of Section 197A (1A) of the I.T. Act. Under Section 197A (1B) of the I.T. Act, Form

15G cannot be submitted nor considered for exemption from deduction of tax at source if the aggregate of income of the nature referred to in the said section, viz. dividend, interest, etc as prescribed therein, credited or paid or likely to be credited or paid during the financial year in which such income is to be included exceeds the maximum amount which is not chargeable to tax. To illustrate, the maximum amount of income not chargeable to tax in case of individuals (other than women assesses and senior citizens) and Hindu Undivided Family (HUFs) is ₹ 160,000, in case of women assesses is ₹190,000 and in case of senior citizen is ₹ 240,000 for financial year 2010-11. Senior citizens, who are 65 or more years of age at any time during the financial year, enjoy the special privilege to submit a self declaration to the payer in the prescribed Form 15H for non-deduction of tax at source in accordance with the provisions of section 197A (1C) of the I.T. Act, even if the aggregate income credited or paid or likely to be credited or paid exceed the maximum amount not chargeable to tax i.e. ₹ 240,000 for the financial year 2010-11, provided tax on his estimated total income of the financial year in which such income is to be included in computing his total income will be nil.

(d) On any securities issued by a company in a dematerialised form listed on recognized stock exchange in India. (w.e.f. 1.06.2008); and

(e) In all other situations for Bondholders, tax would be deducted at source as per prevailing provisions of the I.T. Act.

4. **Transfer before maturity**

(a) Under section 2(29A) of the I.T. Act, read with section 2(42A) of the I.T. Act, a listed Bond is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer.

Under section 112 of the I.T. Act, capital gains arising on the transfer of long term capital assets being listed securities are subject to tax at the rate of 10% of capital gains calculated without indexation of the cost of acquisition. The capital gains will be computed by deducting expenditure incurred in connection with such transfer and cost of acquisition of the Bond from the sale consideration.

In case of an individual or HUF, being a resident, where the total income as reduced by the long term capital gains is below the maximum amount not chargeable to tax i.e. ₹160,000 in case of all individuals, ₹ 190,000 in case of women and ₹ 240,000 in case of senior citizens, the long term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such long-term capital gains shall be computed at the rate of 10% in accordance with and the proviso to sub-section (1) of section 112 of the I.T. Act read with CBDT Circular 721 dated September 13, 1995.

In addition to the aforesaid tax, in the case of domestic companies where the income exceeds ₹ 10,000,000 a surcharge of 10% of such tax liability is also payable. A 2% education cess and 1% secondary and higher education cess on the total income tax (including surcharge applicable if any) is payable by all categories of tax payers.

(b) Short-term capital gains on the transfer of listed Bonds, where Bonds are held for a period of not more than 12 months would be taxed at the normal rates of tax in accordance with and subject to the provisions of the I.T. Act.

The provisions related to minimum amount not chargeable to tax, education cess and secondary and higher education cess described at Para 4(a) above would also apply to such short-term capital gains.

In case the Bonds are held as stock in trade, the income on transfer of Bonds would be taxed as business income or loss in accordance with and subject to the provisions of the I.T. Act.

(c) As per section 56(2)(vii)(c) of the I.T. Act, in case and individual or HUF receives Bonds from any person on or after 1st October, 2009:

i) without consideration, aggregate fair market value of which exceeds fifty thousand rupees, then the whole of the aggregate fair market value of such property; or

ii) for a consideration which is less than the aggregate fair market value of the Bond by an amount exceeding fifty thousand rupees, then the aggregate fair market value of such Bonds as exceeds such consideration;

shall be chargeable to tax as the income of the recipient under the head Income from Other Sources. However, the above provisions would not apply in certain situations like:

- from any relative; or
- on the occasion of the marriage of the individual; or
- under a will or by way of inheritance; or
- in contemplation of death of the payer or donor, as the case may be; or
- from any local authority; or
- from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution; or
- from any trust or institution registered under section 12AA.

B. WEALTH TAX

Wealth-tax is not levied on investment in Bonds under section 2(ea) of the Wealth-tax Act, 1957.

C. GIFT TAX

Gift-tax is not levied on gift of Bonds in the hands of the donor as well as the done because the provisions of the Gift-tax Act, 1958 have ceased to apply in respect of gifts made on or after 1st October, 1998.

D. Proposals made in Direct Taxes Code

The Hon'ble Finance Minister has presented the Direct Tax Code Bill, 2010 ('DTC Bill') on August 30, 2010, which is proposed to be effective from April 1, 2012. The DTC Bill is likely to be presented before the Indian Parliament. Accordingly, it is currently unclear what effect the Direct Tax Code would have on the investors

SECTION IV: ABOUT THE ISSUER AND THE INDUSTRY

INDUSTRY

The information in this section has not been independently verified by us, the Lead Managers or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources it believes to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and Government publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry and Government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investment decisions should not be based on such information.

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THE INDIAN ECONOMY

India has a population of approximately 1,215.94 million people as at April 2010 with a GDP, on PPP basis, of approximately US$ 3,862 billion in April 2010. (***Source***: *International Monetary Fund, World Economic Outlook Database, April 2010, accessed on September 25, 2010*). This makes it the fifth largest economy in the world in terms of GDP after the European Union, United States of America, China and Japan. (***Source***: *CIA World Factbook*) In the past, India has experienced rapid economic growth, with GDP growing at an average growth rate of 8.8% between Fiscal Year 2003 and Fiscal Year 2008. As a result of the global economic downturn, this high growth trajectory was impeded in Fiscal Year 2009, with the growth rate of India's GDP decelerating to 5.9% in the second half of Fiscal Year 2009, compared to 7.3% in Fiscal Year 2008. (***Source:*** *RBI, Macroeconomic and Monetary Developments: First Quarter Review: 2009-10 ("**RBI First Quarter Review**")*)

However, in Fiscal Year 2010, according to the Indian Ministry of Statistics and Programme Implementation, India's GDP grew by 8.8%. (***Source***: *http://mospi.nic.in/Mospi_New/upload/PRESSNOTE_Q4_2010_31may10.pdf, accessed on September 3, 2010*). During the first quarter of Fiscal Year 2011, India's GDP grew by 8.8%, compared with a growth rate of 6.0% during the first quarter of Fiscal Year 2010. (***Source***: *http://mospi.nic.in/Mospi_New/upload/PRESS_NOTE_Q1_2010_11.pdf accessed on September 3, 2010*)

The table below sets out the comparison between India's Real GDP Growth in 2008 and 2009, and its expected GDP growth during the 2010 and 2011 calendar years, as compared to that of the European Union, United States of America, China, Japan and other Newly Industrialized Asian Economies[2]:

	Real GDP			
	Actual		**Projected**	
	2008	**2009**	**2010**	**2011**
Euro Area[1]	0.6	-4.1	1.0	1.5
United States	0.4	-2.4	3.1	2.6
China	9.6	8.7	10.0	9.9
Japan	-1.2	-5.2	1.9	2.0
India	7.3	5.7	8.8	8.4
Newly Industrialized Asian Economies[2].	1.8	-0.9	5.2	4.9

[1] The Euro Area is comprises Germany, France, Italy, Spain, Netherlands, Belgium, Greece, Austria, Portugal, Finland, Ireland, Slovak Republic, Slovenia, Luxembourg, Cyprus and Malta.

[2] Newly Industrialized Asian Economies comprises Korea, Taiwan Province of China, Hong Kong SAR and Singapore. (***Source***: *International Monetary Fund, World Economic Outlook, April 2010 ("**IMF World Economic Outlook 2010**")*)

The table above illustrates that positive real GDP growth is expected in 2010. The IMF believes that four principal factors have supported Asia's recovery: firstly, the rapid normalization of trade, following the financial dislocation in late 2008, benefited Asia's export-driven economies; secondly, the bottoming out of the inventory cycle, both domestically and in major trading partners such as the United States, is boosting industrial production and exports; thirdly, a resumption of capital inflows into the region has created abundant liquidity in many economies; and fourthly, domestic demand has been resilient, owing to strong public and private companies in many of the region's economies. The IMF believes that, in both China and India, particularly, strong domestic demand will support the recovery. In India, the growth in real GDP will be supported by rising private demand, with consumption strengthening as a result of improvements in the labor market, and a boost to investment brought about by strong profitability, rising business confidence and favorable financing conditions. (***Source***: *IMF World Economic Outlook 2010*).

POLICY INITIATIVES AND ECONOMIC REFORMS IN INDIA

Since 1991, India has witnessed comprehensive reforms across the policy spectrum in the areas of fiscal and industrial policy, trade and finance. Some of the key reform measures are:

- *Industrial Policy Reforms:* Removal of capacity licensing and opening up most sectors to Foreign Direct Investment ("**FDI**");

- *Trade Policy Reforms:* Lowering of import tariffs across industries, minimal restrictions on imports; and

- *Monetary Policy and Financial Sector Reforms:* Lowering interest rates, relaxation of restrictions on fund movement and the introduction of private participation in insurance sector.

In addition, FDI has been recognized as one of the important drivers of economic growth in the country. The Government of India has taken a number of steps to encourage and facilitate FDI, and FDI is allowed in many key sectors of the economy, such as manufacturing, services, infrastructure and financial services. For many sub-sectors, 100% FDI is allowed on an automatic basis, without prior approval from the Foreign Investment Promotion Board.

FDI inflows into India have accelerated since Fiscal Year 2007. From April 2000 through June 2010, FDI equity inflows into the services sector (both financial and non-financial) of India amounted to ₹ 1,083.78 billion (US$ 24,296 million). In addition, from August 1991 to June 2010, the cumulative amount of FDI equity inflows amounted to ₹ 6,035.26 billion (US$ 138,235 million). FDI inflows into India were US$ 34,835 million, US$ 35,180 million and US$ 37,182 million in Fiscal Years 2008, 2009, 2010, respectively, and US$ 5,772 million up to June 2010. (***Source:*** *Department of Industrial Policy and Promotion Fact Sheet, August 1991 to June 2010*)

STRUCTURE OF INDIA'S FINANCIAL SERVICES INDUSTRY

The RBI is the central regulatory and supervisory authority for the Indian financial system. The Board for Financial Supervision ("**BFS**"), constituted in November 1994, is the principal body responsible for the enforcement of the RBI's statutory regulatory and supervisory functions. SEBI and the Insurance Regulatory Development Authority ("**IRDA**") regulate the capital markets and the insurance sector respectively.

A variety of financial institutions and intermediaries, in both the public and private sector, participate in India's financial services industry. These are:

- commercial banks;
- Non-Banking Finance Companies ("**NBFCs**");
- specialized financial institutions, such as the National Bank for Agriculture and Rural Development, the Export-Import Bank of India, the Small Industries development Bank of India and the Tourism Finance Corporation of India;
- securities brokers;
- investment banks;
- insurance companies;
- mutual funds; and
- venture capital funds.

NON-BANKING FINANCE COMPANIES

NBFCs are an important component of the overall Indian financial system. NBFCs are a group of institutions which perform the function of financial intermediation in a wide variety of ways, for example, by accepting deposits, making loans and advances and financing leasing and hire purchase transactions. NBFCs typically advance loans to various wholesale and retail traders, small-scale industries and self-employed persons, which means that they offer a broad and diversified range of products and services. Key characteristics of NBFCs include:

- customer-oriented services;
- simplified procedures for transaction execution;
- attractive rates of return on deposits; and
- flexibility and timely reaction in meeting the credit needs of specified sectors.

The structure and operations of NBFCs are regulated by the RBI, within the framework of Chapter III B of the RBI Act and the directions issued by it under the RBI Act. As set out in the RBI Act, a "non-banking financial company" is defined as:

(i) a financial institution which is a company;

(ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or

(iii) such other non-banking institution or class of such institutions, as the bank may, with the previous approval of the central Government and by notification in the Official Gazette, specify.

Under the provisions of the RBI Act, it is mandatory for a NBFC to be registered with the RBI. For such registration with the RBI, a company incorporated under the Companies Act and which wishes to commence business as a NBFC, must have a minimum net owned fund ("**NOF**") of ₹ 20,000,000. A NOF refers to funds (paid-up capital and free reserves, less accumulated losses, deferred revenue expenditure and other intangible assets) less, (i) investments in shares of subsidiaries/companies in the same group or all other NBFCs; and (ii) the book value of debentures/bonds/outstanding loans and advances, including hire-purchase and lease finance made to, and deposits with, subsidiaries/companies in the same group, in excess of 10% of the owned funds.

The registration process involves the submission of an application by the company in a prescribed format along with the necessary documents for the RBI's consideration. If the RBI is satisfied that the conditions set out in the RBI Act are fulfilled, it issues a "Certificate of Registration" to the company. Not all NBFCs are entitled to accept public deposits. Only those NBFCs holding a valid Certificate of Registration with authorization to accept public deposits can accept and hold public deposits. In addition to having the minimum stipulated NOF, NBFCs should also comply with directions issued by the RBI, which include investing a portion of the funds in liquid assets as well as maintaining reserves and ratings. The NBFCs accepting public deposits should comply with the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, as issued by the RBI, which stipulate that:

(i) NBFCs are allowed to accept or renew public deposits for a minimum period of 12 months and maximum period of 60 months;

(ii) NBFCs cannot accept deposits repayable on demand;

(iii) NBFCs cannot offer interest rates higher than the ceiling rate prescribed by RBI from time to time;

(iv) NBFCs cannot offer gifts, incentives or any other additional benefit to the depositors;

(v) NBFCs should have a minimum of an investment grade credit rating;

(vi) NBFCs deposits are not insured; and

(vii) The repayment of deposits by NBFCs is not guaranteed by RBI.

NBFCs are required to adhere to the Prudential Norms Directions which, amongst other requirements, prescribe guidelines regarding income recognition, asset classification, provisioning requirements, constitution of audit committee, capital adequacy requirements, concentration of credit/investment and norms relating to infrastructure loans.

NBFCs are also required to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges in terms of the RBI circular dated May 24, 2007. In addition to the aforesaid, NBFCs are required to adopt an interest rate model for regulating the rates of interest charged by the them in accordance with the Master Circular on Fair Practices Code dated July 1, 2010 issued by the RBI to all NBFCs. See the section titled "*Regulations and Policies*" on page 114 of this Prospectus.

Initially, NBFCs were classified into the following categories by the RBI:

(a) *equipment leasing companies* - any financial institution whose principal business is that of leasing equipment or the financing of equipment leasing;

(b) *hire-purchase companies* - any financial intermediary whose principal business relates to hire-purchase transactions or financing of hire-purchase transactions;

(c) *loan companies* - any financial institution whose principal business is that of providing finance, whether by making loans or advances or otherwise for any commercial activity other than its own (excluding any equipment leasing or hire-purchase finance activity); and

(d) *investment companies* - any financial intermediary whose principal business is that of buying and selling securities.

However, with effect from December 6, 2006, these types of NBFCs have been reclassified as follows:

(a) *asset finance companies* – NBFCs whose principal business is that of financing the physical assets which support various productive and economic assets in India. "Principal business" for this purpose means that the aggregate of financing real/physical assets supporting economic activity and income arising therefrom is not less than 60% of total assets and total income respectively;

(b) *investment companies* - NBFCs whose principal business is that of the acquisition of securities; and

(c) *loan companies* - NBFCs whose principal business is that of providing finance whether by making loans or advances or otherwise for any activity other than its own, but does not include an equipment leasing company or a hire-purchase finance company.

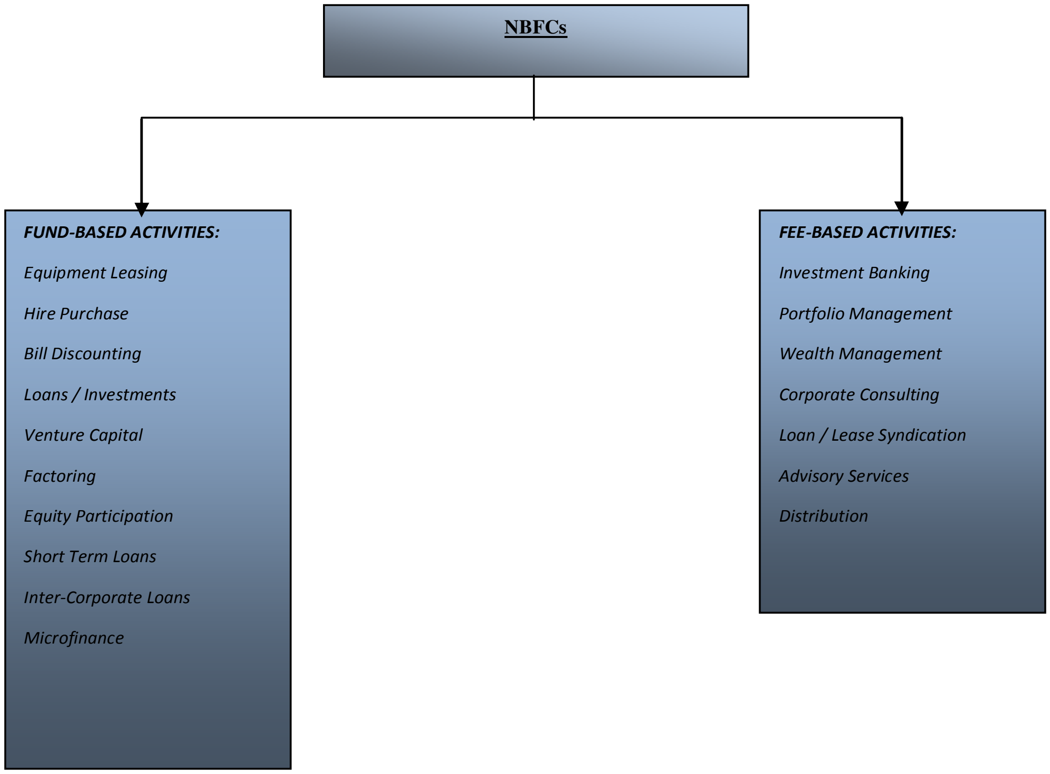
(***Source****: www.business.gov.in/business_financing?non_banking.php, accessed on August 15, 2010*)

The above mentioned companies may be further classified into those accepting deposits or those not accepting deposits. (***Source****: www.rbi.org.in/scripts/FAQView.aspx?Id=71,accessed on September 26, 2010*)

In addition, and following the *Second Quarter Review of the Monetary Policy for the Year 2009-10*, the RBI introduced a fourth category of NBFCs known as "Infrastructure Finance Companies", which were defined as entities which hold a minimum of 75% of their total assets for the purposes of financing infrastructure projects. See the section titled "*Providers of Infrastructure Finance – Infrastructure Finance Companies*", below.

(***Source****: http://rbidocs.rbi.org.in/rdocs/Publications/PDFs/MMDSQ261009.pdf, accessed on August 15, 2010*)

The indicative list of commercial activities that NBFCs typically undertake in India is illustrated in the following diagram:



Debt Market in India

(Source: Economic Survey 2009-2010; Ministry of Finance, Government of India; text available at – http://indiabudget.nic.in/es2009-10/chapt2010/chapter05.pdf)

The Indian debt market has two segments, viz. Government securities market and corporate debt market.

Government securities market

The fresh issuance of Government of India (GOI) dated securities in 2009 amounted to ₹ 4,890,000 million as against ₹ 2,043,170 million in 2008. The outstanding dated securities of the GOI increased from ₹ 14,164,430 million at end-December 2008 to ₹ 18,267,740 million at end-December 2009. Yields on securities showed relatively lower intra-year variations in 2009 as compared with the previous year. The cut-off yield-to-maturity (YTM) range on fresh issuances during the year narrowed from 6.24-10.03 per cent in 2008 to 4.86-8.43 per cent in 2009.

A liquid and well developed secondary market for Government securities is crucial for effective management of Government debt. The volume of secondary market transactions (outright) in Government securities has improved, with the turnover ratio (volume of transactions as a ratio of end-period stock) increasing to 1.7 in the calendar year 2009, compared to 1.5 in 2008.

In the secondary market, the yields on dated government securities hardened during the year, particularly after July 2009, reflecting the impact of the announcement of a relatively large government borrowing programme for the year 2009-10. Yields gradually moved up during the course of the year. Yields on dated securities of five and 10-year maturities increased to 7.30 per cent and 7.59 per cent respectively in end-December 2009 from 5.41 per cent and 5.25 per cent respectively in end-December 2008.

Corporate debt market

In pursuance of the guidelines of the High Level Expert Committee on Corporate Bonds and Securitisation (December 2005) and the subsequent announcement made in the Union Budget 2006-07, SEBI authorised

BSE (January 2007), NSE (March 2007) and Fixed Income Money Market and Derivatives Association of India (FIMMDA) (August 2007) to set up and maintain corporate bond reporting platforms for capturing all information related to trading in corporate bonds as accurately as possible. In the second phase of development, BSE and NSE put in place corporate bonds trading platforms in July 2007 to enable efficient price discovery in the market. This was followed by operationalisation of a DvP-I (trade-by-trade)- based clearing and settlement system for over-the-counter trades in corporate bonds by the clearing houses of the exchanges. In view of these market developments, the Reserve Bank of India announced in its Second Quarter Review of the Annual Policy Statement for 2009-10 in October 2009 that the repo in corporate bonds can now be introduced. In pursuance of the same, the RBI issued ‘Repo in Corporate Debt Securities (Reserve Bank of India) Directions, 2010’ on January 8, 2010. Total traded volume in corporate bonds during April-December 2009 was ₹ 2,42,686 crore, that is higher by 173.4 per cent over the ₹ 88,750 crore during April-December 2008.

During 2009-10 up to December 2009, the yield on corporate debt paper (with AAA rating) for five-year maturity moved in the range of 7.71-8.94 per cent. The yield on corporate debt paper softened till mid-May 2009 but remained above the 8.0 per cent level thereafter. The spread between yield on five-year GoI bonds and corporate debt paper (AAA rating) with five-year maturity, which was around 330 basis points in the beginning of 2009, narrowed down to 150 basis points by end-June and further to around 110 points by end-December 2009.

Yield on 5 year G-sec and corporate debt paper

THE INFRASTRUCTURE FINANCE INDUSTRY IN INDIA

Providers of Infrastructure Finance

The primary providers of infrastructure finance in India are financial institutions, public sector banks and other public sector institutions, private banks, foreign banks and multilateral development institutions.

Financial institutions

Financial institutions provide medium- and long-term financial assistance across various industries to establish new projects and for the expansion and modernization of existing facilities. These institutions provide both fund-based and non-fund based assistance in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions include IIFCL, IFCI Limited, Industrial Development Bank of India Limited and Small Industries Development Bank of India.

Specialized financial institutions

In addition, there are various specialized financial institutions which cater to the specific needs of various sectors. These include the National Bank for Agricultural and Rural Development, Export-Import Bank of India, IFCI Venture Capital Funds Limited (formerly the Risk Capital and Technology Finance Corporation Limited), Tourism Finance Corporation of India Limited, Housing and Urban Development Corporation Limited, Power Finance Corporation Limited, Infrastructure Leasing & Financial Services Limited, Rural Electrification Corporation Limited and Indian Railway Finance Corporation Limited.

State level financial institutions

State financial corporations, such as Maharashtra State Financial Corporation, Delhi Financial Corporation and Madhya Pradesh Financial Corporation, were set up to finance and promote small and medium term enterprises at a state level and they form an integral part of the institutional financing system. There are also state industrial development corporations operating at state level, which provide finance primarily to medium- to large-sized enterprises. These include Maharashtra Industrial Development Corporation, Gujarat Industrial Development Corporation and Madhya Pradesh Industrial Development Corporation

Public sector banks and other public sector institutions

Public sector banks make up the largest category of banks in the Indian banking system. The primary public sector banks operating in the infrastructure finance sector include IDBI Bank, State Bank of India, Punjab National Bank, Canara Bank and the Bank of Baroda. Other public sector entities, for example, the Life Insurance Corporation of India, also provide financing to the infrastructure sector.

Private sector banks

After completion of the first phase of the bank nationalization in 1969, the majority of Indian banks were public sector banks. Some existing private sector banks, which showed signs of an eventual default, were merged with state-owned banks. In July 1993, as part of the banking reform process and to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system resulting in the introduction of nine private sector banks which are collectively known as the "new" private sector banks. The primary private sector bank operating in the infrastructure financing sector is ICICI Bank.

Infrastructure Finance Companies ("IFCs")

In February 2010, the RBI introduced IFCs as a new category of infrastructure funding entities. Non-deposit taking NBFCs which satisfy the following conditions are eligible to apply to the RBI to seek IFC status:

- a minimum of 75% of its assets deployed in infrastructure loans;
- net owned funds of at least ₹ 3,000.00 million;
- minimum credit rating "A" or equivalent CRISIL, FITCH, CARE, ICRA or equivalent rating by any other accrediting agencies; and
- Capital to Risk (weighted) Assets Ratio of 15% (with a minimum Tier 1 capital of 10%).

IFCs enjoy benefits which include a lower risk weight on their bank borrowings (from a flat 100% to as low as 20% for AAA-rated borrowers), higher permissible bank borrowing (up to 20% of the bank's net worth compared to 15% for an NBFC that is not an IFC), access to external commercial borrowings (up to 50% of owned funds under the automatic route) and relaxation in their single party and group exposure norms. These benefits should enable a highly rated IFC to raise more funds, of longer tenors and at lower costs, and in turn to lend more to infrastructure companies.

Sectoral Focus

The Planning Commission estimates that approximately ₹ 20.5 trillion will be required in the 11th Five Year Plan. The major contributors are expected to be the electricity, roads, tele-communications, railways and irrigation sectors. The table below sets forth the details of these projected investments (the figures in brackets indicate the percentage of the total):

(*₹ millions at 2006-07 prices*)

	Tenth Plan		**Eleventh Plan**	
Sector	**Original Projections**	**Actual Investments**	**Original Projections**	**Revised Projection**
Electricity (incl. NCE)	2,918,500	3,402,370	6,665,250	6,586,300
	(33.49)	(37.55)	(30.42)	(32.06)
Roads & Bridges	1,448,920	1,271,070	3,141,520	2,786,580
	(16.63)	(14.03)	(15.28)	(13.57)
Telecommunications	1,033,650	1,018,890	2,584,390	3,451,340
	(11.86)	(11.25)	(12.57)	(16.80)
Railways (incl. MRTS)	1,196,580	1,020,910	2,618,080	2,008,020
	(13.73)	(11.27)	(12.73)	(9.78)
Irrigation (incl. Watershed)	1,115,030	1,067,430	2,533,010	2,462,340

(₹ *millions at 2006-07 prices*)

Sector	Tenth Plan		Eleventh Plan	
	Original Projections	Actual Investments	Original Projections	Revised Projection
	(12.80)	(11.78)	(12.32)	(11.99)
Water Supply & Sanitation	648,030	601,080	1,437,300	1,116,890
	(7.44)	(6.63)	(6.99)	(5.44)
Ports (incl. Inland waterways)	140,710	229,970	879,950	406,470
	(1.61)	(2.54)	(4.28)	(1.98)
Airports	67,710	68,930	309,680	361,380
	(0.78)	(0.76)	(1.51)	(1.76)
Storage	48,190	56,430	223,780	89,660
	(0.55)	(0.62)	(1.09)	(0.44)
Oil & gas pipelines	97,130	323,670	168,550	1,273,060
	(1.11)	(3.57)	(0.82)	(6.20)
TOTAL	8,714,450	9,060,740	20,561,500	20,542,050

The Power Sector

Electricity demand has grown at a CAGR of 7% between Fiscal Year 2005 and Fiscal Year 2010. Power demand is expected to grow at a CAGR of 7.8% between Fiscal Year 2011 and Fiscal Year 2015. This growth in demand is due to growth in India's GDP and increased power generation in India, which is expected to lead to increased and improved availability of power. (***Source****: Power AR, CRISIL Research, November 2010*)

CRISIL Research estimates capacity additions in the power sector to be approximately 82 GW over the next five years between Fiscal Year 2011 and Fiscal Year 2015. In addition, captive capacity additions of 13.0 GW are estimated for the same period. The private sector is expected to lead these capacity additions with a share of 45.5 GW. (***Source****: Power AR, CRISIL Research, November 2010*)

Capacity additions forecast

MW	2010-11 P	2011-12 P	2012-13 P	2013-14 P	2014-15 P	Total
Central	3,690	5,736	5,262	3,021	3,705	21,414
State	3,112	2,800	3,510	3,103	2,648	15,173
Private	4,285	6,397	7,620	12,675	14,545	45,522
Total	**11,087**	**14,933**	**16,392**	**18,799**	**20,898**	**82,109**
Captive	2,362	2,722	2,351	2,673	2,865	12,973
Total (including captive) .	**13,449**	**17,655**	**18,743**	**21,472**	**23,763**	**95,082**
P – Projected						

(***Source****: Power AR, CRISIL Research, November 2010*)

These capacity additions are expected to present an investment potential of ₹ 9.3 trillion over the next five years, with generation (both utilities and captive) contributing a portion of ₹ 5.8 trillion. (***Source****: Power AR, CRISIL Research, November 2010*)

Investment in the T&D Sector is expected to grow at a CAGR of 16% over the next five years, *vis-a-vis* a CAGR growth of approximately 15% in generation. Over the next five years, CRISIL Research expects total investment in the generation segment (i.e. utilities) to be approximately ₹ 5.1 trillion, with the private sector likely to account for approximately 57% of it. Whilst an investment of approximately ₹ 0.75 trillion is anticipated in respect of captive generation and an investment of ₹ 3.4 trillion is expected in the T&D sector. (***Source****: Power AR, CRISIL Research, November 2010*)

Roads Sector

According to CRISIL Research, government investments in the roads and highway sector over the next five years is likely to be approximately ₹ 6.3 trillion. National highways are expected to comprise a large share of the total investments at approximately 43% followed by state highways and rural roads at approximately 30% and 27%, respectively. (***Source****: Roads and Highways Annual Review, CRISIL Research, June 2010 ("****Roads and Highways Annual Review, June 2010****")*)

Of the ₹ 6.3 trillion funding required in the roads and highways sector over the next five years, approximately ₹ 4.4 trillion is expected to be contributed by the public sector mainly in the form of grants and annuity payments.

While the remaining ₹ 1.9 trillion is expected to be funded by the private sector primarily through Build-Operate Transfer ("**BOT**") -Toll and BOT-Annuity contracts. (***Source****: Roads and Highways Annual Review, June 2010*)

As road projects are highly leveraged, banks and financial institutions play a vital role in financing road projects. The outstanding portfolio of banks for roads and ports has grown at a compounded rate of 29% in the last five years. During this period, the total incremental lending by banks to the roads and ports sectors amounted to ₹ 302 billion. (***Source****: Roads and Highways Annual Review, June 2010*)

In addition, the Government has approved refinancing through India Infrastructure Finance Company Limited ("**IIFCL**") amounting to ₹ 1 trillion towards infrastructure sectors, out of which nearly ₹ 30 billion has been refinanced in Fiscal Year 2010 pursuant to the Union Budget 2010-11. (***Source****: Roads and Highways Annual Review, June 2010*)

Ports Sector

With the Indian economy expected to continue on its growth path, the country's external trade is also likely to keep growing. Thus Indian ports are expected to see an increase in traffic over the next few years. CRISIL Research estimates this traffic will grow at a CAGR of approximately 10% to 1,353 million tonnes from Fiscal Year 2010 to Fiscal Year 2015, led by coal and container traffic. CRISIL Research further estimates that an investment of approximately ₹ 838 billion in the five-year period will lead to a capacity addition of 819 million tonnes. (***Source****: Ports Annual Review, CRISIL Research, July 2010 ("****Ports Annual Review, July 2010****")*)

Non-major ports are expected to record a CAGR of 16.5% to 571 million tonnes from Fiscal Year 2010 to Fiscal Year 2015, mainly driven by coal traffic since many power plants are being established in close proximity to the non-major ports. CRISIL Research estimates that traffic at major ports will grow at a five-year CAGR of 7% to 782 million tonnes in Fiscal Year 2015. (***Source****: Ports Annual Review, July 2010*)

Between Fiscal Year 2011 and Fiscal Year 2015, CRISIL Research expects approximately ₹ 838 billion to be invested in the ports sector, with approximately ₹ 469 billion expected to be invested towards planned capacity addition of 328 million tonnes in major ports such as Paradip, Visakhapatnam, Chennai and the Jawaharlal Nehru Port Trust by Fiscal Year 2015. Whilst an investment of ₹ 369 billion is expected to be invested in non-major ports towards a planned capacity expansion of 491 million tonnes in the same period. This includes new ports such as Dhamra and Kalinga and additional capacity ports such as Mundra and Krishnapatnam. (***Source****: Ports Annual Review, July 2010*)

Oil and Gas Sector

The oil and gas sector contributes to approximately 45% of India's primary energy requirements. Crude oil demand is approximately 146 million metric tons ("**MMT**") while the domestic production of crude oil is approximately 34 MMT. Natural gas demand is approximately 179 million metric standard cubic meter per day ("**MMSCMD**") while the domestic supply is approximately 80 MMSCMD. The demand-supply disparity is likely to decrease in the near future due to several major gas discoveries, particularly those in the Krishna Godavari ("**KG**") basin. (***Source****: The Investment Commission, Government of India, http://www.investmentcommission.in/oil_&_gas_exploration.htm*)

The consumption of all petroleum products in India has risen from 100 MMT in Fiscal Year 2002 to 138 MMT in Fiscal Year 2010. It is further estimated by Fiscal Year 2010 demand for petroleum products will be approximately 146 MMT.

The table below sets forth the consumption of petroleum products for the periods indicated:

PRODUCTS	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10 (Prov.)
					('000 MT)				
LPG	7728	8351	9305	10245	10456	10849	12010	12191	13121
MS	7011	7570	7897	8251	8647	9286	10332	11258	12818
NAPHTHA/NGL	11755	11962	11868	13993	12194	13886	13294	13911	10239
ATF	2263	2271	2484	2813	3299	3983	4543	4423	4627
SKO	10431	10404	10230	9395	9541	9505	9365	9303	9304
HSD	36546	36645	37074	39650	40191	42897	47669	51710	56320
LDO	1592	2064	1619	1477	883	720	668	552	457
LUBES	1137	1250	1427	1336	2081	1900	2290	2000	2657
FO/LSHS	12982	12738	12945	13540	12829	12618	12717	12588	11589
BITUMEN	2584	2986	3373	3339	3508	3833	4506	4747	4919
PET COKE	1798	2563	2877	3129	4928	5441	5950	6166	6750
OTHERS	4604	5321	6652	4467	4658	5834	5604	4750	5394
TOTAL	**100432**	**104126**	**107751**	**111634**	**113213**	**120749**	**128946**	**133599**	**138196**

(***Source****: Petroleum Planning & Analysis Cell* ***"PPAC"****, http://ppac.org.in/ppac_0910/consumption.pdf and http://ppac.org.in/Statistics_Current_1011/DEMAND%20ESTIMATES2010_11.xls*)

On a per capita basis, energy consumption in India is relatively low in comparison to the rest of the world. In 2008, India's per capita energy consumption was approximately 17.5 million british thermal units ("**BTUs**"), compared to a global average of approximately 73.6 million BTUs (***Source****: The U.S. Energy Information Administration, November 2010, http://tonto.eia.doe.gov/cfapps/ipdbproject/IEDIndex3.cfm*). Currently, there is however a mismatch between the demand and supply for both natural gas and crude oil in India, with the demand for both sources of energy outweighing the domestic production.

According to the Investment Commission of India, crude oil demand is likely to increase to approximately 235 MMT by 2012. Rising global crude oil prices have triggered increased exploration and production focus to expand domestic production. Similarly, gas demand is expected to reach 279 MMSCMD by 2012 which translates to a CAGR of 12% from 2007. This increase is due to the increased use of gas for power generation, petrochemicals, fertilizers and city gas distribution. (***Source****: The Investment Commission, Government of India, http://www.investmentcommission.in/oil_&_gas_exploration.htm*)

A growing demand-supply mismatch provides opportunities for investment in the oil and gas sector, particularly in the exploration and production of crude oil, gas and coal-bed methane gas. The government is actively promoting the creation of strategic oil and gas reserves through partnerships with the private sector. Approximately 22% of the Indian sedimentary area is unexplored. Discovery of oil fields by investors such as Cairn Energy and companies such as Reliance Industries Limited and Oil and Natural Gas Corporation indicate potential for profitable investment in exploration. It is estimated that approximately US$ 40 billion (₹1,797 billion) is required for exploration and production by 2012. *(****Source****: The Investment Commission, Government of India, http://www.investmentcommission.in/oil_&_gas_exploration.htm)*

Telecommunications Sector

The telecommunications sector has grown at a rapid pace in the last five years, largely due to the growth of the mobile services segment. In Fiscal Year 2010, the mobile subscriber base grew to 584 million from 57 million in Fiscal Year 2005. *(****Source****: CRISIL Research, Monthly Update, May 2010),* As on October 31, 2010, the mobile subscriber base had grown to 652 million. (***Source***: *Press Release No. 42/2010, Telecom Regulatory Authority of India*). CRISIL Research estimates revenues of mobile service providers grew by approximately 20% year-on-year in Fiscal Year 2009. During April to September 2009, revenue growth dropped to 12% year-on-year, despite a 23% growth in its subscriber base, reflecting growing competition and pricing pressure in the market. (***Source****: Telecom Services Annual Review, CRISIL Research, January 2010 ("****Telecom Services Annual Review, January 2010****")*)

CRISIL Research estimates cumulative investments of ₹ 2.5 trillion to flow into the telecommunications sector between Fiscal Year 2010 and Fiscal Year 2014. With the mobile subscriber base expected to expand at an 11% CAGR during the same period, over 90% of the projected investments are expected to be utilized in the mobile services sector, a large proportion of which will be committed to active equipment. (*Source: Telecoms Services Annual Review, January 2010*)

BUSINESS

OVERVIEW

Our Company was incorporated in 2006, and is registered with the RBI as a systemically important non deposit taking NBFC and an IFC. Our business comprises the provision of financial products and services for our customers engaged in infrastructure development and construction, with a focus on the power, roads, telecommunications, oil and gas and ports sectors in India. Our Company is registered with the RBI as an Infrastructure Finance Company, or "**IFC**" and an NBFC-ND-SI, which allows it to optimize its capital structure by diversifying its borrowings and accessing long-term funding resources, thereby expanding its financing operations while maintaining its competitive cost of funds. The total income of our Company for the six months ended September 30, 2010 and Fiscal Year 2010 was ₹ 3,090.85 million and ₹ 4,504.23 million, respectively. The total loans and advances outstanding of our Company as at September 30, 2010 were ₹ 52,729.81 million and total disbursements for the six months ended September 30, 2010 and Fiscal Year 2010 were ₹ 17,518.36 million (excluding ₹ 3,000 million for subscriptions of preference shares and debentures in the normal course of business activity in non-related companies) and ₹ 37,955.14 million, respectively.

OPERATIONS OF OUR COMPANY

The operations of our Company are divided into the following business segments:

Project Finance Segment

The project finance segment of our Company provides customized debt financing products to infrastructure projects and their sponsor companies. The following diagram illustrates the sectors and sub-sectors on which our project finance segment focuses:

POWER	ROADS
Generation	Construction and Development
Transmission	Operation
Distribution	Maintenance

TELECOMMUNICATIONS	OIL & GAS
Passive infrastructure	Exploration
Telecommunications and broadband	Extraction
	Transportation

PORTS	OTHER INFRASTRUCTURE
Greenfield construction	Urban infrastructure
Expansion and modernization of existing ports	Water and sanitation
	Logistics
	SEZs

We seek to distinguish the products and services of our project finance segment from those of our competitors by customizing each of our offerings to the specific requirements of our customers and their projects, provide efficient transaction processing and management capabilities and act as a single point of contact for all of our customers' project financing requirements.

As at September 30, 2010, our total infrastructure loans were ₹ 52,729.81 million, and for the six months ended September 30, 2010, we recorded total infrastructure loan disbursements of ₹ 17,518.36 million. As at March 31, 2010, our total loans were ₹ 42,884.99 million, and for the year ended March 31, 2010, we recorded total loan disbursements of ₹ 37,955.14 million, compared to total loans of ₹ 22,660.47 million and total disbursements of ₹ 14,235.98 million in Fiscal Year 2009. From January 2007 to September 30, 2010, we made cumulative loan disbursements of ₹ 89,670.08 million.

In order to provide our customers with an optimal capital structure for the customized solutions that we offer, we typically make use of the following types of products:

Senior Debt Products

Our senior debt financing products are provided in the form of term loans, debentures and securitized debt that is collateralized by the cash flow receivables of the project. Senior debt ranks preferentially as to security and right of payment ahead of all other debt obligations of a borrower. Our senior debt financing products are fully secured, and generally have recourse to the underlying assets of the projects they are intended to finance, in the event of a default.

Mezzanine Products

Our mezzanine products are principally comprised of subordinated debt financing (in the form of subordinated loans), preference shares and convertible debentures. These mezzanine products are typically layered between equity and senior debt in our customers' capital structures, and effectively act as an additional tier in the overall capital structure of a company. Mezzanine products are generally subordinate to senior debt in rights of payment and may only have a second or subservient charge over the underlying assets of the borrower they are intended to finance. Whilst mezzanine products carry a higher risk of default and recovery in comparison to senior debt products, they generally earn higher returns.

Our loan products typically have a floating rate interest rate (linked to a benchmark such as our Company's own prime lending rate, or the prime lending rates of the lead banks in the consortium financing the project), or have a periodic interest rate- and/or spread- resets, dependent on the structure of the project being financed and / or our customers' financing requirements for a project.

In addition, we frequently also structure our loans with put and call options and interest rate resets, in order to maximize opportunities presented by prevailing economic conditions.

The tenor and repayment schedules of the loans we provide varies depending on our assessment of the cash flows from the borrower. As at September 30, 2010, all of our loans are secured. The security is designed following our assessment of the borrower in question, and includes forms of security such as charges (over the project assets or assets of the borrower (as the case may be), a project escrow account, debt service repayment accounts and / or residual cash flows of the borrower), or collateral such as guarantees from the project promoters or sponsors, corporate guarantees or pledges of shares, or a combination of one or more of these forms of security.

Equity Investment Segment

We provide equity-related project financing through proprietary minority equity investments in infrastructure companies. Such equity-related investments may take the form of equity shares, preference shares or hybrid debt and equity instruments. Our equity financing products can be offered in conjunction with our debt financing products in order to optimize the capital structure of our customers' projects, as well as our overall returns from a given project.

We have a dedicated team within the equity investment segment, which focuses on the identification, analysis and recommendation of suitable equity investment opportunities in the infrastructure sector and its sub-sectors. Its function includes undertaking appropriate due diligence investigations, document preparation, negotiations with customers and counterparties, valuation exercises and researching and advising on the optimal structure for the investment. Following our investment in a given project, we continue to assist our customers with developing relationships in the infrastructure space, monitoring the capital structure and assisting in arranging funding, if necessary.

One of the important factors considered at the time of investment is the possibility of an exit from the investment, over a period of three-to-five years, through initial public offerings or strategic sales.

As at September 30, 2010, our equity portfolio in this business segment was carried at ₹ 750.28 million, at acquisition cost.

Financial Advisory Services Segment

As part of our products and services, we provide a variety of advisory services to infrastructure companies and sponsors. The financial advisory services segment was started in April 2008, in order to complement the business of our project finance segment and diversify the revenues of our Company to include fee-based income. Owing to our specialized sector-specific knowledge and experience, our financial advisory services segment is able to leverage off of the existing relationships and sector-specific expertise of our project finance segment in the industry when advising our infrastructure finance customers on projects.

The financial advisory services segment of our Company provides the following services:

Corporate and Project Advisory Services

Our corporate and project advisory services are focused on advising our corporate customers on various operational aspects of project finance and infrastructure development transactions, such as project appraisals (including feasibility analyses and project risk assessment), the composition and submission of project information memoranda to lenders and other financiers of projects, advising on bid and application processes for project tenders, and the development and structuring of products and solutions to meet the specific commercial and funding requirements of our corporate customers and their projects.

Debt Advisory and Debt Arranging Services

Our debt advisory team aims to be appointed as the lead arranger for a variety of term loan and structured debt facilities for project finance transactions. As a lead arranger, our responsibilities include conducting the syndication of project debt obligations among a variety of other financial institutions for both new and expansion projects, the general syndication of long- term and short-term debt for corporate customers, and designing, financing and implementing structured products.

New Services

It is our intention to offer the following new services as part of the financial advisory services segment of our Company:

- Capital raising advisory services - We intend to provide advice and assistance to corporate customers in the infrastructure sector related to optimizing their capital structure and managing the process of raising private equity capital, mezzanine funding and the issue of convertible instruments. This would include the placement of equity and equity-linked instruments to investors such as private equity funds, financial institutions and investors; and

- Strategic advisory services - We have recently started offering strategic advice to our infrastructure finance customers on the acquisition of strategic assets and / or strategic interests in target companies. We have recently received our first mandate for this new service, which relates to the proposed acquisition of a hydropower asset by a hydropower development company in India.

It is also our Company's intention to establish an infrastructure-focused private equity fund in the near future, which we believe will help to strengthen our competitive position in the infrastructure finance industry, add to our income streams and provide us with additional opportunities to make equity investments in infrastructure-related projects and companies.

We believe that the introduction of these services will enable our Company to increase its fee-based income as a proportion of its total income.

Industry and Sector Focus

Our Company has provided financial products and services to *inter alia* the power, roads, telecommunications, oil and gas and ports sectors. Although we measure our industry exposures, we do not place strategic emphasis or focus on any one or more sectors.

The following table sets out the allocation of our loans as at September 30, 2010 and March 31, 2010, and the total disbursements for the six months ended September 30, 2010 and the financial year ended March 31, 2010, by sector:

	Total Loans (as at September 30, 2010)		**Total Disbursements (for the six months ended September 30, 2010)**		**Total Loans (as at March 31, 2010)**		**Total Disbursements (for the financial year ended March 31, 2010)**	
Industry Sector	*₹ million*	*Percentage (%) of Total Loans*	*₹ million*	*Percentage (%) of Total Disbursements*	*₹ million*	*Percentage (%) of Total Loans*	*₹ million*	*Percentage (%) of Total Disbursements*
Power	18,450.35	34.99	5,033.66	28.73	16,307.41	38.03	14,734.32	38.82
Roads	7,167.02	13.59	2,020.00	11.53	5,640.00	13.15	4,070.00	10.72
Telecommunications	8,276.62	15.70	3,850.00	21.98	5,694.76	13.28	3,488.80	9.19
Oil and Gas.	3,453.80	6.55	2,300.00	13.13	2,153.80	5.02	2,463.80	6.49
Ports	2,381.00	4.52	680.00	3.88	1,720.00	4.01	1,720.00	4.53
Other[1]	13,001.02	24.65	3,634.70	20.75	11,369.02	26.51	11,478.22	30.25
TOTAL:	**52,729.81**	**100.00**	**17,518.36**	**100.00**	**42,884.99**	**100**	**37,955.14**	**100**

1 *Includes projects related to urban infrastructure, water and sanitation, rail container and logistics operations, agricultural infrastructure, industrial and IT parks and SEZs.*

Our industry focus is principally on the following sectors:

Power Sector

We finance and advise on projects for electricity generation, transmission and distribution. As at September 30, 2010, our total loans outstanding in the power sector were ₹ 18,450.35 million, which accounted for 34.99% of the total loans of our Company. For the six months ended September 30, 2010, our total disbursements were ₹ 5,033.66 million in the power sector, which accounted for 28.73% of the total disbursements of our Company.

Our projects in the power sector have included projects for independent power producers (with power plants spread across states in India such as Maharashtra, Gujarat, Chhattisgarh, Karnataka, Tamil Nadu, Andhra Pradesh, Punjab, Himachal Pradesh, Orissa and Rajasthan), coal, coal rejects, gas, lignite, hydropower and biomass projects. These projects have also included greenfield projects, expansion projects, merchant power plants, group captive power plants and captive power plants for energy-intensive projects. We have provided senior and subordinated debt products, bridge financing facilities and equity and equity-related products to our customers in the power sector. In addition, the financial advisory services segment has acted as the lead arranger for the syndication of loans for a variety of large thermal power and hydropower projects.

Roads Sector

We finance and advise on projects involving the construction, operation and maintenance of new and existing stretches of national and state highways and expressways, focusing on National Highway Authority of India projects and state-sponsored projects. As at September 30, 2010, our total loans outstanding in the roads sector were ₹ 7,167.02 million, which accounted for 13.59% of the total loans of our Company. For the six months ended September 30, 2010, our total disbursements were ₹ 2,020.00 million in the roads sector, which accounted for 11.53% of the total disbursements of our Company.

Telecommunications Sector

We finance and advise on the construction and development of telecommunications projects for established pan-Indian and regional telecommunications services operators and passive infrastructure and broadband services providers. As at September 30, 2010, our total loans outstanding in the telecommunications sector were ₹ 8,276.62 million, which accounted for 15.70% of the total loans of our Company. For the six months ended September 30, 2010, our total disbursements were ₹ 3,850.00 million in the telecommunications sector, which accounted for 21.98% of the total disbursements of our Company.

In addition, the financial advisory services segment has acted as the lead arranger for the syndication of loans for one of the leading passive telecommunications infrastructure providers in India, and we have also participated as a member of a syndicate of lenders for an expansion project of passive telecommunications infrastructure, which was led by international sponsors.

Oil and Gas

We finance oil and gas projects which involve the exploration, extraction and transportation of oil and gas. As at September 30, 2010, our total loans outstanding in the oil and gas sector was ₹ 3,453.80 million, which accounted for 6.55% of the total loans of our Company. For the six months ended September 30, 2010, our total disbursements were ₹ 2,300.00 million in the oil and gas sector, which accounted for 13.13% of the total disbursements of our Company.

Ports

We finance and advise on port projects which involve the construction of new, or "greenfield" port projects, and the expansion and modernization of cargo-handling facilities in existing ports. In addition, we have acted as arrangers for the syndication of a loan for the construction of a shipyard-cum-port. As at September 30, 2010, our total loans outstanding in the ports sector were ₹ 2,381.00 million, which accounted for 4.52% of the total loans of our Company. For the six months ended September 30, 2010, our total disbursements were ₹ 680.00 million in the telecommunications sector, which accounted for 3.88% of the total disbursements of our Company.

Other Sectors

In addition, we also finance and advise on urban infrastructure, water and sanitation, rail container and logistics operations, agricultural infrastructure, industrial and IT parks and SEZ infrastructure projects. As at September 30, 2010, our total loans outstanding in these sectors were ₹ 13,001.02 million, which accounted for 24.65% of the total loans of our Company. For the six months ended September 30, 2010, our total disbursements were ₹ 3,634.70 million in these sectors, which accounted for 20.75% of the total disbursements of our Company.

OUR FUNDING STRUCTURE

Our Company is an NBFC-ND-SI. Accordingly, our Company does not accepts deposits, and as such, we rely on equity (in the form of shareholders' funds) and loan funds (in the form of various secured and unsecured borrowings) in order to meet our capital and funding requirements. Of these funding sources, secured loans remain the most significant source of funding across all three of our core finance business groups. Secured loans represented 54.54%, 64.64%, 69.70% and 54.30% of the total source of funds of our Company as at September 30, 2010 and as at March 31, 2010, 2009 and 2008, respectively.

As a general principle, we prefer to borrow long-term funds from a diversified lender base and we accordingly aim to develop our balance sheet by matching such funds with the maturities of our assets and interest rate structure. We believe that a diversified lender profile ensures that we are not overly dependent on any one source or a few financial institutions. In light of this, and our growing funding requirements, we have made conscious efforts to diversify our lender base to include a larger number of different types of banks (public sector banks, domestic private banks and foreign banks) and financial institutions (principally in the form of debt placed through retail and institutional participation).

Our Company has recently been classified as an IFC, which allows it to raise capital through an infrastructure bond offering only available to notified IFCs and to select other notified institutions. Such an infrastructure bond offers certain tax benefits to investors, provided that bond is issued with maturity of 10 years and subject to a five year lock-in of investors in the bonds.

The following table sets out the funding structure of our Company as at September 30, 2010 and March 31, 2010, 2009 and 2008, respectively:

(₹ in million, except percentages)

Source of Funding	As at September 30,		As at March 31,					
	2010	% of Total Funding	2010	% of Total Funding	2009	% of Total Funding	2008[2]	% of Total Funding
SHAREHOLDERS' FUNDS	**11,105.32**	**19.72**	**10,125.68**	**23.83**	**6,266.11**	**26.13**	**5,501.52**	**28.73**
Secured Loan Funds:	**30,724.60**	**54.54**	**27,467.56**	**64.64**	**16,712.00**	**69.70**	**10,400.00**	**54.30**
Term Loans from Banks	13,550.00	24.05	14,558.30	34.26	13,546.60	56.50	9,400.00	49.08
Bank Overdraft	1,374.60	2.44	2,359.26	5.55	2,165.40	9.03	0.00	0.00
Secured Redeemable NCDs	15,800.00	28.05	10,550.00	24.83	1,000.00	4.17	1,000.00	5.22
Unsecured Loan Funds:	**14,500.00**	**25.74**	**4,900.00**	**11.53**	**1,000.00**	**4.17**	**3,250.00**	**16.97**

Source of Funding	As at September 30,		As at March 31,					
	2010	% of Total Funding	2010	% of Total Funding	2009	% of Total Funding	2008[2]	% of Total Funding
Long-term: Term Loan from Ultimate Holding Company[1]	1,500.00	2.66	1,500.00	3.53	0.00	0.00	0.00	0.00
Short-term: Term Loan from Banks	1,000.00	1.78	1,000.00	2.35	0.00	0.00	3,250.00	16.97
Unsecured Redeemable NCDs	0.00	0.00	850.00	2.00	0.00	0.00	0.00	0.00
Commercial Paper	12,000.00	21.30	1,550.00	3.65	1,000.00	4.17	0.00	0.00
TOTAL SOURCE OF FUNDS	**56,329.92**	**100.00**	**42,493.24**	**100.00**	**23,978.11**	**100.00**	**19,151.52**	**100.00**

[1] *L&T occasionally lends funds to our Company at market-related rates.*

[2] *The financial year of our Company ended March 31, 2008 consisted of a nine month period from July 1, 2007.*

In November 2010, our Company completed the offering of its first public issue of long-term infrastructure bonds (in the nature of secured, redeemable, non-convertible debentures, having the benefit of section 80 CCF of the Income Tax Act, 1961) with a face value of ₹ 1,000 each to retail investors in India. The issue, which aggregated to ₹ 2,000 million included an option to retain over-subscription for up to an additional ₹ 5,000 million, which was partially exercised. The proceeds of the issue are to be used for "infrastructure lending" activities, as defined in the applicable RBI regulations.

OUR LOAN PORTFOLIO AND POLICIES

The principal focus of our Company is the provision of loans and advances to our customers. Our loans are mainly to entities involved in infrastructure projects or infrastructure related activities. The lending policies that we have in place are aimed at ensuring that our loan portfolio remains of a high quality. We also maintain provisioning and write-off policies in respect of our NPAs.

Lending Policies

As such, our Company maintains its own internal credit policies and approval processes, which are developed and implemented according to the underlying nature of its operations and the particular nature of its customers and products.

Investment and Credit Policy and Approval Process

Our Company manages its own investment and credit approval process in accordance with its internal infrastructure finance investment and credit policies, which are approved by the board of directors of our Company. A dedicated Investment and Credit Committee ("**Infrastructure ICC**") oversees the application of, and compliance with, these policies, and retains the sole responsibility for approving advances made by our Company at meetings generally convened once in every two week cycle.

Eligibility and Policy Objectives

Public sector and private sector companies, public-private sector SPVs under PPP initiatives, partnership firms, unincorporated joint ventures (but only where the joint venture partners are incorporated entities) and trusts and societies (aimed at establishing educational or medical facilities, or for commercial purposes) are eligible borrowers from our Company.

The policy objectives of our Company include, amongst others –

- building a business model in conformity with the RBI's policies and guidelines for NBFCs, and that would optimize the benefits thereof for our stakeholders;
- building a sound and diversified asset portfolio through risk-pricing based lending and growth-oriented early-stage investments, with the aim of earning superior returns on capital employed; and

- optimize the risk-return profile of the infrastructure loan portfolio with an emphasis on credit quality, supervision, timely collection and well-defined exit options from investments.

Project and Credit Assessment Process

Before presenting a proposal for approval to the Infrastructure ICC, a dedicated team within the project finance segment, and a separate project development team, appraises the proposed project for which funding is sought and conducts due diligence investigations on the project and project sponsor. The following aspects of the project are assessed –

- the project sponsor and the project group;
- the industry and sector in which the project is being undertaken;
- The nature of the project and structure of the concession;
- technical feasibility evaluation of the project;
- commercial and economic viability evaluation;
- credit checks and due diligence with the existing lenders and / or bankers of the sponsor(s) and or Credit Information Bureau (India) Limited;
- interaction with the key management personnel of the project group and sponsor to understand their perspective on the project and sector-specific commercial considerations and business dynamics;
- risk identification, risk allocation, risk mitigation and risk pricing of the transaction;
- site visits are undertaken by the appraising team to ascertain what local factors would have an impact on the project's viability;
- in the case of projects which require viability gap funding under a Government scheme, we ensure that due commitments from the relevant Government agencies for such a facility are in place;
- arrangements for the monitoring of the project and project assets by competent external technical agency, where considered necessary, are put in place; and
- in respect of specialized asset leases such as aircrafts, ships and oil rigs, an assessment of the residual values thereof is undertaken with the help of external agencies.

Once the proposal has been assessed, the Infrastructure ICC makes a determination on the size of the exposure to be taken, based on the findings of the assessment process, and by reference to our Company's exposure norms to an individual company, group or industry. See the section titled "*Asset Composition – Concentration of Total Exposure*", below.

Our Company has developed an internal ratings model, which is similar to models used by external rating agencies in terms of methodology and rating scales. Accordingly, all credit proposals are evaluated and their internal ratings presented to the Infrastructure ICC as an input for its decision-making process. Also, these internal ratings are periodically reviewed, based on operational performance and external developments, if any.

Repayment Schedule

The repayment of loans and facilities is normally fixed on a case-by-case basis, depending on the nature of the project, its projected cash flows and the maturity profile of our Company's own funding mix. A pre-payment premium may be charged in case of early repayment of the facility. However, any post-approval changes in the repayment schedule would conform to the provisions of a "Schedule of Delegation of Powers for Investment and Credit approvals and Portfolio Management", as approved by the Infrastructure ICC.

Exit Options

A fundamental element of the projects that our Company funds is the availability of clearly defined exit opportunities from the investments we make. As such, all of our equity investments, convertible instruments, mezzanine debt and any similar financial products, as well as operating leases, should necessarily have clearly identified (and agreed upon by the customer, where applicable) exit options. Any recommendation to exit – particularly when earlier than as provided for in the documentation – would be based on a detailed evaluation by our project finance team of the commercial merits of exiting the investment, and would conform to the provisions of the "Schedule of Delegation of Powers for Investment and Credit approvals and Portfolio Management" approved by the Infrastructure ICC.

In addition, and in the case of operating leases, due diligence is carried out in conjunction with technical teams on the status of the assets and its residual values at the time of exercising such exit options.

Security

The project assets typically form the security for the credit facilities we provide. The details of the security to be charged in favour of our Company, are stipulated by the Infrastructure ICC and suitably reflected in the security documents in the credit approval process. The security package for each facility is structured in such a manner so as to adequately cover the risks associated with the facility.

In the case of structured products, facilities can be approved by the Infrastructure ICC without requiring conventional security on the basis of a suitable financing structure and with comfort from other covenants such as a ceiling on overall debt-equity ratio, escrow account mechanism, negative lien agreement, pledge of shares or assignment of rights. In cases of funding which are serviced entirely from project revenues, escrow and / or water-fall arrangements are acceptable to support the security provided.

In the case of loans made for specific infrastructure assets, the security is normally an exclusive or *pari passu* charge on the underlying assets to be financed. For short-term interim loans such as bridge finance facilities for infrastructure projects and / or the acquisition of assets, the security is generally in the form of a hypothecation of movables, corporate / personal guarantees and / or pledges of shares, as well as other forms of security considered sufficient by the Infrastructure ICC.

Appropriate processes to create enforceable security in the form of a mortgage and or hypothecation are rigorously followed.

The margin requirements for different types of security are decided by the Infrastructure ICC from time to time, and exceptions, if any, will be handled in accordance with the guidelines of the Infrastructure ICC.

Documentation

Our Company only makes disbursements on the completion of all requisite legal documentation.

The documentation process seeks to ensures that:

- our customers' obligations are clearly defined and established by the documents;
- the charges created on our customers' assets as security for the debt and / or other facilities provided are suitably registered and maintained, such that it is enforceable at all times during the term of the loan provided; and
- our rights to enforce the security for the recovery of the debt and / or facilities provided (including committed return thereon, if any), through a court of law or other applicable forum, is as extensive and unambiguous as possible under relevant statutes of limitations in jurisdictions of India as well as in the countries where the assets are registered or located.

We evolve and adopt standard documentation and commitment processes for various products and services we offer. For each structured finance facility, specific covenants are designed in consultation with our legal counsel. Where any deviation from the terms of the standard facility documents is warranted, approval of the appropriate authority in accordance with the "Schedule of Delegation of Powers for Investment & Credit Approvals and

Portfolio Management" approved by the Infrastructure ICC, is obtained. In addition, the Schedule prescribes specific procedures for the execution of standard facility agreements and documentation in respect of the creation of interim and final security. Such documentation, aimed at protecting our rights to recourse against the underlying security, is completed and in the process, all prevailing laws and regulations of relevant jurisdictions are observed and reflected in the documentation.

In addition, we also ensure that comprehensive insurance of the secured assets is in place, and that such insurance policies are kept updated and valid. The insurance policies are typically issued to our infrastructure customers, and assigned in favour of our Company and any co-financiers sharing the security on a *pari passu* basis, where applicable, as the loss-payees.

Concentration of Total Exposure

As an NBFC, and in accordance with RBI norms, our policy is to limit our exposure to a single "group" of borrowers (based on a commonality of management and effective control) and a single "borrower" to the prescribed percentages of our owned funds (which comprises share capital and free reserves), respectively.

As a result of our Company being classified as an IFC by the RBI, our single borrower limit for loans has been increased by an additional 10% of our Company's owned fund and our single group limit for loans has been increased by an additional 15% of our Company's owned fund.

Our Exposures

The following table sets forth the 10 largest single and group exposures of our Company as determined by the RBI guidelines, as of September 30, 2010:

	Exposure (₹ million)	**Percentage of Total Exposure (%)**	**Percentage of Owned Funds* (%)**
Borrower 1	2,500.00	4.74	22.73
Borrower 2	2,000.00	3.79	18.18
Borrower 3	2,000.00	3.79	18.18
Borrower 4	2,000.00	3.79	18.18
Borrower 5	1,772.00	3.37	16.11
Borrower 6	1,633.30	3.10	14.85
Borrower 7	1,600.00	3.03	14.55
Borrower 8	1,513.25	2.87	13.76
Borrower 9	1,270.00	2.41	11.55
Borrower 10	1,250.20	2.37	11.37
TOTAL	**17,538.75**	**33.26**	**159.46**

	Exposure (₹ million)	**Percentage of Total Exposure (%)**	**Percentage of Owned Funds* (%)**
Group 1	2,750.00	5.22	25.00
Group 2	2,750.00	5.22	25.00
Group 3	2,500.00	4.74	22.73
Group 4	2,137.14	4.05	19.43
Group 5	2,046.60	3.88	18.61
Group 6	2,000.00	3.79	18.18
Group 7	2,000.00	3.79	18.18
Group 8	1,850.80	3.51	16.83
Group 9	1,772.00	3.36	16.11
Group 10	1,700.00	3.23	15.46
TOTAL	**21,506.54**	**40.79**	**195.53**

* *Owned Fund as defined in the RBI guidelines.*

Classification of Assets

Our Company classifies its assets (including leases) in accordance with RBI guidelines. In accordance with these guidelines, assets are regarded as "non-performing" if any amount of interest or principal remains overdue for more than 180 days.

Accordingly, the assets of our Company are classified as follows:

Class of Asset	Definition
Standard Assets:	Assets that do not display any problems or which do not carry more than the normal risk attached to the business of the borrower.
Sub-standard Assets:	Assets that are non-performing for a period not exceeding 18 months.
Doubtful Assets:	Assets that are not performing for more than 18 months.
Loss Assets:	Assets where loss has been identified and the amount has been written off, wholly or partly. Such an asset is considered "not recoverable" and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value.

Provisioning and Write-off Policies

Our Company has developed and applies separate provisioning and write-off policies and credit policies) for non-performing assets ("**NPAs**"). Both sets of policies meet or exceed those which are prescribed by applicable RBI guidelines.

Our Company categorizes its assets based on the classification prescribed by the RBI.

The table below sets out the provisioning requirements applied for loans, advances and other credit facilities provided by our Company:

Class of Asset	Provisioning Requirement
Sub-standard Assets:	A general provision of 10% of the total outstanding amount.
Doubtful Assets:	• **100%** provision to the extent to which the loan is not covered by the realizable value of the security to which we have valid recourse.
	• For the secured portion, depending upon the period for which the asset has remained doubtful, provision is made at the following rates:
	• Up to one year: **20%**
	• Up to three years: **30%**
	• More than three years: **50%**
Loss Assets:	The entire asset is written-off. If the assets are permitted to remain on our books for any reason, **100%** of the outstanding amount.

In addition our Company maintains a provision against standard assets as a matter of policy over and above RBI norms.

The table below sets out the provisioning requirements applied for finance and operating leases provided by our Company:

Class of Asset	Provisioning Requirement
Where any amounts of hire charges or lease rentals are overdue for a period of up to 12 months:[1]	Nil
Sub-standard Assets:	Where any amounts of hire charges or lease rentals are overdue for more than 12 months but up to 24 months – **10%** of the book value
Doubtful Assets:	• Where any amounts of hire charges or lease rentals are overdue for more than 24 months but up to 36 months – **40%** of the net book value.

Class of Asset	Provisioning Requirement
	• Where any amounts of hire chares or lease rentals are overdue for more than 36 months but up to 48 months – **70%** of the net book value.
Loss Assets:	Where any amounts of hire charges or lease rentals are overdue for more than 48 months – **100%** of the net book value.

1 *No provision against standard assets is maintained.*

Non-Performing Assets

The following table sets out information about the non-performing assets portfolio of our Company as at September 30, 2010 and March 31, 2010, 2009 and 2008, respectively:

	As at September 30,	As at March 31,		
	2010	**2010**	**2009**	**2008[1]**
	(in ₹ Million)			
Total Loans:	**52,729.81**	**42,884.99**	**22,660.47**	**18,331.81**
Gross NPAs	633.75	789.24	0	0
Less: Provision for NPAs[2]	104.15	79.00	0	0
Net NPAs	529.60	710.24	0	0
Gross NPA Ratio (%)	**1.20**	**1.84**	**0**	**0**
Net NPA Ratio (%)	**1.01**	**1.66**	**0**	**0**

1 *The financial year of our Company ended March 31, 2008 consisted of a nine month period from July 1, 2007.*

2 *We have made provisions of ₹208.00 million on standard assets as at September 30, 2010, and ₹251.60 million on standard assets as on March 31, 2010.*

RISK MANAGEMENT

In the course of our business operations, we are exposed to a number of risks in conducting our core business operations across our Company. Our general risk management strategy is to actively manage and hedge our interest rate and maturity positions that may create liquidity or market risk to our business.

Our core business groups face the following risks in the course of their operations:

- *Credit Risk* - credit risk is the risk that our customers will fail to discharge their repayment obligations under a loan or lease instrument, and thereby cause us to incur a financial loss.

- *Liquidity Risk* – liquidity risk is the risk that we will be unable to meet our net funding requirements. This can be caused by market disruptions or credit downgrades which may cause certain sources of funding to become unavailable.

- *Interest Rate Risk* – interest rate risk is the risk arising from repricing and / or maturing mismatches between our assets and liabilities, thus impairing our net interest income.

- *Operating and other Risks* – operating risk is the risk of loss arising from inadequate or failed internal process, people, systems and / or from external events, including legal risk. In addition, we also face risks arising from yield-curve or mismatch risk, strategic risk and reputational risk.

Our Company maintains separate credit and interest rate risk management policies and principles, and both adhere to the RBI's ALM Guidelines for NBFCs in relation to their management of liquidity risk.

Credit Risk

The credit risk of our Company is managed through comprehensive policies and processes that ensure adequate identification, measurement, monitoring and control as well as reporting of credit risk exposure.

Interest Rate Risk

Asset-liability management addresses two of our Company's major risk types, namely liquidity risk and interest rate risk. The Company's Asset-Liability Management Committee ("**Infrastructure ALCO**") is responsible for the formulation, revision and administration of the Asset-Liability Management Policy ("**Infrastructure ALM Policy**"), and reports directly to the board of directors of our Company.

For effective MIS reporting, our Company considers, evaluates and implements a suitable data management system optimally capable of meeting ALM reporting needs.

The Infrastructure ALCO has a dedicated support function which generates a variety of reports used in managing the interest rate risk of the Company.

The principal report used to fulfill this function is the Gap Management Report, which provides data used by the Infrastructure ALCO to measure risk to net interest income arising from the re-pricing of assets and liabilities over time. As such, the assets and liabilities of the Company are organized into re-pricing "buckets". This analysis allows the Company to determine the effect on income due to a change in the interest rates.

In addition to the Gap Management Report, the Infrastructure ALCO also runs simulations (or "stress tests") in order to measure the possible impact of rate and scenario changes on the net income of the Company.

The following table sets out an analysis of the maturity profile of certain of our Company's interest-bearing assets and interest-bearing liabilities across time buckets as at September 30, 2010 and March 31, 2010 and 2009:

(₹ in Million)

	1 month	**Over 1 month to 2 months**	**Over 2 months up to 3 months**	**Over 3 months up to 6 months**	**Over 6 months up to 1 year**	**Over 1 year to 3 years**	**Over 3 years to five years**	**Over 5 years**	**Total**
LIABILITIES:									
Borrowings from Banks:									
September 30, 2010	1,028.43	546.18	0.00	1,233.30	929.10	4,916.60	6,833.50	437.49	15,924.60
March 31, 2010	—	50.00	125.00	2,917.50	1,683.36	5,866.40	6,825.30	450.00	17,917.56
March 31, 2009	—	—	50.00	224.20	1,613.30	7,242.30	5,744.60	837.60	15,712.00
Market Borrowings:									
September 30, 2010	2,750.00	2,250.00	3,250.00	4,250.00	6,250.00	6,800.00	1,500.00	2,250.00	29,300.00
March 31, 2010	1,100.00	—	250.00	500.00	1,550.00	11,050.00	—	—	14,450.00
March 31, 2009	500.00	500.00	—	—	—	1000.00	—	—	2,000.00
ASSETS:									
Advances:									
September 30, 2010	1,361.93	647.80	601.22	4,769.79	9,790.12	16,678.73	10,670.20	8,210.02	52,729.81
March 31, 2010	1,835.30	635.10	625.80	1,653.90	6,500.90	15,766.70	9,188.50	6,678.79	42,884.99
March 31, 2009	1,931.50	692.40	223.50	1,536.50	3,465.10	7,580.80	3,816.70	3,413.97	22,660.47
Investments:									
September 30, 2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,250.00	4,250.00
March 31, 2010	—	—	—	—	—	—	—	250.00	250.00
March 31, 2009	900.00	—	—	—	—	—	—	250.00	1,150.00

The Company aims to reduce risk to earnings from adverse movements in interest rates. The Infrastructure ALCO has devised a prime lending rate (the "**Infrastructure PLR**"), and which is a floating rate of interest applied to the loans of our Company that is calculated by reference to the cost of borrowing, prevailing interest rate and market risk (as a function of loan tenors and the interest rate outlook), and the minimum return on capital which our Company would seek to achieve on a given loan. The Infrastructure PLR is reviewed periodically by the Infrastructure ALCO and re-priced based on prevailing movements in interest rates, and their impact on returns on capital. Accordingly, the Infrastructure PLR reflects movements in money markets and interest rates generally, and allows our Company to take such movements into account when pricing its loans.

In addition to the Infrastructure PLR, our Company can also create assets which are linked to some other established benchmark as may be approved by the Infrastructure ALCO. The interest rate on assets are linked to such benchmarks, so that any increase/decrease in interest cost can be passed on to borrowers. The Company's gap and interest rate exposure is compiled and reviewed on a monthly basis.

Liquidity Risk

Our Company's aim is to maintain an adequate level of liquid assets to meet the contractual maturity of existing funding, to fund investment opportunities, to satisfy credit demands and to provide cover against contingent liquidity risks derived from unforeseen events.

The determination of the adequacy of our Company's liquidity position is based upon an analysis of the existing liquidity position relative to the following factors:

- historical funding requirements;
- current liquidity position;
- anticipated future funding needs;
- present and anticipated asset quality;
- present and future earnings capacity; and
- available sources of funds.

Suitable contingency plans are put in place by the Infrastructure ALCO in order to meet any liquidity shortfalls.

For measuring and managing net funding requirements, our Company uses the "maturity ladder approach", and makes appropriate contingency plans to meet unexpected shortfalls. The cumulative surplus or deficit of funds at selected maturity dates are calculated. A statement of structural liquidity exposure is produced by calculating our Company's net liquidity gap, and by comparing current ratios with targets.

The maturity profile set out in the statement of structural liquidity is used for measuring the future cash flows in different time buckets. The time buckets are as follows:

- 1 day to 1 month;
- Over 1 month and up to 2 months;
- Over 2 months and up to 3 months;
- Over 3 months and up to 6 months;
- Over 6 months and up to 1 year;
- Over 1 year and up to 1.5 years;
- Over 1.5 years and up to 2 years;
- Over 2 years and up to 3 years;
- Over 3 years and up to 5 years;
- Over 5 years and up to 7 years; and
- Over 7 years.

These time buckets are managed in accordance with the ALM Guidelines for NBFCs, issued by the RBI from time to time.

A cash credit facility of the value of 10% of the average asset size is in place at all times in order to manage mismatches.

The net liquidity gap and tolerance levels are estimated by taking the following factors into account:

- preparing the statement of structured liability (all cash inflows and outflows are placed in the maturity ladder according to the expected timing);

- a dynamic liability statement is produced, and by reference to which the Infrastructure ALCO estimates the short-term liquidity profiles on the basis of business projections and other commitments;

- a tolerance level is calculated based on relevant factors such as disbursements, asset-liability base, nature of business and future strategy.

The net liquidity gap is then calculated as being:

Net Liquidity Gap = (Inflows-Outflows)/Outflows

Based on the above, our Company also prepares periodic scenario analysis with different degrees of rollovers and different levels of asset securitization, asset sale and other realizations to develop and test our contingency funding requirements. Pursuant to such analysis, a plan is prepared to meet liquidity requirements in the event of such contingency eventuating, as well as the cost of meeting such a contingency. The Infrastructure ALCO reviews the results of this exercise periodically.

OUR BUSINESS SUPPORT SERVICES

We believe that the commercial success of our diverse finance operations is largely dependent upon strong and seamless business support services. As such, the following are the key elements of business support to our Company:

Credit Analysis & Risk Management

Our Company has evolved and adopted comprehensive Investment & Credit Policy as well Risk Management Policy that guide our credit analysis and risk management processes. While all the credit and investment decisions are taken by the Investment & Credit Committee (ICC), the Risk Management Committee periodically reviews the various risk parameters that could affect our assets portfolio quality. Both these Board appointed committees are headed by Independent Directors.

Further, we have a dedicated credit & risk management team that evaluates credit proposals at pre-approval stage, and suggest due risk mitigation measures in consultation with business groups so as to strengthen the credit proposals. Our Company has evolved an internal rating model, which is akin to that in usage with the external rating agencies in terms of both methodology and rating scales. Accordingly, all credit proposals are duly evaluated and their internal ratings presented to the ICC as an input for its decision-making process. Also, these internal ratings are periodically reviewed, based on operational performance and external developments, if any.

Legal

We have an in-house legal department, with a dedicated team of qualified and experienced advocates, lawyers and consultants who specialize in various aspects of an NBFCs' operations. The legal department extends its services to all the operational and business heads of our Company, and provides advice on all legal and commercial issues and in the drafting of various agreements which we may enter into from time to time. The legal department is also responsible for monitoring and advising management with respect to changes in legislation, statutory rules and regulations, judicial precedent set by courts, updates of current legal practices, and news, journals and reviews regarding the industry. The legal department also provides advice on the means and modes of recovery of outstanding loans, and initiating recovery proceedings.

Internal Audit and Compliance

Our audit and compliance department is responsible for evaluating the effectiveness of governance, risk management and controls within the organization as a whole, as well as ensuring compliance with respect to RBI and other Indian statutory guidelines and regulations. Our audit team carries out various types of audits, such as concurrent audits, operational and management audits, compliance audits and special assurance audits. Reports are disseminated by the audit team to the business departments directly or indirectly related to the audit. The audit team provides suggestions to the audit committee on the composition of the panel of external audit firms for conducting audits.

Treasury

Treasury performs the functions of procurement, deployment, disbursement, collection and disposal of funds. The responsibility of treasury department is classified into borrowing and underlying research; money market research; ratings, management information systems and compliance documentation.

To cater to the growing complexities in terms of product structures and also to meet control and reporting requirements, we have put in place an automated treasury software solution. This enables monitoring of the debt position on a daily basis and also provides critical reports for decision-making. This software solution also caters to the daily cash management activity, thereby ensuring efficient management of funds. A separate software solution has also been implemented which meets the ALM requirements and provides value added reports such as statements of structural liquidity and interest rate sensitivity reports.

Corporate Accounts and Operations Department

The corporate accounts and operations department is responsible for accounts, assessing and computing direct and indirect taxation and RBI regulatory compliance in respect of our Company. Our back office administration is managed by a dedicated operations department.

Information Technology

We believe that the IT department performs a crucial function in creating and maintaining scalable, cost-effective and sustainable operating models for our business. We have built, and continue to enhance, our IT systems in order to create competitive advantages for our organization, and enable us to achieve and maintain optimum levels of customer service and operational efficiency.

We have appropriate systems and processes to manage the timeliness, accuracy and reliability of our operational data and information Our IT department is responsible for the efficient functioning and maintenance of our systems, and IT hardware requirements. In addition, our IT department is also responsible for the maintenance and management of our networking technologies and various business applications including data management systems which we believe will enhance service delivery to our customers and meet our operational requirements.

SALES AND MARKETING

We place substantial emphasis on the L&T "ecosystem" (being the network of customers and suppliers of, and companies within, the L&T Group, particularly with interests in infrastructure-related industries such as engineering and construction) as a source of industry/domain knowledge/expertise for the project finance and financial advisory services segments.

In the project finance segment, we conduct regular meetings with established industry participants and existing customers to identify their requirements, and actively identify new customers by targeting growing developments and contractors. We obtain a significant number of transactions from our existing client base. In addition, we regularly advertise in industry magazines, and also sponsor infrastructure-related conferences. We also maintain corporate membership of organizations such as the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry and the Indian Merchant Chamber.

In the financial advisory services segment, we use a variety of direct marketing methods such as conducting client pitches and presentations.

COMPETITION

We face competition from the full spectrum of public sector banks, private sector banks (including foreign banks), financial institutions and other NBFCs who are active in infrastructure.

LITIGATION

There are legal proceedings and claims pending against us which have arisen in the ordinary course of business. A brief discussion of such litigation is set in the section titled "*Outstanding Litigation and Statutory Defaults*" on page 106 of this Prospectus.

HISTORY AND MAIN OBJECTS

Brief background of our Company

L&T Infrastructure Finance Company Limited, a 100% subsidiary of L&T Finance Holdings Ltd, which is subsidiary of Larsen & Toubro Limited (L&T), was incorporated on April 18, 2006. Our Company's objective is to provide tailor made solutions to its clients in terms of debt, sub-debt, quasi-equity funding, etc. and also strive to offer a 'One Stop solution' for meeting the financial requirements of its clients.

Our Company was registered with the RBI under Section 45-IA of the RBI Act as a non-banking financial institution without accepting public deposits vide certificate of registration no. N-07-00759 dated January 10, 2007. We were classified under the category "Infrastructure Finance Company" by the RBI vide fresh certificate of registration bearing no. N-07-00759 dated July 7, 2010.

Main objects of our Company

Our main objects as contained in our Memorandum of Association are:

1. To carry on the business of developing and providing wide range of financial products and services for the purpose of and in relation to the development and establishment of infrastructure projects and facilities, including without limitation, providing of various kinds of guarantees and credit enhancements and refinancing assurance including market making or providing of liquidity support of various kinds, development, encouragement and participation in securities market for infrastructure financing, development and implementation of various opportunities and schemes for domestic savers to participate in infrastructure development.

2. To carry on the business of arranging or providing financial assistance in the form of lending or advancing money by way of a loan (including long-term loan), working capital finance, overdraft, cash credit, refinance or in any other form, independently or in association with any person, Government or any other agencies, whether incorporated or not, whether with or without security to institutions, banks, bodies corporate (whether or not incorporated), firms, associations authorities, bodies, trusts, agencies, societies or any other persons engaged in or in connection with either directly or indirectly or whether wholly or in part, for the purposes of infrastructure development work or providing infrastructure facilities or engaged in infrastructure activities, which shall include work or facility or providing of services in relation to or in connection with setting up, development, construction, operation, maintenance, modernization, expansion and improvement of any infrastructure project or facility including roads, highways, railways, airports, airways, waterways, ports, transport systems, bridges, telecommunication and other communication systems, systems for generation or storage or transmission or distribution of power, irrigation and irrigation system, sewerage, water supply, sanitation, health, housing, development of commercial properties, tourism, education, oil and gas, food and agriculture infrastructure and setting up of industrial areas.

3. To carry on the business of providing both in India and abroad, guarantees and counter guarantees, letters of credits, indemnities, loans and advances of all nature, underwriting, factoring, consultancy, formulating schemes for the purpose of mobilisation of resources and other form of credit enhancement to companies engaged in development or financing of infrastructure work or activity, whether by way of personal covenant or by mortgaging or charging all or any part of the undertaking, property or asset of the company, both present and future, wheresoever situate or in any other manner and in particular to guarantee the payment of any principal money, interests or other monies secured by or payable under contracts, obligations, debentures, bonds, debenture stock, mortgages, charges, repayment of capital monies and the payments of dividends in respect of stocks and shares or the performance of any other obligations by such companies.

4. To carry on the business of consultancy services of all kinds and description, including syndication of loans, counseling and tie-up for project and working capital finance, syndication of financial arrangements whether in domestic or international markets, assisting in setting up of joint ventures, foreign currency lending and without prejudice to the generality of the foregoing to act as advisors for any Infrastructure development project of activity.

Trademark license agreement

Our Company, L&T, L&T Finance Limited, L&T Finance Holdings Limited, L&T Mutual Fund Trustee Limited and L&T Investment Management Limited have entered into a trademark license agreement dated December 1, 2010 (the "**Trademark License Agreement**"), by way of which L&T has granted a non-exclusive non-transferable license to our Company, L&T Finance Limited, L&T Finance Holdings Limited, L&T Mutual Fund Trustee Limited and L&T Investment Management Limited (collectively referred to as the "**Licensees**") to use the L&T monogram and 'L&T' globally in connection with each of the Licensees' businesses and corporate names unless terminated by the parties to the Trademark License Agreement in accordance with its terms. The consideration amounts up to 0.15% of the consolidated assets of L&T Finance Holdings Limited or 5% of the consolidated PAT of L&T Finance Holdings Limited, whichever is lower plus service tax. The Trademark License Agreement can be terminated by, *inter alia*, any party upon change in management control of any of the Licensees or upon breach of the terms of the Trademark License Agreement by any of the Licensees.

OUR MANAGEMENT

Board of Directors

The general superintendence, direction and management of the affairs and business of our Company is vested in the Board of Directors which exercises all powers and does all acts and things which may be done by us under the Memorandum and Articles of Association of our Company.

The details of Board of Directors as on the date of this Prospectus are as follows:

Name	Date of Birth & Age	Address	Directorships in other Indian public companies
Mr. Y. M. Deosthalee	September 6, 1946 64 years	1001, Prabhu Kutir, 15, Altamount Road, Mumbai 400026, Maharashtra, India	1. Larsen & Toubro Limited 2. Larsen & Toubro Infotech Limited 3. L&T Finance Holdings Limited 4. L&T Infrastructure Development Projects Limited 5. L&T General Insurance Company Limited 6. L&T Finance Limited 7. The Dhamra Port Company Limited 8. L&T Mutual Fund Trustee Limited 9. L&T Metro Rail (Hyderabad) Limited
Mr. B.V Bhargava	April 16, 1936 74 years	B/1201, Gulmohar Apartments, Ceaser Road, Amboli, Andheri (West), Mumbai, Maharashtra India 400058	1. L&T Finance Holdings Limited 2. CRISIL Limited 3. Excel Corp Care Limited 4. Grasim Industries Limited 5. ICICI Lombard General Insurance Company Limited 6. J.K. Lakshmi Cement Limited 7. Supreme Industries Limited 8. Grasim Bhiwani Textiles Limited 9. Lakshmi Precision Screws Limited 10. Maxx Mobile Communications Limited
Dr. R.H. Patil	September 5, 1937 73 years	Flat 901, Gloriosa Apartments, N M Kale Marg, Off S. K. Bole Road, Dadar (West)	1. The Clearing Corporation of India Limited 2. Clear Corp Dealing Systems (India) Limited 3. National Securities Depositories Limited 4. NSDL Database Management Limited 5. Axis Private Equity Limited 6. L&T Investment Management Limited 7. Axis Bank Limited (erstwhile UTI Bank Limited) 8. National Securities Clearing Corporation India Limited 9. National Stock Exchange of India Limited 10. NSE.It Limited 11. SBI Capital Markets Limited 12. CorpBank Securities Limited 13. The Tata Power Company Limited

Name	Date of Birth & Age	Address	Directorships in other Indian public companies
Mr. N. Sivaraman	April 12, 1958 52 years	Flat no. 43, Kalpataru Residency, Tower A, Near Cine Planet, Sion East, Mumbai, 400022, Maharashtra, India	1. India Infrastructure Developers Limited 2. NAC Infrastructure Equipment Limited 3. BSCPL Infrastructure Limited 4. L&T Investment Management Limited 5. L&T Crossroads Private Limited 6. Feedback Ventures Private Limited 7. L&T Trustee Company Private Limited 8. L&T Finance Holdings Limited 9. L&T Finance Limited 10. L&T General Insurance Company Limited

Profile of Directors

Mr. Y. M. Deosthalee - Director

Mr. Y. M. Deosthalee, aged 64, is the chief financial officer and member of the board of L&T. He is a chartered accountant by profession. He has a degree in law. He is also a member on the board of several subsidiary and associate companies of the L&T group. He has been with L&T for the past 36 years. In addition to the finance function, he is also responsible for personnel and human resource functions, risk management, mergers and acquisitions, concessions business, shared services centre, providing strategic inputs and helps in business-building of L&T Infotech, amongst other things. He has been instrumental in promoting the Financial Services business of L&T group. In 2008, he was appointed as a member on the Advisory Committee for liquidity management set up by the Finance Ministry. In 2009, he was appointed as a member of the Takeover Regulations Advisory Committee which has been constituted by SEBI to examine the regulations and suggest amendments. He is the Co-Chairman of FICCI's Corporate Finance Committee, member of the National Council on Infrastructure of the Confederation of Indian Industry, member of the National Council on Corporate Governance of the Confederation of Indian Industry. He has also won several awards including the-Best CFO of the Year and also Best CFO in the Capital Goods Sector at the CNBC TV18 Business Leaders Awards in 2009. He has over 40 years of work experience.

Mr. B.V Bhargava - Director

Mr. B.V. Bhargava, aged 74, has had a distinguished career in development banking and project finance for nearly three decades. Currently, Mr. Bhargava is Chairman of the Rating Committee of 'CRISIL Limited'. A post graduate in commerce and a law graduate from the University of Bombay, Mr. Bhargava has had a varied and multifaceted experience which began with the Tariff Commission of India, where he was involved with various industries including cement, sugar and paper. His next assignment was with the Indian Investment Centre, where as Assistant Director at New York, he was closely involved with promotion of joint ventures. He joined ICICI in 1968 in the project appraisal department and rose to head various departments including the projects department and the Regional Office at Delhi. He retired from ICICI with effect from May 1, 1996 as Vice Chairman and Managing Director. At ICICI he was closely involved with ICICl's innovative efforts in developing financial instruments and mechanisms tailored to the contemporary needs of Indian industry. He was also actively involved in raising foreign currency and rupee resources for ICICl. During his tenor with ICICI he has acquired deep knowledge of Indian industry and the problems of Industrial development. In the telecommunications sector, Mr. Bhargava was the chairman of the ICICI telecom group, a special group constituted by ICICI to advise the Government on key issues pertaining to reform of the telecommunications sector such as the creation of independent regulatory body and the entry conditions for private sector in telecom services. Mr. Bhargava has participated in a number of seminars on project evaluation and management and has addressed several forums on this topic. He is also on the board of various large companies including CRISIL.

Dr. R.H. Patil - Director

Dr. R. H. Patil, aged 73, holds a masters degree in arts and a PH.D in economics from the Bombay University. He was a research officer and later became the deputy director of the Economic Department of the Reserve Bank of India. In 1975, he joined IDBI Limited and held various positions there including that of an executive director. In 1993, he founded the NSE and served as a chairman and managing director of the NSE. He joined as a chairman of the Disinvestment Commission of Government of India in 2001 till 2004. He became the chairman of UTI Asset Management Company Private Limited in 2005 and served as the chairman till 2006. Dr.

R. H. Patil is also on the board of several prominent Indian corporate houses. He was instrumental in setting up the NSE, NSDL and National Securities Clearing Corporation Limited. Dr. Patil has been the chairman of various committees of the RBI and has also been a member of the advisory panel on the History of Indian Securities Market.

Mr. N. Sivaraman - Director

Mr. N. Sivaraman, aged 52, is the senior vice president, financial services at L&T. He has a bachelor's degree in commerce from Madras University. He is a chartered accountant by profession and is a fellow member of the Institute of Chartered Accountants of India. He has an overall experience of approximately 28 years with L&T. He has varied experience in all aspects of finance and accounts, mergers and acquisition and investor relations. Currently, he is heading the financial services business of L&T. As the head of financial services business he is responsible for and oversees the following entities – L&T Finance Limited, L&T Infrastructure Finance Company Limited, L&T Investment Management Limited and L&T General Insurance Company Limited. During his career at L&T, Mr. Sivaraman played a key role in structuring the demerger of the cement business of L&T.

Remuneration of the Directors

Other than ₹ 20,000 payable to non-executive independent directors as sitting fees for attending each meeting of the board of directors of our Company / any committee thereof, no other remuneration is paid.

Terms of Appointment of Manager and Compensation payable to him

Mr. Suneet K. Maheshwari was appointed as the Chief Executive and Manager of our Company by a resolution dated September 21, 2006 and an agreement dated December 1, 2006 to manage the business and affairs of our Company. As per the terms of the said agreement, since Mr. Maheshwari draws remuneration from L&T as an employee of L&T, the Company will receive debits up to the maximum permissible extent of remuneration payable to him under the Companies Act. Mr. Maheshwari shall be reimbursed for all costs incurred by him for the purposes of the business of the Company. The agreement may be terminated by either party by serving six months notice.

Borrowing Powers of the Board of Directors

Subject to the Memorandum and Articles of Association of our Company, the Shareholders at the Extra Ordinary General meeting held on September 27, 2010, have passed a resolution under Section 293(1)(d) of the Act, which prescribes the maximum monetary limit for the purpose of borrowing by the Board of Directors / Committee of Directors, as the case may be of the Company. The aggregate value of the Bonds offered under this Prospectus, together with the existing borrowings of our Company, is within the approved borrowing limits of ₹150,000 million.

The Issue of Bonds offered under this Prospectus is being made pursuant to the resolution passed by the Board of Directors at its Meeting held on January 14, 2011.

Nature of interest of the Directors

No Director of our Company has any interest in the appointment of the Debenture Trustee to the Issue. No Director of our Company has any interest in any property acquired by our Company within two years of the date of this Prospectus or proposed to be acquired by it.

All Directors may be deemed to be interested in the contracts, agreements / arrangements entered into or to be entered into by us with any company in which they hold directorships or any partnership in which they are a partner. Directors with an interest in other companies are mentioned in this Prospectus.

Except as stated otherwise in this Prospectus, our Company has not entered into any contract, agreement or arrangement during the preceding two years from the date of this Prospectus in which the Directors are interested, directly or indirectly, and no payments have been made to them in respect of these contracts, agreements or arrangements or are proposed to be made to them.

Changes in the Board of Directors in the last three years

Sr. No.	Name of Director	Designation	Nature of Change	Date of Change
1.	Mr. V. J. Shukla	Alternate to Mr. Richard Tinsley	Appointment	February 17, 2007
2.	Mr. V. J. Shukla	Alternate to Mr. Richard Tinsley	Cessation	April 21, 2007
3.	Mr. V. J. Shukla	Alternate to Mr. Richard Tinsley	Appointment	December 18, 2007
4.	Mr. V. J. Shukla	Alternate to Mr. Richard Tinsley	Cessation	April 16, 2008
5.	Mr. V. J. Shukla	Alternate to Mr. Richard Tinsley	Appointment	October 25, 2008
6.	Mr. V. J. Shukla	Alternate to Mr. Richard Tinsley	Cessation	March 9, 2009
7.	Mr. V. J. Shukla	Alternate to Mr. Richard Tinsley	Appointment	October 20, 2009
8.	Mr. V. J. Shukla	Alternate to Mr. Richard Tinsley	Cessation	April 24, 2010
9.	Mr. Richard Tinsley	Director	Resignation	August 13, 2010
10.	Mr. K. Venkatesh	Director	Resignation	August 13, 2010

Shareholding of Directors in our Company

Sr. No.	Name of Director	No. of shares
1	Mr. Y. M. Deosthalee*	1
2	Mr. N. Sivaraman*	1

** Held jointly with L&TFH*

As per the Articles of Association of our Company, the Directors are not required to hold any qualification shares in our Company.

Details of various committees of our Company

Audit Committee

The Audit Committee has been set up pursuant to Section 292A of the Act, as well as the RBI directions for NBFCs. The committee currently comprises of 3 Directors and is headed by Dr. R. H. Patil.

Role of the Committee

- To investigate into any matter in relation to the items specified u/s 292A and as referred to by the Board. It shall have full access to information contained in the records of the Company and external professional advice;
- To investigate any activity within its terms of reference, seek information from any employee, obtain outside legal / professional advice;
- To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommend the appointment and removal of external auditor, fixation of audit fee and also approve payment for any other services;
- Discuss with the Auditors periodically on internal control systems, scope of audit including observations of the auditors and review the half-yearly and annual financial statements before submission to the Board and ensure compliance of internal control system; and
- Recommendation on financial management including the audit report shall be binding on the Board.

Committee of Directors

The Share Allotment & Share Transfer Committee was reconstituted as Committee of Directors (COD) by the Board on September 25, 2007. The committee currently comprises of 2 Directors.

Role of the Committee

The COD was entrusted with the powers of general management of the affairs of the Company.

Asset–Liability Management Committee

The Asset-Liability Management Committee (ALCO), headed by Mr. N. Sivaraman, is broad-based with representatives from business groups, risk management, and treasury.

Role of the Committee

The ALCO carries out necessary spade work for formalizing the ALM system in the Company including 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;
- Deciding the business strategy of the Company (on the assets and liabilities sides) in line with the Company's budget and decided risk management objectives;
- Review 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;
- Balance Sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks;
- Product pricing for both deposits and advances, desired maturity profile and mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for similar services/products, etc.;
- Articulating the current interest rate view of the Company and decide the future business strategy on this view; and
- Deciding on the source and mix of liabilities or sale of assets

Investment and Credit Committee

The Investment and Credit Committee (ICC) of our Company, headed by Mr. B. V. Bhargava, is broad-based and includes two other Directors and three senior professionals.

Role of the Committee

- The ICC is empowered by our Board to consider and approve all credit/investment proposals seeking financial assistance from the Company. The Committee takes decisions in accordance with the Investment and Credit Policy approved by the Board.

Nomination & Compensation Committee

The Nomination & Compensation Committee currently comprises of two Directors and two senior professionals.

Role of the Committee

- To ensure 'fit and proper' status of existing / proposed Directors by obtaining necessary information and declaration from them and undertake a process of due diligence to determine the suitability of the person(s) for appointment / continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other relevant factors.
- The process of due diligence should be undertaken at the time of initial appointment and also prior to re-appointment.

- Based on the information provided in the declaration, the Committee should decide on the acceptance (and / or otherwise) and may make references, where considered necessary to the appropriate authority / persons, to ensure their compliance with the requirements indicated.
- To obtain annual declaration confirming that the information already provided had not undergone change and if there is any change, requisite details would be furnished by the Directors forthwith.
- To focus on evaluating senior level employees, their remuneration, promotions etc.

Risk Management Committee

The Risk Management Committee of our Company, headed by Dr. R. H. Patil, is broad-based and includes one other Director and three senior professionals.

Role of the Committee

The Risk Management Committee would be responsible for managing, inter alia the integrated risk which includes liquidity risk, interest rate risk and currency risk.

OUR PROMOTERS

Our Promoters are Larsen & Toubro Limited and L&T Finance Holdings Limited (a subsidiary of L&T).

Larsen & Toubro Limited

L&T was incorporated on February 7, 1946 and its registered office is at L&T House, Ballard Estate, Mumbai - 400 001.

Corporate Identification Number	: L99999MH1946PLC004768
PAN	: AAACL0140P
ROC Registration No.	: 11-4768

Brief history

L&T was formed as a partnership in 1938 by Henning Holck-Larsen and Soren Kristian Toubro, Danish engineers, who came to India as representatives of a global cement company. In 1946, the partnership was incorporated as a private limited company, and in 1950 converted to a public limited company. L&T's business originally consisted of trading and indigenous manufacture of equipment. L&T rapidly entered new fields – including construction, project execution and manufacture of switchgear. L&T's heavy fabrication facilities at Powai, Mumbai were continuously and substantially expanded to meet emerging needs in the 1960's and 1970's. L&T entered the business of cement manufacture in the early 1980s. In 1987, L&T established a fabrication facility on the waterfront at Hazira, which has enhanced its ability to fabricate large equipment. Additionally, L&T has strengthened its manufacturing capabilities by setting up several new facilities, including those at Ahmednagar in Maharashtra, Mysore in Karnataka, Coimbatore in Tamil Nadu and Talegaon in Maharashtra. L&T currently has a manufacturing footprint in India, China, Oman, Saudi Arabia, UAE, Malaysia, Indonesia and Australia. Design engineering facilities are part of L&T's campuses at several locations including Mumbai, Vadodara, Faridabad, Chennai, Bengaluru and Mysore. With a view to focus on its core strengths of engineering and construction, and as part of a continuing review of its business portfolio, L&T has either discontinued or divested its stake in several business lines including dairy equipment, packaging equipment and tractor manufacturing among others. The cement business was de-merged in 2004.

Board of Directors of L&T

The board of directors of L&T consists of Mr. A. M. Naik, Mr. J. P. Nayak, Mr. Y. M. Deosthalee, Mr. K. Venkataramanan, Mr. Ravi Uppal, Mr. K. V. Rangaswami, Mr. V. K. Magapu, Mr. M. V. Kotwal, Mr. S. Rajgopal, Mr. S. N. Talwar, Mr. M. M. Chitale, Mr. Thomas Mathew T, Mr. N. Mohan Raj, Mr. Subodh Bhargava, Mrs. Bhagyam Ramani, Mr. A. K. Jain and Mr. J. S. Bindra.

Nature of interest of Promoters/Payment or Benefit to the Promoters

Except as stated in the section titled "*Financial Statements - Related Party Disclosure*" in this Prospectus, the Promoters, the Promoter group companies and other related parties do not have any interest in our business except to the extent of investments made by them in our Company and earning returns thereon.

Save as otherwise stated in this Prospectus, no amount or benefit and consideration for payment of giving of the benefit has been paid or given within the two preceding years or is intended to be paid or given to the promoter except as stated in "*Financial Statements - Related Party Disclosure*" in this Prospectus, and except to the extent of the investments made by them in our Company and earning returns thereon.

Credit Rating – As on the date of this Prospectus, L&T is rated 'AAA/Stable' by CRISIL and 'LAAA' by ICRA.

L&T Finance Holdings Limited

L&TFH was originally incorporated as L&T Capital Holdings Limited on May 1, 2008 as a subsidiary of L&T with its registered office at L&T House, Ballard Estate, Mumbai - 400 001. Subsequently the name of L&T Capital Holdings Limited was changed to L&T Finance Holdings Limited and fresh certificate of Incorporation dated September 6, 2010 was issued by the Registrar of Companies, Maharashtra, Mumbai.

Corporate Identification Number	: U67120MH2008PLC181833
PAN	: AABCL5046R

The main objects of L&TFH are:-

"To carry on the business of Investment/finance Company in all its branches and to invest, sell, purchase, exchange, surrender, extinguish, relinquish, subscribe, acquire, undertake, underwrite, hold, auction, convert or otherwise deal in any shares, stocks, debentures, debenture stock, bonds, negotiable instruments, hedge instruments, warrants, certificates, premium notes, treasury Bills, obligations, inter corporate deposits, call money deposits, public deposits, commercial papers, options futures, money market securities, marketable or non marketable securities, derivatives and other instruments and securities issued, guaranteed or given by any government, semi-government, local authorities, public sector undertakings, companies, corporations, co-operative societies, trusts, funds, State, Dominion sovereign, Ruler, Commissioner, Public body or authority, Supreme, Municipal, Local or otherwise and other organisations/entities persons and to acquire and hold controlling and other interests in the securities or loan capital of any issuer, company or companies."

As on the date of this Prospectus, L&TFH is not subject to winding-up order or petition and is an unlisted company and has not made any public or rights issue of shares since incorporation. However, L&TFH is proposing an initial public offering of its equity shares and has filed a draft red herring prospectus dated September 27, 2010 with SEBI.

Board of Directors of L&TFH:

The board of directors of L&TFH consists of Mr. Y. M. Deosthalee, Mr. R. Shankar Raman, Mr. N. Sivaraman, Mr. S. V. Haribhakti, Mr. B. V. Bhargava, Mr. Subramaniam N., Mr. A. K. Jain and Mr. M. Venugopalan.

SECTION V: FINANCIAL INFORMATION

AUDITORS' REPORT

The Board of Directors
L&T Infrastructure Finance Company Limited
3A, Laxmi Towers, 2nd Floor
Bandra Kurla Complex,
Bandra
Mumbai 400 051

Dear Sirs:

1. We have examined the financial information of **L&T INFRASTRUCTURE FINANCE COMPANY LIMITED** (the "Company") annexed to this report and initialled by us for identification purposes only. The said financial information has been prepared by the Company in accordance with the requirements of paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the "Act") and the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 ("SEBI Regulations") as amended, issued by the Securities and Exchange Board of India, in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992, and related clarifications and in terms of our engagement agreed with you in accordance with our engagement letter dated 14th January, 2011, in connection with the Company's Proposed Issue of Secured, Redeemable, Non-Convertible Debentures, having Benefits Under Section 80CCF of the Income Tax Act, 1961.

2. **Financial Information as per Audited Financial Statements**

We have examined the attached 'Statement of Profits' of the Company for the six months ended 30th September, 2010, for each of the years ended 31st March, 2010, 2009, for the period from 1st July,2007 to 31st March, 2008 and for the period from 18th April, 2006 to 30th June, 2007 (Annexure I), 'Statement of Assets and Liabilities' of the Company as at 30th September, 2010, 31st March, 2010, 2009, 2008 and 30th June, 2007 (Annexure II), and 'Statement of Cash Flows' of the Company for the six months ended 30th September, 2010, for each of the years / periods ended 31st March, 2010, 2009, for the period from 1st July 2007 to 31st March 2008 and for the period from 18th April 2006 to 30th June, 2007 (Annexure III), collectively referred to as 'Summary Financial Statements'. The Summary Financial Statements have been extracted from the audited financial statements of the Company. The financial statements of the Company as at and for the period ended 30th June, 2007 have been audited by M/s S.B. Billimoria & Co., Chartered Accountants, being the auditors of the Company for that period, in terms of their report dated 25th September, 2007 and adopted by the members. The financial statements of the Company as at and for the financial years / period ended 31st March, 2010, 2009 and 2008 have been audited by us in terms of our reports dated 24th April, 2010, 23rd April, 2009 and 16th April, 2008 respectively and adopted by the members. The Interim Financial Information for the six months ended 30th September, 2010 have been approved by the Board of Directors and audited by us in terms of our report dated 25th October, 2010. Based on our examination of these Summary Financial Statements, we state that:

i. These have to be read in conjunction with the Significant Accounting Policies and Notes to the Accounts given in Annexure IV and V respectively to this report.

ii. The figures of earlier years / periods have been regrouped (but not restated retrospectively for change in any accounting policy), wherever necessary, to conform to the classification adopted for the Summary Financial Statement as at and for the six months ended 30th September, 2010.

iii. There are no extraordinary items that need to be disclosed separately in the Summary Financial Statements.

iv. There are no qualifications in the auditors' report on the financial statements, that require adjustments to the Summary Financial Statements.

3. **Other Financial Information of the Company:**

We have examined the following information relating to the Company as at and for the years / periods ended 30th September, 2010, 31st March, 2010, 2009, 2008 and 30th June, 2007 proposed to included in the Draft Prospectus as approved by the Board of directors annexed to this report:

i. Significant Accounting Policies on the Summary Financial Statements (Annexure IV)

ii. Significant Notes to Accounts on the Summary Financial Statements (Annexure V)

iii. Related Party Disclosure as at and for the years / periods ended 30th September, 2010, 31st March, 2010, 2009, 2008 and 30th June, 2007 (Annexure VI)

iv. Statement of Accounting Ratios for each of the years / periods ended 30th September, 2010, 31st March 2010, 2009, 2008 and 30th June, 2007 (Annexure VII)

v. Statement of Tax Shelter for the years / periods ended 30th September, 2010, 31st March 2010, 2009, 2008 and 30th June, 2007 (Annexure VIII)

vi. Capitalisation Statement as at 30th September, 2010 (Annexure IX)

vii. Statement of the Dividend for the years / period ended 30th September, 2010, 31st March 2010, 2009, 2008 and 30th June 2007 (Annexure X)

4. Based on our examination of these Summary Financial Statements, we state that in our opinion, the 'Financial Information as per the Audited Financial Statements' and 'Other Financial Information' of the Company mentioned above, as at and for the years / periods ended 30th September, 2010, 31st March, 2010, 2009, 2008 and 30th June, 2007 have been prepared in accordance with Part II B of Schedule II of the Act and the SEBI Regulations.

5. This report should not, in any way, be construed as a reissuance or redating of any of the previous audit reports nor should this be construed as a new opinion on any of the financial statements referred to herein.

6. This report is intended solely for your information and for inclusion in the Letter of Offer, in connection with the Proposed Issue of Secured, Redeemable, Non-Convertible Debentures, having Benefits Under Section 80CCF of the Income Tax Act, 1961 and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Registration No. 117366W)

Sanjiv V. Pilgaonkar
Partner
(Membership No. 39826)

MUMBAI, 17th January, 2011

L&T Infrastructure Finance Company Limited Annexure - I

Statement of Profits, As Audited **(₹ in million)**

	Schedule	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Income						
Operating Income	1	3,083.68	4,487.16	2,945.45	1,059.53	67.63
Other Income	2	7.17	17.07	14.44	43.71	63.81
		3,090.85	**4,504.23**	**2,959.89**	**1,103.24**	**131.44**
Expenditure						
Interest & Other Charges	3	1,561.13	2,456.44	1,629.72	334.49	-
Employee Cost	4	56.78	82.25	62.93	46.26	22.21
Establishment Expenses	5	24.13	26.43	18.79	13.76	11.81
Other Expenses	6	24.79	29.84	29.98	21.89	17.71
Provisions and Contingencies	7	(18.45)	253.60	77.00	-	-
Depreciation / Amortisation		1.13	2.48	1.78	1.25	0.76
		1,649.51	**2,851.04**	**1,820.20**	**417.65**	**52.49**
Profit Before Taxation		**1,441.34**	**1,653.19**	**1,139.69**	**685.59**	**78.95**
Provision for taxation						
Current Tax		447.50	633.00	407.00	226.20	28.60
Deferred Tax Liability / (Assets)		14.20	(93.50)	(32.60)	6.29	0.31
Fringe Benefit Tax		-	0.04	0.70	1.42	0.20
Income Tax for earlier year		-	5.08	-	-	-
Total Tax Expenses		**461.70**	**544.62**	**375.10**	**233.91**	**29.11**
Profit after Taxation		**979.64**	**1,108.57**	**764.59**	**451.68**	**49.84**

L&T Infrastructure Finance Company Limited Annexure - II

Statement of Assets and Liabilities, As Audited

(₹ in million)

		Schedule	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
A	**Fixed Assets**						
	Gross Block	8	14.94	13.86	10.98	8.96	8.17
	Less: Depreciation and amortisation		7.00	5.87	3.78	2.00	0.76
	Net Block		7.94	7.99	7.20	6.96	7.41
B	**Investments**	9	4,250.00	250.00	1,150.00	599.07	2,087.39
C	**Deferred Tax Assets (net)**		105.30	119.50	26.00	-	-
D	**Infrastructure Loans**	10	52,417.66	42,554.39	22,583.47	18,331.81	2,393.12
E	**Current Assets, Loans and Advances**						
	Sundry Debtors	11	-	4.15	-	-	-
	Cash and Bank Balance	12	0.58	50.94	2.20	221.20	566.69
	Other Current Assets	13	292.37	119.36	84.81	27.54	22.29
	Loans and Advances	14	355.07	303.06	244.23	19.66	35.40
			648.02	477.51	331.24	268.40	624.38
F	**Loan Funds**						
	Secured Loans	15	30,724.60	27,467.56	16,712.00	10,400.00	-
	Unsecured Loans	16	14,500.00	4,900.00	1,000.00	3,250.00	-
			45,224.60	32,367.56	17,712.00	13,650.00	-
G	**Deferred Tax Liability (net)**		-	-	-	6.60	0.31
H	**Current Liabilities and Provisions**						
	Current Liabilities	17	1,090.70	911.43	116.57	53.59	55.09
	Provisions	18	8.30	4.72	3.23	6.55	22.08
			1,099.00	916.15	119.80	60.14	77.17
I	**Networth (A+B+C+D+E-F-G-H)**		**11,105.32**	**10,125.68**	**6,266.11**	**5,489.50**	**5,034.82**
	Networth Represented by						
	Sources of Funds						
	Shareholders' Funds						
	Share Capital		6,834.00	6,834.00	5,000.00	5,000.00	2,430.00
	Reserves and Surplus		4,271.32	3,291.68	1,266.11	501.52	49.84
	Share Application Money		-	-	-	-	2,570.00
	Less: Miscellaneous Expenditure to the extent not written off		-	-	-	12.02	15.02
			11,105.32	**10,125.68**	**6,266.11**	**5,489.50**	**5,034.82**

Annexure - III

L&T Infrastructure Finance Company Limited
Statement of Cash Flows, As Audited

(₹ in million)

		Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
A	**Cash flow from operating activities**					
	Profit Before Taxation	1,441.34	1,653.19	1,139.69	685.59	78.95
	Adjustment for:					
	Depreciation / Amortisation	1.13	2.48	1.78	1.25	0.76
	Provision for Compensated Absences	3.15	0.77	1.28	0.48	0.22
	Provision for gratuity	0.44	0.72	0.59	0.54	0.12
	Loss on sale of assets	-	0.33	0.00	0.03	-
	Share issue expenses written off	-	-	12.02	3.01	5.01
	Profit on sale of current investments	-	(0.78)	-	(35.48)	(62.39)
	Dividend on current investments	(6.28)	(15.74)	(14.40)	(5.30)	(0.28)
	Interest on Bank Deposits	(0.89)	(0.09)	(0.04)	(2.93)	(1.14)
	Interest on Income Tax Refund	-	(0.45)	-	-	-
	Provision on Standard Assets	(43.60)	174.60	77.00	-	-
	Provision on Non Performing Assets	25.15	79.00	-	-	-
	Operating profit before working capital changes:	**1,420.44**	**1,894.03**	**1,217.92**	**647.19**	**21.25**
	Adjustment for :					
	Infrastructure Loans disbursed (net of repayment)	(9,844.82)	(20,224.52)	(4,328.66)	(15,938.69)	(2,393.12)
	Subscription of Cumulative Convertible Debentures	(750.00)	-	-	-	-
	Subscription of Preference Shares	(2,250.00)	-	-	-	-
	(Increase) / Decrease in Sundry Debtors	4.15	(4.15)	-	-	-
	(Increase) / Decrease in loans and advances	(181.27)	(31.17)	(9.10)	15.87	(31.68)
	Increase in other current assets	(173.04)	(34.45)	(57.23)	(6.19)	(22.29)
	Decrease in trade and other payables	179.15	795.33	62.50	(1.29)	54.87
	Cash generated from operations	**(11,595.39)**	**(17,604.93)**	**(3,114.57)**	**(15,283.11)**	**(2,370.97)**
	Direct taxes paid	(318.25)	(665.33)	(628.37)	(244.31)	(9.83)
	Net cash flow from operating activities	**(11,913.64)**	**(18,270.26)**	**(3,742.94)**	**(15,527.42)**	**(2,380.80)**
B.	**Cash flows from investing activities**					
	Purchase of fixed assets (Net of corresponding liabilities)	(0.95)	(4.09)	(1.56)	(1.08)	(7.96)
	Sale of fixed assets	-	-	0.03	0.04	-
	Purchase of current investments (including Term Deposits for a period of greater than 3 months)	(14,082.45)	(23,040.26)	(11,293.02)	(15,363.24)	(6,195.75)
	Sale of current investments	14,082.45	23,941.05	10,742.08	17,136.55	4,170.75
	Investment in equity shares	(500.28)	-	-	(250.00)	-
	Investment in Cumulative Convertible Debentures	(499.72)	-	-	-	-
	Dividend received on current investments	6.28	15.74	14.40	5.30	0.28
	Interest on Bank Deposits	0.91	0.01	-	3.86	0.20
	Net cash from (used in) investing activities	**(993.76)**	**912.45**	**(538.07)**	**1,531.43**	**(2,032.48)**

(₹ in million)

		Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
C.	**Cash flows from financing activities**					
	Proceeds from Issue of Share Capital (including Share Premium)	-	2,751.00	-	-	2,430.00
	Share Application Money	-	-	-	-	2,570.00
	Share Issue Expenses	-	-	-	-	(20.03)
	Proceeds from Borrowings (net of repayment)	12,857.04	14,655.55	4,062.01	13,650.00	-
	Net cash generated (used in) financing activities	**12,857.04**	**17,406.55**	**4,062.01**	**13,650.00**	**4,979.97**
	Net Decrease in cash and cash equivalents (A+B+C)	(50.36)	48.74	(219.00)	(345.99)	566.69
	Cash and cash equivalents as at beginning of the year / period (Refer note below)	50.44	1.70	220.70	566.69	-
	Cash and cash equivalents as at end of the year / period (Refer note below)	0.08	50.44	1.70	220.70	566.69
	Note:					
	Cash and Bank Balance as at end of the year / period	0.58	50.94	2.20	221.20	566.69
	Less: Term Deposits for a period of greater than 3 months	0.50	0.50	0.50	0.50	-
	Cash and cash equivalents as at end of the year / period	0.08	50.44	1.70	220.70	566.69
	Composition of Cash and Cash Equivalents					
	Cash on Hand	0.00	0.01	0.01	0.01	0.00
	Balances with Schedule Bank :					
	- In Current Account	0.08	0.43	1.69	220.69	0.19
	- In Fixed Deposit Account (maturity upto 3 months)	-	50.00	-	-	566.50
	- In Fixed Deposit Account (maturity exceeding 3 months)	0.50	0.50	0.50	0.50	-
	Total	**0.58**	**50.94**	**2.20**	**221.20**	**566.69**

L&T Infrastructure Finance Company Limited

Schedules to the Statement of Profits, As Audited

SCHEDULE 1

Operating Income (₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Interest on Infrastructure loans	2,952.96	4,391.92	2,877.82	854.79	49.51
Upfront Income	-	-	-	172.28	15.52
Interest on Debentures	12.00	-	-	-	-
Fees	118.72	95.24	67.63	32.46	2.60
	3,083.68	**4,487.16**	**2,945.45**	**1,059.53**	**67.63**

SCHEDULE 2

Other Income (₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Interest on Bank Deposits	0.89	0.09	0.04	2.93	1.14
Profit on sale of Current Investments	-	0.79	-	35.48	62.39
Dividend Income on Current Investments	6.28	15.74	14.40	5.30	0.28
Interest on Income Tax Refund	-	0.45	-	-	-
	7.17	**17.07**	**14.44**	**43.71**	**63.81**

SCHEDULE 3

Interest & Other Charges (₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Interest on Term Loans	706.53	1,721.81	1,354.05	280.00	-
Interest on Bank Overdraft	11.82	13.14	88.61	13.88	-
Interest on Debentures	688.58	664.01	161.78	33.30	-
Other Interest	142.39	3.45	0.05	0.92	-
Other Charges	11.81	54.03	25.23	6.39	-
	1,561.13	**2,456.44**	**1,629.72**	**334.49**	**-**

L&T Infrastructure Finance Company Limited
Schedules to the Statement of Profits, As Audited

SCHEDULE 4

Employee Cost (₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year Ended 31.03.2010	Year Ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Salaries	47.82	61.71	44.63	33.70	14.51
Contribution to Provident Fund	2.00	3.39	2.31	1.63	0.57
Staff Gratuity	0.44	0.72	0.59	0.54	0.12
Staff Welfare	1.82	4.77	4.25	2.35	1.74
Reimbursement of Staff Cost	4.70	11.66	11.15	8.04	5.27
	56.78	**82.25**	**62.93**	**46.26**	**22.21**

SCHEDULE 5

Establishment Expenses (₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year Ended 31.03.2010	Year Ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Rent	22.08	24.16	16.54	12.50	10.96
Electricity Charges	0.31	0.41	0.74	0.62	0.26
Property Maintenance	1.74	1.86	1.51	0.64	0.59
	24.13	**26.43**	**18.79**	**13.76**	**11.81**

L&T Infrastructure Finance Company Limited
Schedules to the Statement of Profits, As Audited

SCHEDULE 6
Other Expenses (₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year Ended 31.03.2010	Year Ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Telephone, Postage and Courier	0.87	1.54	1.18	1.17	0.57
Printing & Stationery	0.94	1.40	0.71	0.55	0.30
Membership & Subscription	2.11	2.69	1.84	0.79	0.62
Insurance	-	0.01	0.02	-	-
Training and Conference	0.50	1.06	1.00	0.11	0.59
Travelling and Conveyance	3.33	5.57	4.41	2.57	1.99
Advertising & Publicity	4.84	-	-	-	-
Professional Fees	8.84	12.16	3.29	11.77	5.42
Auditors' Remuneration	1.01	1.05	0.56	0.35	0.20
Directors' Fees	0.30	0.50	0.42	0.42	0.30
Loss on sale of Fixed Asset	-	0.33	-	0.03	-
Preliminary Expenses	-	-	-	-	0.02
Interest on Filing Fee	-	-	-	-	1.38
Commission & Brokerage	-	-	-	-	0.98
Miscellaneous Expenses	2.05	3.53	4.53	1.12	0.33
Share Issue Expenses written off	-	-	12.02	3.01	5.01
	24.79	**29.84**	**29.98**	**21.89**	**17.71**

SCHEDULE 7
Provisions and Contingencies (₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year Ended 31.03.2010	Year Ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Provision on Standard Assets	(43.60)	174.60	77.00	-	-
Provision for Non Performing Assets	25.15	79.00	-	-	-
	(18.45)	**253.60**	**77.00**	**-**	**-**

L&T Infrastructure Finance Company Limited
Schedules to the Statement of Assets and Liabilities, As Audited

SCHEDULE 8

Fixed Assets

(₹ in million)

Description	Gross Block					Accumulated Depreciation					Net Book Value				
	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Tangible															
Computers	7.85	7.12	6.44	6.00	5.55	3.69	3.08	2.21	1.19	0.44	4.16	4.04	4.23	4.81	5.11
Furniture & Fittings	0.84	0.72	0.65	0.34	0.25	0.36	0.28	0.17	0.13	0.12	0.48	0.44	0.48	0.21	0.13
Office Equipment	2.03	1.93	1.07	1.00	0.75	0.17	0.13	0.16	0.11	0.05	1.86	1.80	0.91	0.89	0.70
Intangible															
Software	4.22	4.09	2.82	1.62	1.62	2.78	2.38	1.24	0.57	0.15	1.44	1.71	1.58	1.05	1.47
	14.94	**13.86**	**10.98**	**8.96**	**8.17**	**7.00**	**5.87**	**3.78**	**2.00**	**0.76**	**7.94**	**7.99**	**7.20**	**6.96**	**7.41**

L&T Infrastructure Finance Company Limited
Schedules to the Statement of Assets and Liabilities, As Audited

SCHEDULE 9

Investments					**(₹ in million)**
	As at 30.09.2010	**As at 31.03.2010**	**As at 31.03.2009**	**As at 31.03.2008**	**As at 30.06.2007**
Long Term, Non Trade, Unquoted					
Equity Shares	750.28	250.00	250.00	250.00	-
Compulsory Convertible Debentures	1,249.72	-	-	-	-
Cumulative Redeemable Preference Shares	2,250.00	-	-	-	-
Current Investment, Non Trade, Unquoted					
Units of Mutual Funds	-	-	900.00	349.07	2,087.39
	4,250.00	**250.00**	**1,150.00**	**599.07**	**2,087.39**

L&T Infrastructure Finance Company Limited
Schedules to the Statement of Assets and Liabilities, As Audited

SCHEDULE 10

Infrastructure Loans (Secured) **(₹ in million)**

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Loans	52,729.81	42,884.99	22,660.47	18,331.81	2,393.12
Less: Provision on Standard Assets	208.00	251.60	77.00	-	-
Provision on Non Performing Assets	104.15	79.00	-	-	-
	52,417.66	**42,554.39**	**22,583.47**	**18,331.81**	**2,393.12**

SCHEDULE 11

Sundry Debtors **(₹ in million)**

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Considered Good - Less than six months	-	4.15	-	-	-
	-	**4.15**	**-**	**-**	**-**

SCHEDULE 12

Cash and Bank Balance **(₹ in million)**

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Cash on Hand	0.00	0.01	0.01	0.01	-
Balances with Schedule Bank :					
- In Current Account	0.08	0.43	1.69	220.69	0.19
- In Fixed Deposit Account	0.50	50.50	0.50	0.50	566.50
	0.58	**50.94**	**2.20**	**221.20**	**566.69**

L&T Infrastructure Finance Company Limited
Schedules to the Statement of Assets and Liabilities, As Audited

SCHEDULE 13

Other Current Assets (₹ in million)

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Accrued Interest					
- On Infrastructure Loans	262.18	119.23	84.76	27.54	21.35
- On Fixed Deposits	0.11	0.13	0.05	-	0.94
Accrual of Fee Income	30.08	-	-	-	-
	292.37	**119.36**	**84.81**	**27.54**	**22.29**

SCHEDULE 14

Loans and Advances (unsecured, considered good) (₹ in million)

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Deposits	15.53	3.64	11.43	10.83	11.70
Advances Recoverable in Cash or Kind	223.20	53.84	14.42	5.92	20.92
Advance Payment of Income Tax (Net)	116.15	245.39	218.25	2.78	2.78
Advance Payment of Fringe Benefit Tax (Net)	0.19	0.19	0.13	0.13	-
	355.07	**303.06**	**244.23**	**19.66**	**35.40**

SCHEDULE 15

Secured Loans (₹ in million)

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Term Loan from Banks	13,550.00	14,558.30	13,546.60	9,400.00	-
Bank Overdraft	1,374.60	2,359.26	2,165.40	-	-
Secured Redeemable Non Convertible Debentures	15,800.00	10,550.00	1,000.00	1,000.00	-
	30,724.60	**27,467.56**	**16,712.00**	**10,400.00**	**-**

SCHEDULE 16

(₹ in million)

Unsecured Loans

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Long Term:					
Term Loan from Ultimate Holding Company	1,500.00	1,500.00	-	-	-
Short Term:					
Term Loan from Banks	1,000.00	1,000.00	-	3,250.00	-
Unsecured Redeemable Non Convertible Debentures	-	850.00	-	-	-
Commercial Paper	12,000.00	1,550.00	1,000.00	-	-
	14,500.00	**4,900.00**	**1,000.00**	**3,250.00**	**-**

L&T Infrastructure Finance Company Limited
Schedules to the Statement of Assets and Liabilities, As Audited

SCHEDULE 17

Current Liabilities **(₹ in million)**

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Sundry Creditors: - other than Micro, Small and Medium Enterprises					
For Expenses	17.45	35.48	18.28	36.20	40.43
For Capital Goods	0.13	-	0.49	-	0.22
	17.58	35.48	18.77	36.20	40.65
Interest Accrued but not Due	637.68	486.10	3.32	3.40	-
Advance from Customers	2.28	5.29	2.97	-	-
Income Received in Advance	241.71	203.33	89.46	-	-
Other Liabilities	191.45	181.23	2.05	13.99	14.44
	1,090.70	**911.43**	**116.57**	**53.59**	**55.09**

SCHEDULE 18

Provisions **(₹ in million)**

	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008	As at 30.06.2007
Gratuity	2.41	1.97	1.25	0.66	0.12
Compensated Absences	5.89	2.75	1.98	0.70	0.22
Income Tax (Net)	-	-	-	5.19	21.72
Fringe Benefit Tax (Net)	-	-	-	-	0.02
	8.30	**4.72**	**3.23**	**6.55**	**22.08**

Annexure - IV

SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements are prepared under the historical cost convention on an accrual basis of accounting in accordance with the generally accepted accounting principles, Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 and the relevant provisions thereof along with the applicable guidelines issued by Reserve Bank of India ("RBI").

B. Use of Estimate

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during the reporting period. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates.

C. Tangible and Intangible Fixed Assets

Tangible fixed assets are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated depreciation.

Intangible fixed assets comprising of software are stated at cost of acquisition, including any cost attributable for bringing the asset to its working condition, less accumulated amortisation. Any expenses on such software for support and maintenance payable annually are charged to the revenue account.

D. Investments

The Company being regulated as a Non Banking Financial Company (NBFC) by the RBI, investments are classified under two categories i.e. Current and Long Term and are valued in accordance with the RBI guidelines and the Accounting Standard (AS) 13 on 'Accounting for Investments'.

'Long Term Investments' are carried at acquisition / amortised cost. A provision is made for diminution other than temporary on an individual basis.

'Current Investments' are carried at the lower of cost and fair value on an individual basis.

E. Advances

Advances are classified under four categories i.e. (i) Standard Assets, (ii) Sub-standard Assets, (iii) Doubtful Assets and (iv) Loss Assets in accordance with the RBI guidelines.

In respect of Loans and Debentures / Bonds in the nature of an advance, where interest is not serviced, provision for diminution is made as per the parameter applicable to Non-Performing Advances.

Provision on restructured advances is made in accordance with the guidelines issued by the RBI.

Provision on Standard Assets is made as per the provisioning policy of the Company or where additional specific risks are identified by the Management, based on such identification.

F. Foreign Currency Transactions, Forward Contracts and Derivatives

Foreign currency transactions are accounted at the exchange rates prevailing on the date of each transaction. Foreign currency monetary items outstanding as at the Balance Sheet date are reported using the closing rate. Gains and losses resulting from the settlement of such transactions and translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.

Premium in respect of forward contracts is charged to revenue over the period of the contract. Forward contracts outstanding as at the Balance Sheet date are revalued at the closing rate.

G. Revenue Recognition

(a) Revenue is recognised to the extent that it is 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.
(b) Interest from interest-bearing assets is recognised on an accrual basis over the life of the asset based on the constant effective yield. The effective interest is determined on the basis of the terms of the cash flows under the contract including related fees, premiums, discounts or debt issuance costs, if any.
(c) Revenue from the various services the Company render are recognised when the following criteria are met: persuasive evidence of an arrangement exists, the services have been rendered, the fee or commission is fixed or determinable, and collectability is reasonably assured.
(d) Dividend is accounted when the right to its receipt is established.

H. Employee Benefits

Defined–Contribution Plans

The Company offers its employee defined contribution plans in the form of provident fund and family pension fund. Provident fund and family pension funds cover substantially all regular employees. Contributions are paid during the year into separate funds under certain fiduciary-type arrangements. Both the employees and the Company pay predetermined contributions into provident fund and family pension fund. The contributions are normally based on a certain proportion of the employee's salary.

Defined–Benefits Plans

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers substantially all regular employees. The gratuity scheme is not funded. Commitments are actuarially determined at year-end. On adoption of the revised Accounting Standard (AS) 15 on "Employee Benefits", actuarial valuation is based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to Profit and Loss Account.

Other Employee Benefits

Compensated Absences which accrue to employees and which can be carried to future periods but are expected to be encashed or availed in the 12 months immediately following the year end are reported as expense during the year in which the employees perform services that the benefit covers and the liabilities are reported at the undiscounted amount of the benefit after deducting amounts already paid.

Where there are restrictions on availment / encashment of such benefits or where the availment is otherwise not expected to wholly occur in the next 12 months, the liability on account of the benefits is actuarially determined using the Projected Unit Credit method.

I. Depreciation and Amortisation

- Tangible Assets

Depreciation on fixed assets is provided using the straight line method, at the rates prescribed in Schedule XIV of the Companies Act, 1956. Depreciation on additions during the year is provided on a pro-rata basis. Assets costing less than Rs. 5,000 each are fully depreciated in the year of capitalisation.

- Intangible Assets

Licenses for computer software are amortised over the estimated useful life not exceeding 3 years.

J. Impairment of assets

Tangible fixed assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's net selling price or its value in use.

K. Operating Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Profit and Loss Account, on a straight line basis, over the lease term.

L. Taxes on Income

Current tax is determined as the amount of tax payable in respect of taxable income for the year as determined in accordance with the provision of Income Tax Act, 1961.

Deferred tax is recognised on timing differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognised with regard to all deductible timing differences to the extent it is probable that taxable profit will be available against which deductible timing differences can be utilised. When the Company carries forward unabsorbed tax losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty backed by convincing evidence that sufficient future taxable income will be available against which deferred tax assets can be realised. The carrying amounts of deferred tax assets are reviewed at each Balance Sheet date and reduced by the extent that it is no longer probable that sufficient taxable profit will be available to allow all or a part of the deferred tax asset to be utilised.

M. Provisions, Contingent liabilities and Contingent assets

A provision is recognised when the Company has a present legal or constructive obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which reliable estimate can be made. Provisions are not discounted to their present values and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities and assets are not recognised.

N. Cash Flow Statement

The Cash Flow Statement is prepared in accordance with indirect method as explained in the Accounting Standard on Cash Flow Statements (AS) 3.

O. Cash and Cash Equivalents

Cash and Bank Balances that have insignificant risk of change in value, which have durations up to three months, are included in cash and cash equivalents in the Cash Flow Statement.

P. Share Issue Expenses

Share issue expenses are charged off to the Profit & Loss Account in the year in which they are incurred.

Annexure – V

THE SIGNIFICANT NOTES TO ACCOUNTS ANNEXED TO THE STATEMENT OF PROFITS, AS AUDITED FOR THE SIX MONTH ENDED 30 SEPTEMBER 2010, FOUR FINANCIAL YEARS/ PERIODS ENDED 31 MARCH 2010, 2009, 2008 AND 30 JUNE 2007 AND THE STATEMENT OF ASSETS AND LIABILITIES, AS AUDITED AS AT 30 SEPTEMBER 2010, 31 MARCH 2010, 2009, 2008 AND 30 JUNE 2007.

1. Contingent liabilities not provided for:

					(₹ in million)
	As at 30.09.2010	**As at 31.03.2010**	**As at 31.03.2009**	**As at 31.03.2008**	**As at 30.06.2007**
Income Tax Matters in dispute	0.50	0.50	-	-	-
Non fund based exposure	*3,981.28	-	-	-	-

*Against margin money collected ₹183.78 million.

2. The Company's main business is to provide finance for infrastructure projects. All other activities revolve around the main business. Further, all activities are carried out within India. As such, there are no separate reportable segments as per the provisions of Accounting Standard (AS) 17 on 'Segment Reporting'.

3. Secured term loans from Banks and Bank Overdrafts are secured by hypothecation of specific receivables. Details of amounts due within a year in respect of borrowings are given below:

(i) Term Loans from Banks and Bank Overdrafts - Secured

					(₹ in million)
	As at 30.09.2010	**As at 31.03.2010**	**As at 31.03.2009**	**As at 31.03.2008**	**As at 30.06.2007**
Amounts due within a year in respect of secured term loan from banks and bank overdrafts aggregate	2,737.01	3,775.80	1,887.40	3,733.00	-

(ii) Term Loans from Banks - Unsecured

					(₹ in million)
	As at 30.09.2010	**As at 31.03.2010**	**As at 31.03.2009**	**As at 31.03.2008**	**As at 30.06.2007**
Amounts due within a year in respect of unsecured term loan from banks aggregate	1,000.00	1,000.00	-	3,250.00	-

4. Secured, Redeemable Non Convertible Debentures:

As at 30th September, 2010

Series	Face Value per debenture (₹in million)	Amount (₹ in million)	Interest Rate (%) – annual	Date of Maturity
Series "F" of 2008-09	1.00	1,000.00	10.15%	26-Mar-2013 or on exercise of put or call option at the end of 3 years from the date of allotment
Series "A" of 2009-10	1.00	1,800.00	9.00%	1-Jun-2012
Series "B" of 2009-10	1.00	750.00	8.75%	28-Jun-2011
Series "C" of 2009-10	1.00	1,500.00	8.75%	8-Jul-2011
Series "D" of 2009-10	1.00	1,250.00	NSE MIBOR + 600 BPS (Floating), with a floor rate of 8.20% and cap of 8.25%	5-Aug-2011
Series "E" of 2009-10	1.00	1,250.00	NSE MIBOR + 600 BPS (Floating), with a floor rate of 8.25% and cap of 8.30%	5-Sep-2011
Series "G" of 2009-10	1.00	1,000.00	8.15%	17-May-2011
Series "K" of 2009-10	1.00	2,000.00	7.50%	2-Feb-2012
Series "A "of 2010-11	1.00	750.00	8.91%	16-Apr-2012
Series "B "of 2010-11	1.00	750.00	8.91%	16-Apr-2013
Series "C "of 2010-11	1.00	750.00	8.91%	16-Apr-2014
Series "D "of 2010-11	1.00	750.00	8.91%	16-Apr-2015
Series "E "of 2010-11	1.00	750.00	8.91%	16-Apr-2016
Series "F "of 2010-11	1.00	750.00	8.91%	16-Apr-2017
Series "G "of 2010-11	1.00	750.00	8.91%	16-Apr-2018
		15,800.00		

Security: The Debentures are secured by mortgage of an immoveable property created under the terms of an operating lease arrangement and hypothecation of specific receivables.

As at 31st March, 2010

Series	Face Value per debenture (₹in million)	Amount (₹ in million)	Interest Rate (%) – annual	Date of Maturity
Series "F" of 2008-09	1.00	1,000.00	10.15%	26-Mar-2013 or on exercise of put or call option at the end of 3 years from the date of allotment
Series "A" of 2009-10	1.00	1,800.00	9.00%	1-Jun-2012
Series "B" of 2009-10	1.00	750.00	8.75%	28-Jun-2011
Series "C" of 2009-10	1.00	1,500.00	8.75%	8-Jul-2011
Series "D" of 2009-10	1.00	1,250.00	NSE MIBOR + 600 BPS (Floating), with a floor rate of 8.20% and cap of 8.25%	5-Aug-2011
Series "E" of 2009-10	1.00	1,250.00	NSE MIBOR + 600 BPS (Floating), with a floor rate of 8.25% and cap of 8.30%	5-Sep-2011
Series "G" of 2009-10	1.00	1,000.00	8.15%	17-May-2011
Series "K" of 2009-10	1.00	2,000.00	7.50%	2-Feb-2012
		10,550.00		

Security: The Debentures are secured by mortgage of an immoveable property created under the terms of an operating lease arrangement and hypothecation of specific receivables.

As at 31st March, 2009 and 31st March, 2008

Series	Face Value per debenture (₹in million)	Amount (₹ in million)	Interest Rate (%) – annual	Date of Maturity
Series "F" of 2008-09	1.00	1,000.00	10.15%	26-Mar-2013 or on exercise of put or call option at the end of 3 years from the date of allotment
		1,000.00		

Security: The Debentures are secured by mortgage of an immoveable property created under the terms of an operating lease arrangement and hypothecation of specific receivables.

5. The Company holds certain premises under operating leases.

Particulars	(₹ in million)				
	Period from 01.04.2010 to 30.09.2010	**Year ended 31.03.2010**	**Year ended 31.03.2009**	**Period from 01.07.2007 to 31.03.2008**	**Period from 18.04.2006 to 30.06.2007**
Amount included as a part of rent	22.08	24.16	16.54	12.50	10.96

The committed lease rentals in the future are:

Particulars	(₹ in million)				
	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Not later than one year	25.95	21.38	9.40	14.40	16.56
Later than one year and not later than five years	33.72	10.45	0.20	8.13	20.30

6. The Company has recognised for deferred tax assets arising on account of timing differences. The major components of deferred tax assets and liabilities arising on account of timing differences are:

Component	(₹ in million)									
	As at 30.09.2010*		As at 31.03.2010*		As at 31.03.2009*		As at 31.03.2008		As at 30.06.2007	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Depreciation		1.15		1.18		1.28		1.05		0.42
Provision on Standard Assets	69.10		83.58		26.17					
Provision on Non Performing Assets	34.60		26.24							
Others	2.75		10.86		1.11		0.46	6.01	0.11	
	106.45	**1.15**	**120.68**	**1.18**	**27.28**	**1.28**	**0.46**	**7.06**	**0.11**	**0.42**
Net Deferred Tax Asset / liability	**105.30**		**119.50**		**26.00**			**6.60**		**0.31**

*No deferred tax liability has been recognised on Special Reserve created under section 36(1)(viii) of the Income Tax Act, 1961 based on the Management's evaluation that the possibility of withdrawal there from is remote.

7. Earning per share ("EPS") has been computed in accordance with the Accounting Standard (AS) 20:

Particulars	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Profit after tax as per Profit and Loss account **(₹ in million)**	979.64	1,108.57	764.59	451.68	49.84
Number of Equity shares	683,400,000	683,400,000	500,000,000	500,000,000	243,000,000
Weighted average number of equity shares for computation of Basic Earning per share	683,400,000	501,507,397	500,000,000	470,094,545	58,530,296
Nominal Value of Shares (₹)	10	10	10	10	10
Basic Earning per share (₹)	**1.43***	**2.21**	**1.53**	**0.96***	**0.85***
Weighted average number of equity shares for computation of Diluted Earning per share	683,400,000	501,507,397	500,000,000	470,094,545	87,309,339
Diluted Earning per share (₹)	**1.43***	**2.21**	**1.53**	**0.96***	**0.57***

* Not annualised

8. Auditors' Remuneration

Particulars	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
					(₹ in million)
Audit Fees	0.55	0.60	0.30	0.20	0.10
Tax Audit Fees	-	0.20	0.10	0.10	0.08
Other Service	0.46	0.25	0.16	0.05	0.02
	1.01	**1.05**	**0.56**	**0.35**	**0.20**

Net of Service Tax set off

9. Managerial Remuneration

The reimbursement of staff cost are towards amounts paid by Larsen & Toubro Limited (the "Ultimate Holding Company") to the Manager of the Company as remuneration as given below. There are no reimbursements in respect of gratuity or other employee benefits if any which are determined actuarially for the entity as whole (i.e. ultimate holding company) and figures in respect of individual employees are not available.

Particulars	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
					(₹ in million)
Salary & Allowances	1.52	4.49	4.43	3.01	2.32
Contribution to provident fund	0.10	0.20	0.20	0.14	0.17
Total	1.62	4.69	4.63	3.15	2.49

10. Employee Benefits

I. Defined-Contribution Plans

The Company offers its employee defined contribution plans in the form of provident fund and family pension fund. Provident fund and family pension funds cover substantially all regular employees. Contributions are paid during the year into separate funds under certain fiduciary-type arrangements. Both the employees and the Company pay predetermined contributions into provident fund and family pension fund. The contributions are normally based on a certain proportion of the employee's salary. The Company has recognised the following amounts as expenses being contributions towards provident fund and family pension fund in the Profit & Loss Account as follows:

Particulars	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
					(₹ in million)
Charges for Provident Fund contribution	2.00	3.38	2.31	1.63	0.57

II. Defined-Benefit Plans

The Company offers its employees defined-benefit plans in the form of a gratuity scheme (a lump sum amount). Benefits under the defined benefit plans are typically based on years of service and the employee's compensation (generally immediately before retirement). The gratuity scheme covers substantially all regular employees. The gratuity scheme is not funded. Commitments are actuarially determined at year-end. On adoption of the revised Accounting Standard (AS) 15 on "Employee Benefits", actuarial valuation is based on "Projected Unit Credit" method. Gains and losses of changed actuarial assumptions are charged to Profit and Loss Account. The following tables set out the amounts recognised in the Company's financial statements as at respective dates in respect of Gratuity benefits; the liability recognised as at 31st March, 2010 based on an actuarial valuation has been updated for the quarter ended 30th June 2010.

a) The amounts recognised in the balance sheet are as follows:

Particulars	(₹ in million)			
	As at 30.09.2010	**As at 31.03.2010**	**As at 31.03.2009**	**As at 31.03.2008**
Present Value of Funded Obligations	-	-	-	-
Fair Value of Plan Assets	-	-	-	-
Present Value of Unfunded Obligations	2.95	1.97	1.25	0.66
Unrecognised Past Service Cost	0.54	-	-	-
Amount not Recognised as an Asset (limit in Para 59 (b)	-	-	-	-
Net Liability	2.41	1.97	1.25	0.66
Amounts in Balance Sheet	-	-	-	-
Liability	2.41	1.97	1.25	0.66
Assets	-	-	-	-
Net Liability	2.41	1.97	1.25	0.66

b) The amounts recognised in the Profit & Loss Account are as follows:

Particulars	(₹ in million)			
	Year ended 1.04.2010 to 30.09.2010	**Year ended 31.03.2010**	**Year ended 31.03.2010**	**Period from 01.07.2007 to 31.03.2008**
Current Service Cost	0.34	0.60	0.68	0.40
Interest on Defined Benefit Obligation	0.11	0.14	0.10	0.04
Expected Return on Plan Assets	-	-	-	-
Net Actuarial Losses/(Gains) recognised in the Year	(0.01)	(0.02)	(0.19)	0.10
Past Service Cost	-	-	-	-
Losses/(Gains) on "Curtailments & Settlements"	-	-	-	-
Losses/(Gains) on "Acquisition/Divestiture"	-	-	-	-
Effects of the limit in Para 59(b)	-	-	-	-
Total, included in "Employee Benefit Expense"	**0.44**	**0.72**	**0.59**	**0.54**
Actual Return on Plan Assets	-	-	-	-

c) Reconciliation of Benefit Obligation & Plan Assets for the year/ period:

Particulars	(₹ in million) As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Change in Defined Benefit Obligation				
Opening Defined Benefit Obligation	1.97	1.25	0.66	0.12
Current Service Cost	0.34	0.60	0.68	0.39
Interest Cost on Defined Benefit Obligation	0.11	0.14	0.10	0.04
Actuarial Losses/(Gain) recognised	(0.01)	(0.02)	(0.19)	0.11
Unrecognised Past Service Cost - to be recognised over the balance vesting period.	0.54	-	-	-
Actuarial Losses/(Gain) due to "Curtailment & Settlements"	-	-	-	-
Liabilities Extinguished on "Settlements"	-	-	-	-
Liabilities assumed on Acquisition/(Settled on Divestiture)	-	-	-	-
Exchange Difference on Foreign Plans	-	-	-	-
Benefits Paid	-	-	-	-
Closing Defined Benefit Obligation	2.95	1.97	1.25	0.66
Change in Fair Value of Plan Assets				
Opening Fair Value of Plan Assets	-	-	-	-
Expected Return on Plan Assets	-	-	-	-
Actuarial Gain / (Losses)	-	-	-	-
Assets Distributed on Settlements	-	-	-	-
Contributions by Employer	-	-	-	-
Assets Acquired on Acquisition / Distributed on Divestiture	-	-	-	-
Exchange Difference on Foreign Plans	-	-	-	-
Benefits Paid	-	-	-	-
Closing Fair Value of Plan Assets	-	-	-	-

d) Experience Adjustment

Particulars	(₹ in million) As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Defined Benefit Obligation	2.95	1.97	1.25	0.66
Plan Assets	-	-	-	-
Surplus / (Deficit)	(2.95)	(1.97)	(1.25)	(0.66)
Experience Adjustments on Plan Liabilities	(0.06)	(0.28)	(0.25)	0.05
Experience Adjustments on Plan Assets	-	-	-	-

e) Financial Assumptions at the valuation date

Particulars	As at 30.09.2010	As at 31.03.2010	As at 31.03.2009	As at 31.03.2008
Discount Rate (per annum)	8.30%	8.40%	7.50%	7.80%
Expected Rate of Return on Assets (per annum)	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Salary Escalation Rate (per annum)	7.00%	7.00%	7.00%	7.00%
Mortality Rate	Published rates under the LIC (1994-96) mortality tables.	Published rates under the LIC (1994-96) mortality tables.	Published rates under the LIC (1994-96) mortality tables.	Published rates under the LIC (1994-96) mortality tables.

The estimates of future salary increases, considered in the actuarial valuation, take account of inflation, seniority, promotion and other relevant factors. The above information is certified by an actuary.

The Revised (AS) 15 was implemented from the period ended on 31.03.2008. The impact of Revised (AS) 15 for the period ended on 30th June, 2007 is not material, hence adjustment and disclosure are not made.

The contributions expected to be made by the Company during the financial year 2011-12 amounts to Rs. 1.13 million. (financial year 2010-11 : ₹ 0.90 million)

11. During the financial year 2009-10, in respect of a loan classified as a part of "Non Performing Assets", the Company invoked pledge of 6,946,000 equity shares in the borrower company, pledged with it as collateral by the borrower. Out of said equity shares, 28,000 nos. were sold upto 30.09.2010 and the proceeds were adjusted against the interest and related costs outstanding against the said loan. As and when the balance shares are sold, the proceeds would be adjusted against the overdue portion of the loan remaining outstanding.

12. Financial assistance provided through subscription of Compulsorily Convertible Debentures and Cumulative Redeemable Preference Shares aggregating ₹ 3,000 million, although classified as a part of Investments in the Balance Sheet as at 30th September, 2010, has been grouped as a part of Operating Cash Flow Statement for the six months ended on that date such assistance forms a part of the main revenue producing activities of the Company.

13. Till the period ended 31st March, 2008, interest was computed on the basis of contractual interest rate and income on processing of loans was recognised upon clearance of disbursement memorandum. During the year ended 31st March, 2009, the Company had modified the basis of recognising revenues from interest bearing assets. Based on the guidance provided in Accounting Standard (AS) 30 on Financial Instruments: Recognition and Measurement, the Company had based its income recognition on interest bearing assets and had used the effective interest rate in place of the contractual rate. In determining the effective interest rate, cash flows are estimated taking into consideration all contractual terms including fees received, transaction costs, and other premiums or discounts, if any. Thus, with effect from 1st April, 2008, income is amortised over the expected life of the related instrument through the application of a constant effective yield on the instrument. If the present policy would have been there since the period from 18.04.2006 to 30.06.2007, the effect on profit before tax would have been as under:

(₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Adjustments on account of change in accounting policies :					
Accounting for recognition of interest income on loans	8.05	43.22	96.03	(155.13)	(15.44)

14. During the period from 18 April, 2006 to 30 June, 2007, the Company had incurred miscellaneous expenditure in the nature of Share issue Expenses. This expenditure was being amortised over a period of five years as per the Company's accounting policy prevailing at that point of time. In 2008-09, the Company changed its accounting policy to write-off the share issue expenditure in the year in which it is incurred. If the present policy would have been there since the period from 18.04.2006 to 30.06.2007, the effect on profit before tax would have been as under:

(₹ in million)

	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 01.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Adjustments on account of change in accounting policies :					
Accounting for miscellaneous expenditure	-	-	12.02	3.01	(15.03)

15. Special Reserves have been created in terms of Section 36(1)(viii) of the Income Tax Act, 1961 and Section 45-IC of the Reserve Bank of India Act, 1934 out of distributable profits of the Company. Appropriation to these reserves are made annually.

L&T Infrastructure Finance Company Limited (Unconsolidated)

Annexure - VI

RELATED PARTY DISCLOSURES

As per the Accounting Standard (AS) 18 on 'Related Party Disclosures' the related parties, nature and volume of transactions carried out with them in the ordinary course of business are as follows:

(₹ in million)

Name of the Party	Relationship	Nature of Transaction	Expense / (Income) Payment / (Receipt) For the year / period ended					Receivable / (Payable) Balance o/s As at				
			30-09-2010	31-03-2010	31-03-2009	31-03-2008	30-06-2007	30-09-2010	31-03-2010	31-03-2009	31-03-2008	30-06-2007
L&T Finance Holdings Ltd. (Previously known as L&T Capital Holdings Ltd.)	Holding Company (w.e.f. 31.03.2009)	Equity Shares Issued (including Share Premium)	-	- (2751.00)	-	-	-	-	-	-	-	-
Larsen & Toubro Ltd.	Holding Company (up to 30.03.2009) Ultimate Holding Company (w.e.f. 31.03.2009)	Equity Shares issued	-	-	-	-	- (2430.00)	-	-	-	-	-
		Share Application Money (converted into equity shares during 2007-08)	-	-	-	-	- (2570.00)	-	-	-	-	-
		Inter Corporate Deposit (Received) / Paid	500.00 (500.00)	- (1500.00)	1750.00 (1750.00)	120.00 (120.00)	-	(1500.00)	- (1500.00)	-	-	-
		Secured Debentures issued	-	- (2000.00)	-	-	-	(2000.00)	(2000.00)	-	-	-
		Interest on Inter Corporate Deposit	56.51	28.67	9.51	0.23	-	-	-	-	-	-
		Interest on secured debentures	75.21	23.84	-	-	-	-	-	-	-	-
		Fringe Benefit Tax reimbursed	-	-	-	1.05	-	-	-	-	-	-
		Purchase of Computers	-	-	-	-	0.47	-	-	-	-	-

L&T Infrastructure Finance Company Limited (Unconsolidated)

(₹ in million)

Name of the Party	Relationship	Nature of Transaction	Expense / (Income) Payment / (Receipt) For the year / period ended					Receivable / (Payable) Balance o/s As at				
			30-09-2010	31-03-2010	31-03-2009	31-03-2008	30-06-2007	30-09-2010	31-03-2010	31-03-2009	31-03-2008	30-06-2007
Larsen & Toubro Ltd	Holding Company (up to 30.03.2009) Ultimate Holding Company (w.e.f. 31.03.2009)	Rent Deposit	-	-	-	-	10.80	-	-	-	-	-
		Reimbursement of staff cost	4.23	12.87	11.08	7.84	5.27	-	-	-	-	-
		Establishment Expenses	-	-	-	3.60	9.88	-	-	-	-	-
		Other Expenses	2.84	0.84	3.76	1.18	1.98	-	-	-	-	-
		Deputation Cost and Other Expenses Recovered	- (5.80)	- (8.02)	- (5.80)	- (3.13)	- (0.41)	-	-	-	-	-
		Loans & Advances (Deputation cost recoverable)	-	-	-	-	-	5.16	0.83	-	-	-
		Sundry Creditors	-	-	-	-	-	-	-	-	(33.00)	(25.17)
L & T Infrastructure Development Projects Ltd.	Fellow Subsidiary	Share Issue Expenses	-	-	-	-	0.19	-	-	-		
		Deputation Cost and Other Expenses Recovered	(3.72)	(5.30)	(5.69)	(2.47)	(0.36)		-	-		
		Loans & Advances (Deputation Cost Recoverable)	-	-	-	-	-	3.34	-	0.08	2.72	0.36

L&T Infrastructure Finance Company Limited (Unconsolidated)

(₹ in million)

Name of the Party	Relationship	Nature of Transaction	Expense / (Income) Payment / (Receipt) For the year / period ended					Receivable / (Payable) Balance o/s As at				
			30-09-2010	31-03-2010	31-03-2009	31-03-2008	30-06-2007	30-09-2010	31-03-2010	31-03-2009	31-03-2008	30-06-2007
L & T Finance Ltd.	Fellow Subsidiary	Rent Paid	13.34	11.13	0.05	-	-	-	-	-	-	-
		Deputation Cost and Other Expenses Recovered	(1.51)	(5.19)	(1.99)	(1.22)	(0.25)	-	-	-	-	-
		Reimbursement of staff cost	0.48	0.75	0.64	1.99	-	-	-	-	-	-
		Share Issue Expenses	-	-	-	-	0.16	-	-	-	-	-
		Other Expenses	0.02	0.09	0.36	0.34	-	-	-	-	-	-
		Purchase of loan assets	1,875.00	3028.30	-	-	-	-	-	-	-	-
		Sell down of Loan Assets	-	(3282.54)	(120.00)	-	-	-	-	-	-	-
		Interest on Purchase/ Sale of Loan Assets	-	1.48 (1.96)	-	-	-	-	-	-	-	-
		Loans & Advances	-	-	-	-	-	(6.52)	-	-	0.80	0.09
		Sundry Creditors	-	-	-	-	-	-	(4.27)	-	-	-
Larsen & Toubro Infotech Ltd.	Fellow Subsidiary	Purchase of software	-	-	0.50	0.73	-	-	-	-	-	-
		Sundry Creditors	-	-	-	-	-	-	-	(0.49)	(0.73)	-

L&T Infrastructure Finance Company Limited (Unconsolidated)

												(₹ in million)
Name of the Party	**Relationship**	**Nature of Transaction**	**Expense / (Income) Payment / (Receipt) For the year / period ended**					**Receivable / (Payable) Balance o/s As at**				
			30-09-2010	**31-03-2010**	**31-03-2009**	**31-03-2008**	**30-06-2007**	**30-09-2010**	**31-03-2010**	**31-03-2009**	**31-03-2008**	**30-06-2007**
L&T Plastics Machinery Ltd.	Fellow Subsidiary	Reimbursement of Staff Cost	-	-	0.01	0.07	-	-	-	-	-	-
		Other Expenses Recovered	-	-	-	(0.05)	-	-	-	-	-	-
		Sundry Creditors	-	-	-	-	-	-	-	-	(0.04)	-
L&T MHI Boilers Pvt Ltd.	Fellow Subsidiary	Deputation Cost and Other Expenses Recovered	(0.86)	(0.84)	-	-	-		-	-	-	-
		Loans & Advances (Deputation cost recoverable)	-	-	-	-	-	0.82	0.26	-	-	-
L&T Transco Pvt Ltd.	Fellow Subsidiary	Deputation Cost and Other Expenses Recovered	(0.90)	(1.37)	-	-	-	0.81	-	-	-	-
L&T Seawoods Pvt Ltd.	Fellow Subsidiary	Fee Income (including Service Tax)	-	(2.76)	-	-	-	-	-	-	-	-
		Other Expenses Recovered	-	(0.12)	-	-	-	-	-	-	-	-
L&T Shipbuilding Ltd.	Fellow Subsidiary	Fee Income (including Service Tax)	(39.10)	(39.10)	-	-	-	-	-	-	-	-
		Other Expenses Recovered	(0.17)	(0.32)	-	-	-	-	-	-	-	-

L&T Infrastructure Finance Company Limited (Unconsolidated)

(₹ in million)

Name of the Party	Relationship	Nature of Transaction	Expense / (Income) Payment / (Receipt) For the year / period ended					Receivable / (Payable) Balance o/s As at				
			30-09-2010	31-03-2010	31-03-2009	31-03-2008	30-06-2007	30-09-2010	31-03-2010	31-03-2009	31-03-2008	30-06-2007
L&T Uttaranchal Hydropower Ltd.	Fellow Subsidiary	Fee Income	-	(1.10)	-	-	-	-	-	-	-	-
		Other Expenses	-	0.83	-	-	-	-	-	-	-	-
L&T Special Steels & Heavy Forgings Pvt Ltd.	Fellow Subsidiary	Fee Income (including Service Tax)	(7.06)	(1.76)	-	-	-	-	-	-	-	-
L&T Devihalli Tollway Pvt Ltd.	Fellow Subsidiary	Fee Income (including Service Tax)	(4.41)	-	-	-	-	0.41	-	-	-	-
Mr. Suneet K. Maheshwari	Key Management Personnel - Manager	Remuneration	1.62	4.69	4.63	3.15	2.49	-	-	-	-	-

Annexure - VII

L&T Infrastructure Finance Company Limited

Statement of Accounting Ratios

	Period from 01.04.2010 to 30.09.2010	**Year ended 31.03.2010**	**Year ended 31.03.2009**	**Period from 1.07.2007 to 31.03.2008**	**Period from 18.04.2006 to 30.06.2007**
Number of Shares at the beginning of year / period	683,400,000	500,000,000	500,000,000	243,000,000	-
Number of Shares at the end of year / period	683,400,000	683,400,000	500,000,000	500,000,000	243,000,000
Weighted average number of equity shares of ₹ 10/- each	683,400,000	501,507,397	500,000,000	470,094,545	58,530,296
Dilutive effect of Share Application Money on weighted average number of shares	-	-	-	-	28,779,043
Weighted average number of equity shares of ₹ 10/- each (Diluted)	683,400,000	501,507,397	500,000,000	470,094,545	87,309,339
Net Profit after tax available for Equity Shares (₹ in million)	979.64	1,108.57	764.59	451.68	49.84
Net worth at the end of the year/ period (₹ in million)	11,105.32	10,125.68	6,266.11	5,489.50	2,464.82
Average Net worth during the year/ period [(Opening + Closing)/2] (₹ in million)	10,615.50	8,195.89	5,877.80	3,977.16	1,232.66
Basic Earning Per Share (EPS) (*not annualised) ₹	* 1.43	2.21	1.53	* 0.96	* 0.85
Dilutive Earning Per Share (EPS) (*not annualised) ₹	* 1.43	2.21	1.53	* 0.96	* 0.57
Return on Net Worth (%) (*not annualised):					
considering Networth at the end of the year/ period	* 8.82%	10.95%	12.20%	* 8.23%	* 2.02%
considering Average Networth during the year/ period	* 9.23%	13.53%	13.01%	* 11.36%	* 4.04%
Net Asset Value Per Share (₹)	16.25	14.82	12.53	10.98	10.14

Notes:

Earnings Per Share (Basic) = Net Profit attributable to Equity Shareholders / Weighted Average Number of Equity Shares outstanding during the year/period

Earnings Per Share (Diluted) = Net Profit attributable to Equity Shareholders / Weighted Average Number of Diluted Equity Shares outstanding during the year/period

Return on Net worth (%) = Net Profit After Tax / Net Worth at end of the year/period

Return on Net worth (%) = Net Profit After Tax / Average Net Worth during the year/period

Net Asset Value Per Share (₹) = Net Worth at the end of the year** / Number of Equity Shares outstanding at the end of the year/period

** Share application money has been excluded in computing Net Worth.

(i.e. Net Worth = Share Capital + Reserves - Miscellaneous Expenditure to the extent not written off)

L&T Infrastructure Finance Company Limited **Annexure - VIII**

Statement of Tax Shelter **(₹in million)**

	Period from 01.04.2010 to 30.09.2010	**Year ended 31.03.2010**	**Year ended 31.03.2009**	**Period from 01.07.2007 to 31.03.2008**	**Period from 18.04.2006 to 30.06.2007**
Profit before Tax	1,441.34	1,653.19	1,139.69	685.59	78.95
Income Tax rate	33.22%	33.99%	33.99%	33.99%	33.99%
Tax at above rate	478.81	561.92	387.38	233.03	26.84
Adjustments:					
Permanent Differences:					
Exempt Income (Dividend Income)	(6.28)	(15.74)	(14.40)	(5.30)	(0.28)
Deduction in respect of Special Reserve u/s 36(1)(viii)	(44.50)	(60.80)	(20.30)	(17.70)	-
Share issue Expenses written off	-	-	12.02	3.81	6.38
Other Adjustments	-	0.06	0.93	0.10	-
Sub Total (A)	**(50.78)**	**(76.48)**	**(21.75)**	**(19.09)**	**6.10**
Timing Difference					
Difference between tax depreciation and book depreciation	0.10	(0.12)	(0.64)	(2.86)	(1.26)
Disallowance for Provisions	(18.45)	253.60	77.00	-	-
Interest Income on stressed asset reversed - but offered for tax	(28.84)	28.84	-	-	-
Other Adjustments	3.72	3.28	3.12	1.86	0.34
Sub Total (B)	**(43.47)**	**285.60**	**79.48**	**(1.00)**	**(0.92)**
Net Adjustments (A) + (B)	**(94.25)**	**209.12**	**57.73**	**(20.09)**	**5.18**
Tax on Adjustments	(31.31)	71.08	19.62	(6.83)	1.76
Total Tax Payable	447.50	633.00	407.00	226.20	28.60
Provision for Income Tax	447.50	633.00	407.00	226.20	28.60

L&T Infrastructure Finance Company Limited **Annexure - IX**

Capitalisation Statement

		(₹in million)
Particulars	**Pre issue as at 30.09.2010 (Audited)**	**Post issue**
Debt		
Long Term	30,850.00	-
Short Term	14,374.60	-
	45,224.60	**-**
Shareholders' Funds		
Share Capital	**6,834.00**	**-**
Reserves and Surplus		
Special Reserve under section 45-IC of Reserve Bank of India Act, 1934	478.47	-
Reserve u/s 36(1)(viii) of Income tax Act	98.80	-
Securities Premium Account	917.00	-
Surplus in Profit and Loss Account	2,777.05	-
	4,271.32	**-**
Total Shareholders' Funds	**11,105.32**	**-**
Long Term Debt / Equity Ratio	**2.78**	**-**

L&T Infrastructure Finance Company Limited

Annexure - X

Statement of Dividends **(₹in million)**

	Period from 01.04.2010 to 30.09.2010	Year ended 31.03.2010	Year ended 31.03.2009	Period from 1.07.2007 to 31.03.2008	Period from 18.04.2006 to 30.06.2007
Equity Share Capital	6,834.00	6,834.00	5,000.00	5,000.00	2,430.00
Dividend	NIL	NIL	NIL	NIL	NIL

DISCLOSURES ON EXISTING FINANCIAL INDEBTEDNESS

As of December 31, 2010 the outstanding borrowing of our Company was ₹ 50,145.30 million. Set forth below, is a brief summary of the borrowings by our Company as of December 31, 2010 together with a brief description of certain significant terms of such financing arrangements:

Secured loans

Sr. No.	Name of lender	Nature of facility	Amount sanctioned (₹*in million*)	Amount outstanding (₹*in million*)	Repayment schedule
1.	Bank of Baroda	Term Loan	5000.00	3000.00	Bullet Payment after 5 years from date of 1st Disbursement Principal - Bullet (29.09.2014)
2.	Indian Overseas Bank	Term Loan	5000.00	3000.00	Equated Quarterly Installments after moratorium of 2 years
3.	IDBI Bank Limited - TL	Term Loan	1750.00	1750.00	Equated Annual Installments after moratorium of 3 years
4.	Kotak Mahindra Bank - Secured	Term Loan	1000.00	1000.00	Equated Semi Annual Installments after moratorium of 1 year
5.	Punjab & Sind Bank	Term Loan	1000.00	400.00	Equated Quarterly Installments of after moratorium of 3 months
6.	Punjab & Sind Bank - II	Term Loan	1000.00	800.00	Equated Semi Annual Installments after moratorium of 6 months
7.	State Bank of Bikaner and Jaipur	Term Loan	2000.00	2000.00	Equated Quarterly installments after moratorium of 1 year
8.	State Bank of India	Term Loan	1000.00	1000.00	Equated Quarterly installments after moratorium of 2 year
9.	Syndicate Bank	Term Loan	5000.00	5000.00	Equated Semi Annual Installments after moratorium of 3 years
10.	The Dhanalakshmi Bank Ltd	Term Loan	600.00	600.00	Equated Quarterly installments after moratorium of 2 years
11.	The South Indian Bank Ltd.	Term Loan	1000.00	850.00	Equated Quarterly Installments 0f ₹ 5 crs after 2 years of moratorium
	Total			**19400.00**	

Term loans from banks and financial institutions mentioned above are secured by exclusive first charge on specific term loan receivables of our Company, as identified from time to time to the satisfaction of the lenders.

Sr. No.	Nature of facility	Name of lender	Amount sanctioned (₹*in million*)	Amount outstanding (₹*in million*)
1	Working Capital	Citi Bank N.A	400.00	33.14
	Total			**33.14**

Secured redeemable non-convertible debentures by way of private placement

Sr. No.	Name of lender	Deemed date of allotment	Number of NCDs	Amount outstanding (₹ *in million*)	Repayment schedule
1.	Various investors	March 27, 2008	1,000.00	1,000.00	Bullet
2.	Various investors	June 1, 2009	1,800.00	1,800.00	Bullet
3.	Various investors	June 30, 2009	750.00	750.00	Bullet
4.	Various investors	July 8, 2009	1,500.00	1,500.00	Bullet
5.	Various investors	August 5, 2009	1,250.00	1,250.00	Bullet
6.	Various investors	August 5, 2009	1,250.00	1,250.00	Bullet
7.	Various investors	September 23, 2009	1,000.00	1,000.00	Bullet

Sr. No.	Name of lender	Deemed date of allotment	Number of NCDs	Amount outstanding (₹ *in million*)	Repayment schedule
8.	Various investors	February 2, 2010	2,000.00	2,000.00	Bullet
9.	Various investors	April 16, 2010	750.00	750.00	Bullet
10.	Various investors	April 16, 2010	750.00	750.00	Bullet
11.	Various investors	April 16, 2010	750.00	750.00	Bullet
12.	Various investors	April 16, 2010	750.00	750.00	Bullet
13.	Various investors	April 16, 2010	750.00	750.00	Bullet
14.	Various investors	April 16, 2010	750.00	750.00	Bullet
15.	Various investors	April 16, 2010	750.00	750.00	Bullet
	Total			**15,800**	

The secured redeemable non-convertible debentures issued by our Company in various tranches by way of private placement basis are secured by exclusive first charge on specific receivables of our Company and first *pari-passu* mortgage/charge on the leasehold rights on 300 sq.ft. undivided share of vacant land situated at Commander-in- Chief Road, Egmore, Chennai in the State of Tamil Nadu.

Long Term Infrastructure Bond 2010 A Series by way of Public Placement

Sr. No.	Series	Name of lender	Deemed date of allotment	Number of NCDs	Amount outstanding (₹*in million*)	Repayment schedule
1.	Series 1	Various investors	2-Dec-10	190,820	190.82	Bullet
2.	Series 2	Various investors	2-Dec-10	471,717	471.72	Bullet
3.	Series 3	Various investors	2-Dec-10	628,978	628.98	Bullet
4.	Series 4	Various investors	2-Dec-10	1,270,640	1270.64	Bullet
		Total			**2562.16**	

The Long Term Infrastructure Bond 2010 A Series issued by our Company by way of public issue are secured by exclusive first charge on specific receivables of our Company and first *pari-passu* mortgage/charge on the leasehold rights on 300 sq.ft. undivided share of vacant land situated at Commander-in- Chief Road, Egmore, Chennai in the State of Tamil Nadu.

Unsecured loans

Sr. No.	Name of lender	Nature of facility	Amount sanctioned (₹*in million*)	Amount outstanding (₹*in million*)	Repayment schedule
1.	Kotak Mahindra Bank	Term loan	1,000.00	1,000.00	Bullet
2.	Bank of Baroda	Term Loan	3000.00	1250.00	Bullet
3.	Larsen & Toubro Ltd	Inter corporate deposits	N/A	3,900.00	Repayable till December 29, 2012
4.	Various lenders	Commercial papers	N/A	6200.00	Repayable till August 30, 2011
	Total			**12,350.00**	

SECTION VI: ISSUE RELATED INFORMATION

ISSUE STRUCTURE

The following is a summary of the issue structure of the Issue, aggregating up to ₹ 1,000 million with an option to retain an oversubscription of up to ₹ 3,000 million for allotment of additional Bonds.

Issue Particulars

Particulars	Resident Individuals	HUFs
Minimum number of Bonds per application*	5 Bonds and in multiples of 1 Bond thereafter. For the purpose of fulfilling the requirement of minimum subscription of 5 Bonds, an Applicant may choose to apply for 5 Bonds of the same series or 5 Bonds across different series.	5 Bonds and in multiples of 1 Bond thereafter. For the purpose of fulfilling the requirement of minimum subscription of 5 Bonds, an Applicant may choose to apply for 5 Bonds of the same series or 5 Bonds across different series.
Terms of Payment	Full amount with the Application Form	Full amount with the Application Form
Mode of Allotment	Dematerialised **	Dematerialised **
Trading Lot	One (1) Bond	One (1) Bond

** The Bonds are classified as "Long Term Infrastructure Bonds" and are being issued in terms of Section 80CCF of the Income Tax Act and the Notification. In accordance with Section 80CCF of the Income Tax Act, the amount, not exceeding ₹20,000, paid or deposited as subscription to long-term infrastructure bonds during the previous year relevant to the assessment year beginning April 01, 2011 shall be deducted in computing the taxable income of a resident individual or HUF.*

*** **In terms of Regulation 4(2)(b) of the Debt Regulations the Company will make public issue of the Bonds in the dematerialised form. However, in terms of Section 8 (1) of the Depositories Act, the Company, at the request of the Investors who wish to hold the Bonds in physical form will fulfil such request.***

INVESTORS ARE REQUESTED TO NOTE THAT APPLICATION FOR THE BONDS CAN BE MADE FOR ANY AMOUNT AND ALLOTMENT WILL TAKE PLACE IN THE MANNER PROVIDED IN THE SECTION TITLED "ISSUE PROCEDURE - BASIS OF ALLOTMENT" ON PAGE 103 OF THIS PROSPECTUS. HOWEVER, PLEASE NOTE THAT IN THE EVENT THAT ANY APPLICANT APPLIES FOR AND IS ALLOTTED LONG TERM INFRASTRUCTURE BONDS IN EXCESS OF ₹ 20,000 (INCLUDING LONG TERM INFRASTRUCTURE BONDS ISSUED BY ANY OTHER ELIGIBLE ENTITY), THE AFORESTATED TAX BENEFIT SHALL BE AVAILABLE TO SUCH APPLICANT ONLY TO THE EXTENT OF ₹ 20,000.

Nature of the Bonds being issued

Our Company is offering the Bonds which shall have a fixed rate of interest. The Bonds will be issued with a face value of ₹ 1,000 each. Interest on the Bonds shall be payable on annual or cumulative basis depending on the series selected by the Bondholders as provided below:

Bond Particulars

Series	1	2
Frequency of Interest	Annual, i.e. yearly payment of interest	Cumulative, i.e. cumulative interest payment at the end of maturity or buyback, as applicable
Buyback Facility	Yes	Yes
Buyback Date	First Working Day after 5 years from the Date of Allotment and first Working Day after 7 years from the Date of Allotment	First Working Day after 5 years from the Date of Allotment and first Working Day after 7 years from the Date of Allotment
Interest Rate	8.20 % p.a.	8.30% p.a. compounded

Series	1	2
		annually
Maturity Date	10 years from the Date of Allotment.	10 years from the Date of Allotment.
Maturity Amount (₹)	1,000	2,220
Buyback Amount (₹)	1,000 at the end of 5 years / 1,000 at the end of 7 years	1,490 at the end of 5 years / 1,748 at the end of 7 years
Buyback Intimation Period	The period commencing from 6 months preceding the corresponding Buyback Date and ending 3 months prior to the corresponding Buyback Date	
Yield of the Bond on Maturity*	8.20 % p.a.	8.30% p.a. compounded annually
Yield of the Bond on Buyback*	8.20 % p.a.	8.30% p.a. compounded annually

**The yield on the Bonds(to be paid by the Issuer) shall not exceed the yield on government securities of corresponding residual maturity, as reported by FIMMDA, as on the last working day of the month immediately preceding the month of the issue of the Bonds.*

Terms of Payment

The entire issue price per Bond is payable on application. In the event of allotment of a lesser number of Bonds than applied for, our Company shall refund the amount paid on application to the Applicant in accordance with the terms appearing hereafter.

TERMS OF THE ISSUE

The following are the terms and conditions of the Bonds being offered, which will be incorporated into the Debenture Trust cum Hypothecation Deed and are subject to the provisions of the Companies Act, the Application Form and other terms and conditions as may be incorporated in the Debenture Trust cum Hypothecation Deed, Letter(s) of Allotment and/or Consolidated Bond certificate(s).

The Bonds are classified as "Long Term Infrastructure Bonds" and are being issued in terms of Section 80CCF of the Income Tax Act and the Notification. In accordance with Section 80CCF of the Income Tax Act, the amount, not exceeding ₹ 20,000 per annum, paid or deposited as subscription to long-term infrastructure bonds during the previous year relevant to the assessment year beginning April 01, 2011 shall be deducted in computing the taxable income of a resident individual or HUF. In the event that any Applicant applies for and is allotted long term infrastructure bonds in excess of ₹ 20,000 per annum (including long term infrastructure bonds issued by another entity), the aforestated tax benefit shall be available to such Applicant only to the extent of ₹ 20,000 per annum.

Words and expressions defined in the Debenture Trust cum Hypothecation Deed and the Tripartite Agreements (defined below) shall have the same meanings where used in these terms and conditions unless the context otherwise requires or unless otherwise stated.

Any reference to "Bondholders" or "holders" in relation to any Bond held in dematerialized form shall mean the persons whose name appears on the beneficial owners list as provided by the Depositary and in relation to any Bond in physical form, such holder of the Bond, whose interest shall be as set out in a Consolidated Bonds Certificate (as defined below), and whose name is appearing in the Register of Bondholders (as defined below). The Debenture Trustee acts for the benefit of the Bondholders in accordance with the provisions of the Debenture Trust cum Hypothecation Deed.

1. Authority for the Issue

The Board of Directors, at their meeting held on January 14, 2011, have approved the issue, of secured, redeemable, non-convertible debentures having benefits under Section 80CCF of the Income Tax Act of face value of ₹ 1,000 each, for an amount aggregating up to ₹ 1,000 million with an option to retain an oversubscription of up to ₹ 3,000 million for allotment of additional Bonds.

In terms of the Notification, the aggregate volume of issuance of Long Term Infrastructure Bonds (having benefits under Section 80CCF of the Income Tax Act) by the Company during the fiscal year 2011 shall not exceed 25% of the incremental infrastructure investment made by the Company during the fiscal year 2010.

2. Issue, Status of Bonds

2.1. The public Issue of Bonds of the Company for an amount aggregating up to ₹ 1,000 million with an option to retain an oversubscription of up to ₹ 3,000 million for allotment of additional Bonds.

2.2. The Bonds are constituted, and issued pursuant to a Debenture Trust cum Hypothecation Deed. The Bondholders are entitled to the benefit of the Debenture Trust cum Hypothecation Deed and are bound by and are deemed to have notice of all the provisions of the Debenture Trust cum Hypothecation Deed. The Company is issuing the Bonds in accordance with and pursuant to the Notification and the Bonds issued by the Company can be classified as 'Long Term Infrastructure Bonds' for the purposes of Section 80 CCF of the Income Tax Act.

2.3. The Bonds are issued in the form of secured, redeemable, non convertible debentures. The Bonds constitute direct obligations of the Company and shall rank *pari passu* inter se and without any preference or priority among themselves. Subject to any obligations preferred by mandatory provisions of the law prevailing from time to time, the Bonds shall also, as regards the principal amount of the Bonds, interest and all other monies in respect of the Bonds, rank equal with all other present and future secured creditors of the Company.

2.4 The Bonds have been secured by exclusive first charge on specific receivables of the Company with an asset cover of 1 time of the total outstanding amount of Bonds, as may be agreed between the

Company and the Trustees for the Debenture holders and first *pari-passu* mortgage/charge on the leasehold rights on 300 sq.ft. undivided share of vacant land situated at Commander-in-Chief Road, Egmore, Chennai in the State of Tamil Nadu

3. Form, Face Value, Title and Listing etc

3.1. Form

3.1.1 In terms of Regulation 4(2)(b) of the Debt Regulations the Company will make public issue of the Bonds in the dematerialised form. However, in terms of Section 8 (1) of the Depositories Act, the Company, at the request of the Investors who wish to hold the Bonds in physical form will fulfil such request. The Company has made depository arrangements with National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL", and together with NSDL, the "Depositories") for issue of the Bonds in a dematerialized form pursuant to the tripartite agreement between:

(i). the Company, NSDL and the Registrar dated October 3, 2007; and
(ii). the Company, CDSL and the Registrar dated May 6, 2008 (together the "Tripartite Agreements").

The Company shall take necessary steps to credit the Depository Participant account of the Bondholders with the number of Bonds allotted.

3.1.2 The Bondholders may rematerialize the Bonds at any time after allotment, in accordance with the provisions of the Depositories Act, 1996 and/or rules as notified by the Depositories from time to time.

3.1.3 In case an investor wished to hold the Bonds in physical form, the Company will issue one certificate to the Bondholder for the aggregate amount of the Bonds that are held by such Bondholder (each such certificate a "Consolidated Bond Certificate"). In respect of the Consolidated Bond Certificate(s), the Company will, upon receipt of a request from the Bondholder within 30 days of such request, split such Consolidated Bond Certificates into smaller denominations in accordance with the Articles of Association, subject to a minimum denomination of one Bond. No fees will be charged for splitting any Consolidated Bond Certificates but, stamp duty, if payable, will be paid by the Bondholder. The request to split a Consolidated Bond Certificate shall be accompanied by the original Consolidated Bond Certificate which will, upon issuance of the split Consolidated Bond Certificates, be cancelled by the Company.

3.2 Face Value

The face value of each Bond is ₹ 1,000.

3.3 Title

3.3.1 In case of:

(i) Bonds held in the dematerialised form, the person for the time being appearing in the register of beneficial owners maintained by the Depository; and
(ii) the Bonds held in physical form, the person for the time being appearing in the Register of Bondholders (as defined below) as Bondholder,

shall be treated for all purposes by the Company, the Debenture Trustee, the Depositories and all other persons dealing with such person as the holder thereof and its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, theft or loss of the Consolidated Bond Certificate issued in respect of the Bonds and no person will be liable for so treating the Bondholder.

3.3.2 No transfer of title of a Bond will be valid unless and until entered on the Register of Bondholders or the register of beneficial owners maintained by the Depository prior to the Record Date. In the absence of transfer being registered, interest, Buyback Amount and/or Maturity

Amount, as the case may be, will be paid to the person, whose name appears first in the Register of Bondholders or the register of beneficial owners maintained by the Depositories, as the case may be. In such cases, claims, if any, by the purchasers of the Bonds will need to be settled with the seller of the Bonds and not with the Company or the Registrar. The provisions relating to transfer and transmission and other related matters in respect of the Company's shares contained in the Articles of Association of the Company and the Companies Act shall apply, *mutatis mutandis* (to the extent applicable) to the Bond(s) as well.

3.4 Listing

The Bonds will be listed on NSE.

3.5. Market Lot

3.5.1 Irrespective of whether the Bonds are held in dematerialised or physical form, the trading of the Bonds on the Stock Exchanges shall be in dematerialised form only in multiples of one (1) Bond ("**Market Lot**").

3.5.2 For details of allotment refer to chapter entitled "*Issue Procedure*" under the section titled "*Issue Related Information*" beginning on page 97 of this Prospectus.

3.6. Procedure for Rematerialisation of Bonds

Bondholders who wish to hold the Bonds in physical form may do so by submitting his or her request to his or her Depository Participant in accordance with the applicable procedure stipulated by the Depository Participant.

4. Transfer of the Bonds, Issue of Consolidated Bond Certificates etc

4.1. Register of Bondholders

The Company shall maintain at its registered office or such other place as permitted by law a register of Bondholders (the "**Register of Bondholders**") containing such particulars as required by Section 152 of the Companies Act. In terms of Section 152A of the Companies Act, the register of beneficial owners maintained by a Depository for any Bond in dematerialised form under Section 11 of the Depositories Act shall be deemed to be a Register of Bondholders for this purpose.

4.2. Lock-in Period

4.2.1. No Transfer during Lock-in Period

In accordance with the Notification, the Bondholders shall not sell or transfer the Bonds in any manner for a period of 5 years from the Date of Allotment (the "**Lock-in Period**").

4.2.2. Transfer after Lock-in Period

(a) The Bondholders may sell or transfer the Bonds after the expiry of the Lock-in Period on the stock exchange where the Bonds are listed.

(b) If a request for transfer of the Bond is not received by the Registrar before the Record Date for maturity, the Maturity Amount for the Bonds shall be paid to the person whose name appears as a Bondholder in the Register of Bondholders. In such cases, any claims shall be settled inter se between the parties and no claim or action shall lie against the Company.

4.3. Transfers

4.3.1 Transfer of Bonds held in dematerialised form:

In respect of Bonds held in the dematerialised form, transfers of the Bonds may be effected only through the Depository(ies) where such Bonds are held, in accordance with the provisions of the

Depositories Act and/or rules as notified by the Depositories from time to time, subject to the Lock-in period. The Bondholder shall give delivery instructions containing details of the prospective purchaser's Depository Participant's account to his Depository Participant. If a prospective purchaser does not have a Depository Participant account, the Bondholder may transfer them in physical form in a manner as specified in section 4.3.2 below.

4.3.2. Transfer of Bonds in physical form:

Subject to the Lock-in period, the Bonds may be transferred by way of a duly executed transfer deed or other suitable instrument of transfer as may be prescribed by the Company for the registration of transfer of Bonds. Purchasers of Bonds are advised to send the Consolidated Bond Certificate to the Company, Registrar or to such persons as may be notified by the Company from time to time. If a purchaser of the Bonds in physical form intends to hold the Bonds in dematerialized form, the Bonds may be dematerialised by the purchaser through his or her Depository Participant in accordance with the provisions of the Depositories Act, 1996 and/or rules as notified by the Depositories from time to time.

4.4. Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Consolidated Bond Certificates will be effected without charge by or on behalf of the Company, but upon payment (or the giving of such indemnity as the Company may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer, and the Company being satisfied that the regulations concerning transfers of Bonds have been complied with.

5. Debenture Redemption Reserve ("DRR")

Pursuant to Regulation 16 of the Debt Regulations and Section 117C of the Companies Act requires any company that intends to issue debentures to create a DRR to which adequate amounts shall be credited out of the profits of the company till the redemption of the debentures. However, the Ministry of Company Affairs (the "MCA") has, through its circular dated April 18, 2002, specified that NBFCs which are registered with the RBI under Section 45-IA of the RBI Act, 1934 shall create DRR to the extent of 50 percent of the value of the debentures issued through public issue. Accordingly, the Company shall create DRR of 50 per cent of the value of Bonds issued and allotted in terms of this Prospectus, for the redemption of the Bonds. The Company shall credit adequate amounts to DRR from its profits every year until the Bonds are redeemed. The amounts credited to the DRR shall not be utilized by the Company for any purpose other than for the redemption of the Bonds.

6. Application amount and Tax Savings

Eligible investors can apply for up to any amount of the Bonds across any of the Series(s) or a combination thereof. The investors will be allotted the Bonds in accordance with the Basis of Allotment. In the event that any investor applies for and is allotted long term infrastructure bonds in excess of ₹ 20,000 per annum (including long term infrastructure bonds issued by any other eligible entity), the above tax benefit shall be available to such investor only to the extent of ₹ 20,000 per annum.

7. Subscription

7.1 Period of Subscription

The Issue shall remain open for:

ISSUE OPENS ON	**FEBRUARY 7, 2011**
ISSUE CLOSES ON	**MARCH 7, 2011**

The subscription list for the Issue shall remain open for subscription during banking hours for the period indicated above, except that the Issue may close on such earlier date as may be decided by the Board/Committee of Directors subject to necessary approvals. In the event of an early closure of subscription list of the Issue, the Company shall ensure that notice of the same is provided to the prospective investors through newspaper advertisements prior to such earlier date of Issue closure.

7.2. Underwriting

This Issue is not underwritten.

7.3. Minimum Subscription

Under the Debt Regulations, the Company is required to stipulate a minimum subscription amount which it seeks to raise. The consequence of minimum subscription amount not being raised is that the Issue shall not proceed and the application moneys received are refunded to the Applicants.

However, SEBI has, by way of letter no. IMD/DF1/OW/21395/2010 dated September 28, 2010, exempted the Company from the requirements of prescribing a minimum subscription amount for the Bonds. Therefore, there is no minimum subscription amount for the Issue.

8. Utilization of the proceeds

The proceeds of the Issue shall be utilized towards 'infrastructure lending' as defined by the RBI in the regulations issued by it from time to time. The end-use shall be duly reported in the annual reports and other reports submitted by the Company to the regulatory authority concerned, and specifically certified by the Statutory Auditor of the Company. The Company shall report the use of the proceeds in its annual report and other report submitted by us to any regulatory authority. The Company shall also file these along with term sheets to the Infrastructure Division, Department of Economic Affairs, Ministry of Finance, within three months from the end of financial year.

9. Interest

9.1. Annual Payment of Interest

9.1.1 For Series 1 Bonds, interest at the rate of 8.20 % per annum will be paid annually commencing from the Date of Allotment, subject to buyback of the Bonds as specified in the section 10.3 below.

9.2. Cumulative Payment of Interest

9.2.1 For Series 2 Bonds, interest shall be compounded annually at the rate of 8.30% per annum commencing from the Date of Allotment and shall be payable on the Maturity Date, subject to buyback of the Bonds as specified in the section 10.3 below.

9.3. Day Count Convention

Interest shall be computed on a 365 days-a-year basis on the principal outstanding on the Bonds. However, where the interest period (start date to end date) includes February 29, interest shall be computed on 366 days-a-year basis, on the principal outstanding on the Bonds.

9.4. Interest on Application and Refund Money

The Company shall pay interest on the application money on the amount allotted, subject to deduction of income tax under the provisions of the I.T. Act or other statutory modification or re-enactment thereof, as applicable, if the amount of such interest exceeds the prescribed limit of ₹ 5,000/- in any financial year to any investor from three days from the date of receipt of the Application Form or the date of realization of the cheque(s) / demand draft(s) whichever is later up to one day prior to the Date of Allotment, at the rate of 6% per annum ("**Application Interest**"). In the event the Company / Registrar is not able to determine the date of realisation of application money, pursuant to application, the interest on application money shall be calculated from the date of application up to one day prior to the Date of Allotment. The Application Interest will be paid along with the Allotment advice.

The Company shall not pay interest on refund of application monies on the amount not allotted.

10. Redemption

10.1 Unless previously redeemed or bought back as provided under the Debenture Trust cum Hypothecation Deed, the Company shall redeem the Bonds as follows:

(a) by payment of an amount of ₹ 1,000 for each Series 1 Bond on Maturity Date; and
(b) by payment of an amount of ₹ 2,220 for the Series 2 Bonds on Maturity Date.

10.2 Procedure for Redemption by Bondholders

The procedure for redemption is set out below:

10.2.1 ***Bonds held in electronic form:***

No action is required on the part of Bondholders at the time of maturity of the Bonds.

10.2.2 ***Bonds held in physical form:***

No action will ordinarily be required on the part of the Bondholder at the time of redemption and the Maturity Amount will be paid to those Bondholders whose names appear in the Register of Bondholders maintained by the Company on the Record Date fixed for the purpose of redemption. However, the Company may require that the Consolidated Bond Certificate(s), duly discharged by the sole holder or all the joint-holders (signed on the reverse of the Consolidated Bond Certificate(s)) to be surrendered for redemption on Maturity Date and shall be sent by the Bondholders by registered post with acknowledgment due or by hand delivery to the Registrar or the Company or to such persons at such addresses as may be notified by the Company from time to time. Bondholders may be requested to surrender the Consolidated Bond Certificate(s) in the manner as stated above, not more than three months and not less than one month prior to the Maturity Date so as to facilitate timely payment. See the section titled "*Payment on Redemption or Buyback*" on page 89 of this Prospectus.

10.3 Buyback of Bonds

10.3.1 The Buyback facilities shall be available to the Bondholders in accordance with the provisions of this section. In this regard, Bondholders will have the option to avail of either a 5 year Buyback Facility (as defined below) or a 7 year Buyback Facility (as defined below).

5 year Buyback

10.3.2 The buyback of the Bonds from their respective Bondholders shall be effected by the Company on the 5 Year Buyback Date, subject to the terms set forth herein (the "**5 Year Buyback Facility**"):

10.3.2.1 The Company or the Registrar will dispatch the notice for buyback to the eligible Bondholders (*i.e.* Series 1 or Series 2 Bondholders) at least 3 Working Days prior to the start of the 5 Year Buyback Intimation Period. To avail of the 5 Year Buyback Facility, a Series 1 or a Series 2 Bondholder will be required to fill up the form attached to such notice, including the number of Bonds being submitted for the Buyback and the Series, and dispatch the same to the Company or the Registrar to participate in the 5 Year Buyback Facility. Such notice must be sent to the Company or the Registrar on or prior to the last Working Day of the 5 Year Buyback Intimation Period.

Bonds held in dematerialised form

10.3.2.3 The Company or the Registrar, upon receipt of the notice from the Bondholders, would undertake appropriate corporate action to effect the buyback.

Bonds held in physical form

10.3.2.4 No action would ordinarily be required on part of the Bondholder on the Buyback Date and the Buyback Amount would be paid to those Bondholders whose names appear first in the Register of

Bondholders. However, the Company may require the Bondholder to duly surrender the Consolidated Bond Certificate to the Company/Registrar for the Buyback.

10.3.3 Upon payment of the Buyback Amounts, the Bonds shall be deemed to have been repaid to the Bondholders of the Series 1 Bonds and Series 2 Bonds and all other rights of the Bondholders shall terminate and no interest shall accrue on such Bonds.

10.3.4 Subject to the provisions of the Companies Act, where the Company has bought back any Bond(s) under the 5 Year Buyback Facility, the Company shall have and shall be deemed always to have had the right to keep such Bonds alive without extinguishment for the purpose of resale and in exercising such right, the Company shall have and be deemed always to have had the power to resell such Bonds by reselling the same Bonds.

7 year Buyback

10.3.5 The buyback of the Bonds (such Bonds that have not been bought back by way of the 5 Year Buyback Facility) from their respective Bondholders shall be effected by the Company on the 7 Year Buyback Date, subject to the terms set forth herein (the "**7 Year Buyback Facility**"):

10.3.5.1 The Company or the Registrar will dispatch the notice for buyback to the eligible Bondholders (i.e. Series 1 or Series 2 Bondholders as of a record date fixed by the Company, which date shall be at least 7 Working Days prior to the start of the 7 Year Buyback Intimation Period) at least 3 Working Days prior to the start of the 7 Year Buyback Intimation Period. To avail of the 7 Year Buyback Facility, a Series 1 or a Series 2 Bondholder will be required to fill up the form attached to such notice including the number of Bonds being submitted for the Buyback and the Series and dispatch the same to the Company or the Registrar to participate in the 7 Year Buyback Facility. Such notice must be sent to the Company or the Registrar on or prior to the last Working Day of the 7 Year Buyback Intimation Period.

Bonds held in dematerialised form

10.3.5.3 The Company or the Registrar, upon receipt of the notice from the Bondholders, would undertake appropriate corporate action to effect the buyback.

Bonds held in physical form

10.3.5.4 No action would ordinarily be required on part of the Bondholder on the Buyback Date and the Buyback Amount would be paid to those Bondholders whose names appear first in the Register of Bondholders. However, the Company may require the Bondholder to duly surrender the Consolidated Bond Certificate to the Company/Registrar for the Buyback.

10.3.6 Upon payment of the Buyback Amounts, the Bonds shall be deemed to have been repaid to the Bondholders of the Series 1 Bonds and Series 2 Bonds and all other rights of the Bondholders shall terminate and no interest shall accrue on such bonds.

10.3.7 Subject to the provisions of the Companies Act, where the Company has bought back any Bond(s) under the 7 Year Buyback Facility, the Company shall have and shall be deemed always to have had the right to keep such Bonds alive without extinguishment for the purpose of resale and in exercising such right, the Company shall have and be deemed always to have had the power to resell such Bonds by reselling the same Bonds.

11. Payments

11.1 Payment of Interest

Payment of interest on the Bonds will be made to those Bondholders of the Bonds, whose name appears first in the Register of Bondholders maintained by the Depositories and/or the Company and/or the Registrar, as the case may be as, on the Record Date. For Series 1 Bonds, interest shall be paid on a date which is one year from the Date of Allotment and subsequently on the same date every subsequent year ("**Annual Payment Date**"). In the event such a date is not a Working Day, interest shall be paid on the next Working Day. However, for the purposes of calculation of interest, the Annual Payment Date shall be the reference date. The cumulative interest on Series 2 Bonds shall be paid on the Maturity Date or on the Buyback Date. In the event such date is not a Working Day, interest shall be paid on the next Working Day. However, for the purposes of calculation of interest, the Maturity Date or the Buyback Date, as applicable, shall be the reference date.

11.2 Record Date

The record date for the payment of interest or the Buyback Amount or the Maturity Amount shall be 15 days prior to the date on which such amount is due and payable ("**Record Date**") or such other date as may be notified by the Company.

11.3 Effect of holidays on payments

If the date of payment of interest or principal or any date specified does not fall on a Working Day, then the next Working Day will be considered as the effective date. Interest and principal or other amounts, if any, will be paid on the next Working Day. Payment of interest will be subject to the deduction of tax as per Income Tax Act or any statutory modification or re-enactment thereof for the time being in force. In case the Maturity Date or the date of buyback falls on a holiday, the payment will be made on the next Working Day, without any interest for the period overdue.

11.4 Payment on Redemption or Buyback

The manner of payment on Maturity or Buyback is set out below:-

11.4.1 ***Bonds held in electronic form:***

On the Maturity Date or the Buyback Date as the case may be, the Maturity Amount or the Buyback Amount as the case may be will be paid in a manner as detailed in "*Terms of the Issue - Modes of Payment*" on page 90. These names will be as per the Depositories' records on the Record Date fixed for this purpose. The cheque for Maturity Amount or the Buyback Amount as the case may be will be dispatched by courier or hand delivery or registered post to the address provided in the Application Form or to the address as notified by the Bondholders or to the address as per the Depositories' record on the Record Date. No action is required on part of the Bondholders.

11.4.2 ***Bonds held in physical form:***

On the Maturity Date or the Buyback Date as the case may be, the Maturity Amount or the Buyback Amount as the case may be will be paid in a manner as detailed in "*Terms of the Issue - Modes of Payment*" on page 90. These names will be as per the Register of Debentureholders on the Record Date fixed for this purpose. However, if the Company so requires, payments on maturity may be made on surrender of the Consolidated Bond Certificate(s). Dispatch of cheques or pay orders in respect of payments with respect to redemptions will be made on the Maturity Date or Buyback Date or if the Consolidated Bond Certificate is requested by the Company in this regard, then within a period of 30 days from the date of receipt of the duly discharged Consolidated Bond Certificate.

11.5 The Company's liability to the Bondholders including for payment or otherwise shall stand extinguished from the Maturity Date or upon dispatch of the Maturity Amounts to the Bondholders. Further, the Company will not be liable to pay any interest, income or compensation of any kind from the Maturity Date.

12. Manner and Modes of Payment

12.1 Manner of Payment:

All payments to be made by the Company to the Bondholders shall be made in any of the following manners:

12.1.1 ***For Bonds applied or held in electronic form:***

The bank details will be obtained from the Depositories for payments. Investors who have applied or who are holding the Bond in electronic form are advised to immediately update their bank account details as appearing on the record of Depository Participant. Please note that failure to do so could result in delays in credit of the payments to investors at their sole risk and neither the Lead Managers nor the Company shall have any responsibility and undertake any liability for such delays on part of the investors.

12.1.2 ***For Bonds held in physical form:***

The bank details will be obtained from the Registrar for effecting payments.

12.2 Modes of Payment:

All payments to be made by the Company to the Bondholders shall be made through any of the following modes:

12.2.1 ***Cheques or Demand drafts***

By cheques or demand drafts made in the name of the Bondholders whose names appear in the Register of Bondholders as maintained by the Company and/or as provided by the Depositories. Cheques or demand drafts in excess of ₹ 1,500, as the case may be, shall be sent by registered/speed post at the Bondholder's sole risk under a certificate of posting.

12.2.2 ***National Electronic Clearing System ("NECS")***

Through NECS for Applicants having an account at any of the centers notified by the RBI. This mode of payment will be subject to availability of complete bank account details including the Magnetic Ink Character Recognition ("**MICR**") code as appearing on a cheque leaf, from the Depositories.

12.2.3 ***Direct Credit***

Investors having their bank account with the Refund Bank *i.e.* IDBI Bank Limited shall be eligible to receive refunds, if any, through direct credit. The refund amount, if any, would be credited directly to their bank account with the Refund Bank *i.e.* IDBI Bank Limited. We may enter into arrangement(s) with one or more banks in one or more cities for direct credit of interest to the account of the investors. In such cases, interest, on the interest payment date(s), would be directly credited to the account of those investors who have given their bank mandate for such banks.

12.2.4 ***NEFT***

Through NEFT wherever the Applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment will be made to the Applicants through this method. In the event that NEFT is not operationally feasible, the payments would be made through any one of the other modes as discussed in this sections.

12.2.5 ***RTGS***

An Applicant having a bank account with a participating bank and whose refund / interest payment / redemption amount exceeds ₹ 1 lakh, has the option to receive the refund through RTGS. Such eligible applicant who indicates its preference to receive interest payment / refund / redemption through RTGS is required to provide the IFSC code in the Application Form or intimate the Company before the record date. In the event the same is not provided, interest payment / refund / redemption shall be made through ECS. Charges, if any, levied by the Applicant's bank receiving the credit would be borne by the Applicant.

Please note that the Company shall not be responsible for any delay to the Bondholder receiving credit of interest or refund or Buyback Amount or Maturity Amount so long as the Company has initiated the process in time.

12.3 Printing of Bank Particulars

As a matter of precaution against possible fraudulent encashment of Consolidated Bond Certificates due to loss or misplacement, the particulars of the Applicant's bank account are mandatorily required to be provided for printing on the Consolidated Bond Certificate. Applications without these details are liable to be rejected. However, in relation to applications for dematerialised Bonds, these particulars will be taken directly from the Depositories. In case of Bonds held in physical form either on account of rematerialisation or transfer, the Bondholders are advised to submit their bank account details with the Registrar before the Record Date failing which the amounts will be dispatched to the postal address of the Bondholders as held in the records of the Bank. Bank account particulars will be printed on the Consolidated Bond Certificates which can then be deposited only in the account specified.

13. Taxation

13.1 The Applicants are advised to consider the tax implications of their respective investment in the Bonds.

13.2 The interest on Bonds will be subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act or any statutory modification or re-enactment thereof.

13.3 As per clause (ix) of Section 193 of the Income Tax Act, no income tax is required to be withheld on any interest payable on any security issued by a company, where such security is in dematerialised form and is listed on a recognised stock exchange in India in accordance with the SCRA, and the rules notified thereunder. Accordingly, no income tax will be deducted at source from the interest on Bonds held in dematerialised form. In case of Bonds held in a physical form no tax may be withheld in case the interest does not exceed ₹ 2,500 in a financial year. However, such interest is taxable income in the hands of resident Bondholders.

13.4 Senior citizens, who are 65 or more years of age at any time during the financial year, can submit a self-declaration in the prescribed Form 15H for non-deduction of tax at source in accordance with the provisions of section 197A even if the aggregate income credited or paid or likely to be credited or paid exceeds the maximum limit for the financial year. To ensure non-deduction/lower deduction of tax at source from interest on Bonds, the resident Applicant is required to submit Form 15G/15H/certificate under section 197 of the Income Tax Act or other evidence, as may be applicable, with the Application Form, or send to the Registrar along with a copy of the Application Form on or before the closure of the Issue. Subsequently, Form 1 5G/15H/certificate under section 197 of the Income Tax Act or other evidence, as may be applicable, may be submitted to the Company or to such person at such address as may be notified by us from time to time, quoting the name of the sole or first Bondholder, Bondholder number and the distinctive number(s) of the Bond(s) held, at least one month prior to the interest payment date.

13.5 Applicants are required to submit Form 15G or 15H or original certificate issued under section 197 of the Income Tax Act or other evidence in each financial year to ensure non-deduction or lower deduction of tax at source from interest on Bonds.

13.6 If the Applicant is eligible to submit Form 1 5G or 1 5H, he is required to tick at the relevant place on the Application Form, to send a blank copy of the form to the Applicants. Blank declaration form will be furnished to other Applicants on request made at least two months prior to the interest payment date. This facility is being provided for the convenience of Applicants and we will not be liable in any manner, whatsoever, in case the Applicant does not receive the form.

13.7 As per the prevailing tax provisions, Form 15G cannot be submitted if the aggregate of income of the nature referred to in section 197A of the Income Tax Act viz. dividend, interest etc. as prescribed therein, credited or paid or likely to be credited or paid during the financial year in which such income is to be included exceeds the maximum amount which is not chargeable to tax.

13.8 Tax exemption certificate or document, if any, must be lodged at the office of the Registrar prior to the Record Date or as specifically required. Tax applicable on coupon will be deducted at source on accrual thereof in the Company's books and / or on payment thereof, in accordance with the provisions of the Income Tax Act and / or any other statutory modification, re-enactment or notification as the case may be. A tax deduction certificate will be issued for the amount of tax so deducted on annual basis.

14. Events of Defaults

14.1 The Debenture Trustee at its discretion may, and if so requested in writing by the Bondholders of not less than 75 percent in principal amount of the Bonds then outstanding or if so directed by a Special Resolution shall, give notice to the Company specifying that the Bonds and/or any particular Series of Bonds, in whole but not in part are and have become due and repayable for the early redemption amount on such date as may be specified in such notice *inter alia* if any of the events specified therein occurs.

14.2 The list given below is an indicative list of events of default and a complete list of event of default and its consequences shall be specified in the Debenture Trust cum Hypothecation Deed. Events of default shall include but not be limited to the following:

(i) Default is made in any payment of the principal amount due in respect of any series of Bonds and such failure continues for a period of 3 Working Days;

(ii) The Company does not perform or comply with one or more of its other material obligations in relation to the Bonds or the Debenture Trust cum Hypothecation Deed which default is incapable of remedy or, if in the opinion of the Debenture Trustee capable of remedy, is not remedied within 30 Working Days after written notice of such default shall have been given to the Company by the Debenture Trustee and which has a material adverse effect on the Company;

(iii) The Company is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay (in the opinion of the Debenture Trustee) a material part of its debts, or stops, suspends or threatens to stop or suspend payment of all or (in the opinion of the Debenture Trustee) a material part of (or of a particular type of) its debts; or

(iv) Any encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or (in the opinion of the Debenture Trustee) any substantial part of the property, assets or revenues of the Company (as the case may be) and is not discharged within 45 Working Days.

14.3 The early redemption amount payable upon the occurrence of an Event of Default shall be as detailed in the Debenture Trust cum Hypothecation Deed.

14.4 If an Event of Default occurs which is continuing, the Debenture Trustee may with the consent of the Bondholders, obtained in accordance with the provisions of the Debenture Trust cum Hypothecation Deed, and with a prior written notice to the Company, take action in terms of the Debenture Trust cum Hypothecation Deed.

14.5 In case of default in the redemption of Bonds, in addition to the payment of interest and all other monies payable hereunder on the respective due dates, the Company shall also pay interest on the defaulted amounts. Arrears of liquidated damages shall carry interest at 2% per annum on the defaulted amount and shall be payable on the footing of compound interest with quarterly rests.

15. Bondholder's Rights, Nomination Etc.

15.1 Bondholder Not a Shareholder

The Bondholders will not be entitled to any of the rights and privileges available to the equity and preference shareholders of the Company.

15.2 Rights of Bondholders

Some of the significant rights available to the Bondholders are as follows:

(a) The Bonds shall not, except as provided in the Companies Act, confer upon the holders thereof any rights or privileges available to members of the Company including the right to receive notices or annual reports of, or to attend and / or vote, at the Company's general meeting(s). However, if any resolution affecting the rights of the Bondholders is to be placed before the shareholders, the said resolution will first be placed before the concerned registered Bondholders for their consideration. In terms of Section 219(2) of the Companies Act, holders of Bonds shall be entitled to a copy of the balance sheet on a specific request made to the Company.

(b) The rights, privileges and conditions attached to the Bonds may be varied, modified and / or abrogated with the consent in writing of the holders of at least three-fourths of the outstanding amount of the Bonds or with the sanction of a Special Resolution passed at a meeting of the concerned Bondholders, provided that nothing in such consent or resolution shall be operative against the Company, where such consent or resolution modifies or varies the terms and conditions governing the Bonds, if modification, variation or abrogation is not acceptable to the Company.

(c) The registered Bondholder or in case of joint-holders, the person whose name stands first in the Register of Bondholders shall be entitled to vote in respect of such Bonds, either by being present in person or, where proxies are permitted, by proxy, at any meeting of the concerned Bondholders summoned for such purpose and every such Bondholder shall be entitled to one vote on a show of hands and on a poll, his or her voting rights shall be in proportion to the outstanding nominal value of Bonds held by him or her on every resolution placed before such meeting of the Bondholders.

(d) Bonds may be rolled over with the consent in writing of the holders of at least three-fourths of the outstanding amount of the Bonds or with the sanction of a Special Resolution passed at a meeting of the concerned Bondholders after providing at least 21 days prior notice for such roll-over and in accordance with the Debt Regulations. The Company shall redeem the Bonds of all the Bondholders, who have not given their positive consent to the roll-over.

The above rights of Bondholders are merely indicative. The final rights of the Bondholders will be as per the Debenture Trust cum Hypothecation Deed to be executed by the Company with the Debenture Trustee.

"Special Resolution" for the purpose of this section is a resolution passed at a meeting of Bondholders of at least three-fourths of the outstanding amount of the Bonds, present and voting.

15.3 Succession

Where Bonds are held in joint names and one of the joint holders dies, the survivor(s) will be recognized as the Bondholder(s). It will be sufficient for the Company to delete the name of the deceased Bondholder after obtaining satisfactory evidence of his death. Provided, a third person may call on the Company to register his name as successor of the deceased Bondholder after obtaining evidence such as probate of a will for the purpose of proving his title to the Bonds. In the event of demise of the sole or first holder of the Bonds, the Company will recognise the executors or administrator of the deceased Bondholders, or the holder of the succession certificate or other legal representative as having title to the Bonds only if such executor or administrator obtains and produces probate or letter of administration or is the holder of the succession certificate or other legal representation, as the case may be, from an appropriate court in India. The directors of the Company in their absolute discretion may, in any case, dispense with production of probate or letter of administration or succession certificate or other legal representation.

Where a non-resident Indian becomes entitled to the Bonds by way of succession, the following steps have to be complied with:

(a) Documentary evidence to be submitted to the Legacy Cell of the RBI to the effect that the Bonds were acquired by the non-resident Indian as part of the legacy left by the deceased Bondholder.

(b) Proof that the non-resident Indian is an Indian national or is of Indian origin. Such holding by a non-resident India will be on a non-repatriation basis

15.4 Nomination Facility to Bondholder

15.4.1 In accordance with Section 109A of the Act, the sole Bondholder or first Bondholder, along with other joint Bondholders (being individual(s)) may nominate any one person (being an individual) who, in the event of death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the Bond. A person, being a nominee, becoming entitled to the Bond by reason of the death of the Bondholders, shall be entitled to the same rights to which he will be entitled if he were the registered holder of the Bond. Where the nominee is a minor, the Bondholders may make a nomination to appoint any person to become entitled to the Bond(s), in the event of his death, during the minority. A nomination shall stand rescinded upon sale of a Bond by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When the Bond is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the Bondholders. Fresh nominations can be made only in the prescribed form available on request at the Company's registered or administrative office or at such other addresses as may be notified by the Company.

15.4.2 The Bondholders are advised to provide the specimen signature of the nominee to the Company to expedite the transmission of the Bond(s) to the nominee in the event of demise of the Bondholders. The signature can be provided in the Application Form or subsequently at the time of making fresh nominations. This facility of providing the specimen signature of the nominee is purely optional.

15.4.3 In accordance with Section 109B of the Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Act, shall upon the production of such evidence as may be required by the Company's Board or Committee of Directors, as the case may be, elect either:

(a) to register himself or herself as the holder of the Bonds; or

(b) to make such transfer of the Bonds, as the deceased holder could have made.

15.4.4 Further, the Company's Board or Committee of Directors, as the case may be, may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Bonds, and if the notice is not complied with, within a period of 90 days, the Company's Board or Committee of Directors, as the case may be, may thereafter withhold payment of all interests or other monies payable in respect of the Bonds, until the requirements of the notice have been complied with.

15.4.5 Notwithstanding anything stated above, Applicants to whom the Bonds are credited in dematerialised form need not make a separate nomination with the Company. Nominations registered with the respective Depository Participant of the Bondholder will prevail. If the Bondholders require changing their nomination, they are requested to inform their respective Depository Participant. For Applicants who opt to hold the Bonds in physical form, the Applicant is required to fill in the details for "Nominees" as provided in the Application Form.

16. Debenture Trustees

16.1 The Company has appointed Bank of Maharashtra to act as the Debenture Trustee for the Bondholders. The Company intends to enter into a Debenture Trust cum Hypothecation Deed with the Debenture Trustee, the terms of which will govern the appointment and functioning of the Debenture Trustee and shall specify the powers, authorities and obligations of the Debenture Trustee. Under the terms of the Debenture Trust cum Hypothecation Deed, the Company will covenant with the Debenture Trustee that it will pay the Bondholders the principal amount on the Bonds on the relevant Maturity Date and also that it will pay the interest due on Bonds on the rate specified under the Debenture Trust cum Hypothecation Deed.

16.2 The Bondholders shall, without further act or deed, be deemed to have irrevocably given their consent to the Debenture Trustee or any of their agents or authorised officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Debenture Trustee may in their absolute discretion deem necessary or require to be done in the interest of the Bondholders. Any payment made by the Company to the Debenture Trustee on behalf of the Bondholders shall discharge the Company *pro tanto* to the Bondholders. All the rights and remedies of the Bondholders shall vest in and shall be exercised by the Debenture Trustee without reference to the Bondholders. No Bondholder shall be entitled to proceed directly against the Company unless the Debenture Trustee, having become so bound to proceed, failed to do so.

16.3 The Debenture Trustee will protect the interest of the Bondholders in the event of default by the Company in regard to timely payment of interest and repayment of principal and they will take necessary action at the Company's cost.

17. Miscellaneous

17.1 Loan against Bonds

The Bonds cannot be pledged or hypothecated for obtaining loans from scheduled commercial banks during the Lock-in Period.

17.2 Lien

The Company shall have the right of set-off and lien, present as well as future on the moneys due and payable to the Bondholder or deposits held in the account of the Bondholder, whether in single name or joint name, to the extent of all outstanding dues by the Bondholder to the Company.

17.3 Lien on Pledge of Bonds

The Company, at its discretion, may note a lien or pledge of Bonds if such pledge of Bond is accepted by any bank or institution for any loan provided to the Bondholder against pledge of such Bonds as part of the funding subject to applicable laws.

17.4 Right to Reissue Bond(s)

Subject to the provisions of the Act, where the Company has redeemed or repurchased any Bond(s), the Company shall have and shall be deemed always to have had the right to keep such Bonds alive without extinguishment for the purpose of resale or reissue and in exercising such right, the Company shall have and be deemed always to have had the power to resell or reissue such Bonds either by reselling or reissuing the same Bonds or by issuing other Bonds in their place. This includes the right to reissue original Bonds.

17.5 Joint-holders

Where two or more persons are holders of any Bond (s), they shall be deemed to hold the same as joint holders with benefits of survivorship subject to Articles and applicable law.

17.6 Sharing of Information

The Company may, at its option, use its own, as well as exchange, share or part with any financial or other information about the Bondholders available with the Company, its subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Company nor its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

17.7 Notices

All notices to the Bondholders required to be given by the Company or the Debenture Trustee shall be published in one English language newspaper having wide circulation and one regional language daily newspaper in Chennai and Mumbai and/or, will be sent by post/courier to the registered Bondholders from time to time.

17.8 Issue of Duplicate Consolidated Bond Certificate(s)

If any Consolidated Bond Certificate is mutilated or defaced it may be replaced by the Company against the surrender of such Consolidated Bond Certificates, provided that where the Consolidated Bond Certificates are mutilated or defaced, they will be replaced only if the certificate numbers and the distinctive numbers are legible.

If any Consolidated Bond Certificate is destroyed, stolen or lost then upon production of proof thereof to the Bank's satisfaction and upon furnishing such indemnity/security and/or documents as we may deem adequate, duplicate Consolidated Bond Certificate(s) shall be issued.

17.9 Future Borrowings

The Company shall be entitled to borrow or raise loans or create encumbrances or avail financial assistance in whatever form, and also issue promissory notes or debentures or other securities in any manner and change the capital structure including the issue of shares of any class, on such terms and conditions as the Company may deem appropriate, without the consent of, or intimation to the Bondholders or the Debenture Trustee in this connection.

Further, the Company shall be at liberty from time to time during the continuance of the security to issue at such future dates and in such denomination as it considers advisable, further convertible and/or non-convertible debentures and/or to raise further loans, advances and/or avail further financial and/or guarantee facilities from financial institutions, banks, and/or any other persons or entities in any other form by creating further pari-passu charge on the property charged/mortgaged to the Debenture Trustees in respect of the Debentures to be issued in pursuance of this Prospectus subject to obtaining the prior written consent of the Debenture Trustee. Consent of Debenture holders / Beneficial owners of this issue is not required to be obtained for creation of further charge / pari-passu mortgage on the immovable property charged/mortgaged to the Debenture Trustees in respect of such future issue(s) of securities.

17.10 Jurisdiction

The Bonds, the Debenture Trust cum Hypothecation Deed, the Tripartite Agreements with the Depositories and other relevant documents shall be governed by and construed in accordance with the laws of India. The Company has in the Debenture Trust cum Hypothecation Deed agreed, for the exclusive benefit of the Debenture Trustee and the Bondholders, that the courts of Mumbai and Chennai (as the case may be) are to have jurisdiction to settle any disputes which may arise out of or in connection with the Debenture Trust cum Hypothecation Deed or the Bonds and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Debenture Trust cum Hypothecation Deed and the Bonds may be brought in the courts of Mumbai.

ISSUE PROCEDURE

This section applies to all Applicants. Please note that all Applicants are required to make payment of the full Application Amount along with the Application Form.

The Prospectus and the Application Forms together with the Abridged Prospectus may be obtained from our Corporate Office or from the Lead Managers. In addition, Application Forms would also be made available to NSE where listing of the Bonds is sought, and to brokers, being members of NSE, upon their request.

Application Form

Applicants are required to submit their applications through the Bankers to the Issue. Such Applicants shall only use the specified Application Form bearing the stamp of the Banker to the Issue or the Lead Managers for the purpose of making an application in terms of the Prospectus. While submitting the Application Form the investors should ensure that the date stamp on their counter foil matches with the date stamp on the part of the Application Form being retained by the Banker to the Issue.

WHO CAN APPLY

The following categories of persons are eligible to apply in the Issue:

- Indian nationals resident in India who are not minors in single or joint names (not more than three); and
- Hindu Undivided Families or HUFs, in the individual name of the *Karta.* The Applicant should specify that the application is being made in the name of the HUF in the Application Form as follows: "Name of Sole or First Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta".* Applications by HUFs would be considered at par with those from individuals.

Please note that non-resident investors including NRIs, FIIs and OCBs are not eligible to participate in the Issue.

Application Size

Applications are required to be for a minimum of 5 Bonds and multiples of 1 Bond thereafter.

For the purpose of fulfilling the requirement of minimum subscription of 5 Bonds, an Applicant may choose to apply for 5 Bonds of the same series or 5 Bonds across different series.

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

Applications must be:

(a). Made only in the prescribed Application Form.

(b). Completed in block letters in English as per the instructions contained herein and in the Application Form, and are liable to be rejected if not so completed. Applicants should note that the Bankers to the Issue will not be liable for errors in data entry due to incomplete or illegible Application Forms.

In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

Applications are required to be for a minimum of 5 Bonds and in multiples of 1 Bond thereafter. For the purpose of fulfilling the requirement of minimum subscription of 5 Bonds, an Applicant may choose to apply for 5 Bonds of the same series or 5 Bonds across different series.

Thumb impressions and signatures other than in English/ Hindi/ Marathi or any of the other languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or Notary Public or a Special Executive Magistrate under his official seal.

No receipt would be issued by our Company for the Application money. However, the Bankers to the Issue, on receiving the applications will acknowledge receipt by stamping and returning the acknowledgment slip to the Applicant. While submitting the Application Form the investors should ensure that the date stamp on their counter foil matches with the date stamp on the part of the Application Form being retained by the Banker to the Issue.

IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE APPLICATION FORM DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITORIES, THE APPLICATION FORM IS LIABLE TO BE REJECTED. FOR APPLICANTS OPTION TO HOLD THE BONDS IN PHYSICAL FORM KYC DOCUMENTS ARE MANDATORILY REQUIRED TO BE SUBMITTED. SUCH APPLICANTS NEED NOT PROVIDE ANY DETAILS OF THEIR DEMAT ACCOUNT. HOWEVER, IF SUCH DETAILS ARE PROVIDED, THE COMPANY RESERVES THE RIGHT BUT DOES NOT HAVE THE OBLIGATION TO DO THE KYC CHECK FROM THE DEMAT ACCOUNT DETAILS. INSERTION OF DEMAT ACCOUNT DETAILS DOES NOT ALLEVIATE THE APPLICANT FROM PROVIDING THE KYC DOCUMENTS.

FOR HOLDERS OF PHYSICAL BONDS, THE ADDRESS TO WHICH SUCH CERTIFICATES MUST BE DISPATCHED MUST BE MENTIONED.

The demat accounts for Applicants for which PAN details have not been verified shall be "suspended for credit" and no allotment of Bonds pursuant to the Issue shall be made into accounts of such Applicants.

GENERAL INSTRUCTIONS

Do's:

1. Check if you are eligible to apply.

2. Read all the instructions carefully and complete the Application Form.

3. Applications are required to be in single or joint names (not more than three).

4. Ensure that the details about the Depository Participant and beneficiary account are correct and the demat account is active (if demat option is preferred).

5. In case of an HUF applying through its Karta, the Applicant is required to specify the name of an Applicant in the Application Form as "XYZ Hindu Undivided Family applying through PQR", where PQR is the name of the Karta.

6. Applicant's Bank Account details.

7. Applications under Power of Attorney: Unless we specifically agree in writing, and subject to such terms and conditions as we may deem fit, in the case of applications made under Power of Attorney, a certified copy of the Power of Attorney is required to be lodged separately, along with a copy of the Application Form at the office of the Registrar to the Issue simultaneously with the submission of the Application Form, indicating the name of the Applicant along with the address, application number, date of submission of the Application Form, name of the bank and branch where it was deposited, Cheque/Demand Draft Number and the bank and branch on which the Cheque/Demand Draft was drawn.

8. Permanent Account Number: All Applicants should mention their PAN allotted under the Income Tax Act in the Application Form. In case of joint applicants the PAN of the first applicant should be provided and for HUFs, PAN of the HUF should be provided. The PAN would be the sole identification number for participants transacting in the securities markets, irrespective of the amount of the transaction. Any Application Form without the PAN is liable to be rejected. It is to be specifically noted that Applicants should not submit the GIR Number instead of the PAN as the application is liable to be rejected on this ground.

9. Joint Applications: Applications may be made in single or joint names (not exceeding three). In the case of joint applications, all payments will be made out in favour of the first Applicant. All communications will be addressed to the first named Applicant whose name appears in the Application Form at the address mentioned therein.

10. Multiple Applications:

An investor shall be allowed to use a single application to apply for Bonds for multiple options. All additional applications, if any, made by the investor either for one option or multiple options shall be considered valid, aggregated based on PAN of the first applicant and shall be considered for allotment as per the procedure detailed under Basis of Allotment.

11. Applicants are requested to write their names and application serial number on the reverse of the instruments by which the payments are made.

12. Tax Deduction at Source: Persons (other than companies and firms) resident in India claiming interest on bonds without deduction of tax at source are required to submit Form 15G/Form 15H at the time of submitting the Application Form, in accordance with and subject to the provisions of the Income Tax Act. Other Applicants can submit a certificate under section 197 of the Income Tax Act. For availing the exemption from deduction of tax at source from interest on Bonds the Applicant is required to submit Form 15G/ 15H/ certificate under section 197 of the Income Tax Act/ valid proof of exemption, as the case may be along with the name of the sole/ first Applicant, Bondholder number and the distinctive numbers of Bonds held to us on confirmation of Allotment. Applicants are required to submit Form 15G/ 15H/ certificate under section 197 of the Income Tax Act/ valid proof of exemption each financial year.

13. Category: All Applicants are requested to tick the relevant column "Category of Investor" in the Application Form.

14. Ensure that the applications are submitted to the Bankers to the Issue or collection centre(s)/ agents as may be specified before Issue Closing Date;

15. Ensure that the name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form.

16. For holding the Bonds in physical form: (i) Please select the option for holding the Bonds in physical form in the Application Form; (ii) please provide full details under "Applicants Details", the bank account details in the Application Form; and (iii) provide self attested copies of the KYC Documents along with the Application Form .

Don'ts:

1. Do not make an application for lower than the minimum Application size.

2. Do not pay the Application Amount in cash, by money order or by postal order or by stockinvest.

3. Do not send Application Forms by post; instead submit the same to a Banker to the Issue only.

4. Do not submit the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

5. Do not submit the Application Forms without the full Application Amount.

For further instructions, please read the Application Form carefully.

PAYMENT INSTRUCTIONS

Escrow Mechanism

Our Company shall open Escrow Account(s) with one or more Escrow Collection Bank(s) in whose favour the Applicants shall make out the cheque or demand draft in respect of his or her application. Cheques or demand drafts received for the Application Amount from Applicants would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Prospectus and the Escrow Agreement. The Escrow Collection Banks, for and on behalf of the Applicants, shall maintain the monies in the Escrow Account until closing of the Issue. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Applicants. The Escrow Collection Banks shall transfer the funds represented by Allotment of the Bonds from the Escrow Account, as per the terms of the Escrow Agreement, into a separate bank account after the creation of security. Payments of refund to the applicants shall also be made from the Escrow Accounts / refund account(s) as per the terms of the Escrow Agreement and this Prospectus.

The Applicants should note that the escrow mechanism is not prescribed by SEBI or the Stock Exchanges and has been established as an arrangement between our Company, the Lead Managers, the Escrow Collection Banks and the Registrar to facilitate collection from the Applicants.

Payment into Escrow Account

Each Applicant shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the Application Amount as per the following terms:

a. All Applicants would be required to pay the full Application Amount at the time of the submission of the Application Form.

b. The Applicants shall, with the submission of the Application Form, draw a payment instrument for the Application Amount in favour of the Escrow Account and submit the same to Bankers to the Issue. If the payment is not made favouring the Escrow Account along with the Application Form, the Application shall be rejected.

c. The payment instruments for payment into the Escrow Account should be drawn in favour of "L&T Infra Bonds 2011A".

d. The monies deposited in the Escrow Account will be held for the benefit of the Applicants until the Designated Date.

e. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue. The Escrow Collection Bank shall also refund all amounts payable to Applicants whose applications have been rejected by our Company.

f. Payments should be made by cheque, or a demand draft drawn on any bank (including a Co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected.

g. Cash/ stockinvest/ money orders/ postal orders will not be accepted.

Submission of Application Forms

All Application Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Bankers to the Issue during the Issue period.

No separate receipts shall be issued for the money payable on the submission of Application Form. However, the collection centre of the Bankers to the Issue will acknowledge the receipt of the Application Forms by stamping and returning to the Applicants the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Application Form for the records of the Applicant.

KYC Documents

Self-attested copies of the following documents are required to be submitted by the Applicants as KYC Documents:

1. Proof of identification for individuals; the following documents are accepted as proof for individuals:

    - Passport
    - Voter's ID

- Driving Licence
- Government ID Card
- Defence ID Card
- Photo PAN Card
- Photo Ration Card

2. Proof of residential address; the following documents are accepted as proof of residential address:

- Passport
- Voter's ID
- Driving Licence
- Ration Card
- Society Outgoing Bill
- Life Insurance Policy
- Electricity Bill
- Telephone (Land/Mobile) Bill

3. Copy of the PAN card

Online Applications

Our Company may decide to offer an online application facility for the Bonds, as and when permitted by applicable laws, subject to the terms and conditions prescribed.

Bonds in dematerialised form with NSDL or CDSL

(i) The following two tripartite agreements have been signed amongst our Company, the respective Depositories and the Registrar:

- Tripartite Agreement dated October 3, 2007 between us, the Registrar and NSDL for offering depository option to the Bondholders.

- Tripartite Agreement dated May 6, 2008 between us, the Registrar and CDSL for offering depository option to the Bondholders.

(ii) An Applicant applying for the Bonds in dematerialised form must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the application.

(iii) The Applicant must necessarily fill in the details (including the Beneficiary Account Number and Depository Participant's identification number) appearing in the Application Form.

(iv) Allotment to an Applicant will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Applicant.

(v) Names in the Application Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(vi) If incomplete or incorrect details are given under the heading 'Applicants Depository Account Details' in the Application Form, it is liable to be rejected.

(vii) The Applicant is responsible for the correctness of his or her demographic details given in the Application Form vis-à-vis those with his or her Depository Participant.

(viii) Bonds in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. NSE, where the Bonds are proposed to be listed has electronic connectivity with CDSL and NSDL.

(ix) The trading of the Bonds on the Stock Exchange shall be in dematerialised form only.

Allottees will have the option to re-materialise the Bonds so Allotted as per the provisions of the Companies Act and the Depositories Act.

Bonds to be held in physical form

The Company shall dispatch physical certificates of Bonds to Applicants who select the option for holding the Bonds in physical form in the Application Form.

For holding the Bonds in physical form: (i) Please select the option for holding the Bonds in physical form in the Application Form; (ii) please provide full details under "Applicants Details", the bank account details in the Application Form; and (iii) provide self attested copies of the KYC Documents along with the Application Form.

The physical certificates will dispatched to the Applicants within 15 Working Days from the Date of Allotment.

In case of joint holders, the names should be in the proper sequence i.e. the Application Form should clearly state the first holder and the joint holder.

If incomplete or incorrect details are given under the heading 'Applicants Details' in the Application Form, it is liable to be rejected.

The trading of the Bonds on the Stock Exchange shall be in dematerialised form only and Bondholders holding the Bonds in physical form will be required to dematerialise the Bonds if they wish to trade in the same.

Allottees will have the option to dematerialise the Bonds so Allotted as per the provisions of the Companies Act and the Depositories Act.

Communications

All future communications in connection with applications made in the Issue should be addressed to the Registrar to the Issue, quoting all relevant details regarding the Applicant/application. Applicants may address our Compliance Officer as well as the contact persons of the Lead Managers and the Registrar to the Issue in case of any post-Issue related problems such as non-receipt of letters of Allotment/credit of Bonds in the Depositary's beneficiary account/refund orders, etc.

Rejection of Applications

Our Company reserves its full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason thereof.

Application would be liable to be rejected on one or more technical grounds, including but not restricted to:

- Number of Bonds applied for is less than the minimum application size;
- Applications not duly signed by the sole/joint Applicants;
- Application amount paid not tallying with the number of Bonds applied for;
- Bank account details not given;
- Applications by persons not competent to contract under the Indian Contract Act, 1872, as amended, including a minor without a guardian name;
- In case of applications under Power of Attorney where relevant documents not submitted;
- Application by stockinvest;
- Address not provided in case of exercise of option to hold Bonds in physical form;
- Applications accompanied by cash / money order/ postal order;
- Applications without PAN; and

- DP ID, Client ID and PAN mentioned in the Application Form do not match with the DP ID, Client ID and PAN available in the records with the depositories.

- Copy of KYC documents not provided in case of exercise of option to hold Bonds in physical form.

The collecting bank shall not be responsible for rejection of the application on any of the technical grounds mentioned above.

Application form received after the closure of the Issue shall be rejected.

In the event, if any Bond(s) applied for is/are not allotted, the application monies of such Bonds will be refunded, as may be permitted under the provisions of applicable laws.

Basis of Allotment

Our Company shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the Lead Managers and the Registrar shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner.

Subject to the provisions contained in this Prospectus, the Articles of Association of our Company and the approval of the Designated Stock Exchange, the Board / committee constituted by the Board of Directors will proceed to Allot the Bonds in the following order of priority:

a. Full Allotment of Bonds to the Applicants on a first come first basis up to the Issue Closing Date or the date falling 1 (one) day prior to the Oversubscription Date, whichever is earlier.

b. For applications received on the Oversubscription Date, the Bonds shall be Allotted in the following order of priority:

    - All Series 2 Bonds which have been applied for; and

    - All Series 1 Bonds which have been applied for.

    - On the Oversubscription Date, Allotments, to the maximum extent possible, will be made on the basis of the Series of Debentures as mentioned. However, with respect to applications which cannot be distinguished within the same Series, such applicants will be allotted Bonds based in proportion to their respective application size, rounded off to the nearest integer.

    - If the process of rounding off to the nearest integer results in the actual allocation of Bonds being higher than the Issue size, not all applicants will be allotted the number of Bonds arrived at after such rounding off. Rather, each applicant whose allotment size, prior to rounding off, had the highest decimal point would given preference.

    - In the event, there are more than one applicant whose entitlement remain equal after the manner of distribution referred to above, the Company will ensure that the basis of allotment is finalised in a fair and equitable manner.

    If there are multiple applications made by an applicant, all such applications will individually be considered for allotment on a first-come-first-serve basis within the category.

c. All applications received after the Oversubscription Date shall be rejected by our Company.

d. In case investor does not select any of the series in the Application Form, the Company shall consider the Series 2 for the purposes of the Allotment.

e. In case the option for holding the Bonds in physical form is selected, the Company will fulfil such request to hold the Bonds in physical form irrespective of whether depository participant details are also provided by the Applicants

For the purposes of this section, Oversubscription Date shall mean the date on which the amount of applications exceed ₹ 4,000 million. Any application received post the Oversubscription Date shall be rejected.

Letters of Allotment/ Refund Orders

Our Company reserves, in its absolute and unqualified discretion and without assigning any reason thereof, the right to reject any application in whole or in part. The unutilised portion of the application money will be refunded to the Applicant by an account payee cheque/demand draft. In case the cheque payable at par facility is not available, we reserve the right to adopt any other suitable mode of payment.

Our Company shall credit the allotted Bonds to the respective beneficiary accounts/dispatch the Letter(s) of Allotment or Letter(s) of Regret/ Refund Orders in excess of ₹ 1,500, as the case may be, by registered/speed post at the Applicant's sole risk, within 10 weeks from the date of closure of the Issue. Refund Orders up to ₹ 1,500 will be sent under certificate of posting.

Further,

(a) Allotment of the Bonds shall be made within 30 days of the Issue Closing Date;

(b) Credit to dematerialised accounts will be made within two Working Days from the date of Allotment;

(c) Dispatch of physical certificates shall be within 15 Working Days from the date of Allotment;

(d) Our Company shall pay interest at 15% per annum if the Allotment has not been made and/ or the Refund Orders have not been dispatched to the Applicants within 10 weeks from the date of the closure of the Issue, for any delay beyond 10 weeks.

Our Company will provide adequate funds to the Registrar to the Issue, for this purpose.

Filing of the Prospectus with the ROC

A copy of this Prospectus has been filed with the Registrar of Companies, Tamil Nadu, Chennai in terms of Sections 56 and 60 of the Companies Act.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company shall, on or before the Issue Opening Date, publish a pre-Issue advertisement, in the form prescribed by the Debt Regulations, in one national daily newspaper with wide circulation.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

"Any person who:

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name, shall be punishable with imprisonment for a term which may extend to five years."

Issue of Certificates

Letter(s) of Allotment will be dispatched at the sole risk of the Applicant, through registered/speed post, within 10 weeks from the date of closure of the Issue, or such extended time as may be permitted under Applicable Laws.

Listing

The Bonds will be listed on the NSE. Our Company has received in-principle listing approval dated January 31, 2011 from the NSE. NSE will be the designated stock exchange with which the Basis of Allotment will be finalised.

If the permissions to deal in and for an official quotation of the Bonds are not granted by the Stock Exchanges, we shall forthwith repay, without interest, all such moneys received from the applicants in pursuance of this Prospectus. If such money is not repaid within eight days after we becomes liable to repay it (i.e. from the date of refusal or within seven days from the Issue Closing Date, whichever is earlier), then our Company and every Director of our Company who is an officer in default shall, on and from such expiry of eight days, be liable to repay the money, with interest at the rate of 15% p.a. on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges are taken within 7 Working Days from the date of Allotment.

Utilisation of Application Money

The sums received in respect of the Issue will be kept in the Escrow Account and we will have access to such funds after Issue closure as disclosed in this Prospectus.

Undertaking by the Issuer

We undertake that:

(i). the complaints received in respect of the Issue shall be attended to by us expeditiously and satisfactorily;

(ii). we shall take necessary steps for the purpose of getting the Bonds listed in the concerned stock exchange(s) within the specified time;

(iii). the funds required for dispatch of refund orders/Allotment letters/certificates by registered post shall be made available to the Registrar to the Issue by us;

(iv). necessary cooperation to the credit rating agency(ies) shall be extended in providing true and adequate information till the debt obligations in respect of the Bonds are outstanding;

(v). we shall forward the details of utilisation of the funds raised through the Bonds duly certified by our statutory auditors, to the Debenture Trustee at the end of each half year;

(vi). we shall disclose the complete name and address of the Debenture Trustee in our annual report;

(vii). we shall provide a compliance certificate to the Debenture Holders (on yearly basis) in respect of compliance of with the terms and conditions of Issue of Bonds as contained in the Prospectus, duly certified by the Debenture Trustee;

(viii). necessary consent for creation of *pari passu* charge, on our mortgaged property have been obtained.

SECTION VII: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND STATUTORY DEFAULTS

General Overview on Outstanding Litigations

As on the date of this Prospectus, there are no defaults in meeting statutory dues, institutional dues and towards holders of instruments like debentures, fixed deposits *etc.*, by our Company, the Promoters, or by Indian public companies promoted by the same Promoters and listed on stock exchanges.

Except as disclosed in this Prospectus, there are no outstanding litigations pertaining to:-

a) matters likely to affect operation and finances of our Company including disputed tax liabilities of any nature; and

b) criminal prosecutions launched against our Company and the directors for alleged offences under the enactments specified in paragraph 1 of Part I of Schedule XIII to the Act.

Cases filed against our Company

Criminal Cases

1. A petition, under section 482 of the Code of Criminal Procedure, 1973 (the "**CrPC**"), has been filed by Mr. Rajiv Banga and Mr. Sunil Kumar Bansal, directors of IDEB Projects Private Limited against our Company before the Bombay High Court. Our Company had filed a complaint under section 138 of the Negotiable Instrument Act, 1881 before the Metropolitan Magistrate, 12th Court at Bandra. The petitioners have thereafter filed this petition to quash the proceedings pending against them as well as an order dated November 9, 2009 passed in favour of our Company by the said Metropolitan Magistrate, in the complaint filed by our Company. The amount involved in the matter is ₹ 3.69 million. The matter is currently pending in the Bombay High Court.

2. A petition, under section 482 of the CrPC, has been filed by Mr. Oan Ali Zaheed and Mr. Sarkar, directors of IDEB Projects Private Limited against our Company before the Bombay High Court. Our Company had filed a complaint under section 138 of the Negotiable Instrument Act, 1881 before the Learned Metropolitan Magistrate, 12th Court at Bandra. The petitioners have thereafter filed this petition to quash the proceedings pending against them as well as an order dated November 9, 2009 passed in favour of our Company by the said Metropolitan Magistrate, in the complaint filed by our Company. The amount involved in the matter is ₹ 3.69 million. The matter is currently pending in the Bombay High Court.

3. A criminal case under Section 200 of CrPc read with Sections 409, 420, 464, 465, 467, 468, 471, 120-B, 34 of the Indian Penal Code and a separate criminal application under section 156(3) of CrPc was filed by Naresh Jaggi (the "Complainant") against Ansal Properties & Infrastructure Limited (the "Respondent") and others including our Company ("Respondent no. 18") before the Additional Chief Metropolitan Magistrate, Rohini Courts, Delhi on grounds of sale of pledged shares which were retained as security by our Company. Our Company had provided a Rupee Term Loan aggregating to ₹ 500 million to the Respondent. The entire facility amount was disbursed in October 2007. The Respondent was irregular in making payments and due to non payment of interest and principal repayment, the over-due amount aggregating to ₹ 108.8 million. These outstanding dues were not cleared despite repeated reminders. After providing a notice in June, 2010 to the Complainant and Ansal Seagull SEZ Developers Limited (the obliger), our Company enforced its rights under the relevant agreement and sold the shares of the Complainant pledged in favour our Company to recover the outstanding amount. Pursuant to an order dated December 15, 2010 passed by the court, a first information report was registered on December 31, 2010 inter alia against our Company, the directors of Larsen & Toubro Limited and one ex-employee of our Company. L&T Infra & Others have filed a Criminal Writ Petition before the Delhi High Court on January 15, 2011 under article 226/227 of the Constitution of India read with section 482 of the CrPC for issuance of a writ/order/direction in the nature of mandamus for quashing of FIR No. 511 of 2010, registered at police station KW Camp/Model Town. The said Writ Petition is currently pending. The Delhi High Court by way of an

order dated January 20, 2011, has ordered that the directors of Larsen & Toubro Limited shall not be examined by the investigating officer.

Civil Cases

1. A petition under sections 397, 398, 399 read with section 235(2), 237(b), 240, 250(3), 402,403 and 408 of the Companies Act, has been filed before the Company Law Board, Principal Bench, New Delhi (the "CLB") by Seagull Buildwell Private Limited and others against Ansal Seagull SEZ Developers limited ("Respondent No. 1"), Ansal Colours Engineering SEZ Limited ("Respondent No. 2") and others including our Company ("Respondent no. 18"). Our Company had provided a Rupee Term Loan aggregating to ₹ 500 million to the Respondent no.1. The entire facility amount was disbursed in October 2007. The Respondent no. 1 was irregular in making payments and due to non payment of interest and principal repayment and overdue amount, aggregating to ₹ 108.8 million. These outstanding dues were not cleared despite repeated reminders. After providing a notice in June, 2010 to the Complainant and Ansal Seagull SEZ Developers Limited (the obligers), our Company enforced its rights under the relevant agreement and sold the pledged shares of the Complainant no. 1 to recover the outstanding amount. The main prayer (amongst other prayers) is that an order be passed to set aside the sale of 20 million equity shares of Respondent No. 2 by our Company in favour of Ansal Properties and Infrastructure Limited and Anand Rathi Financial Services Limited, as void and illegal. An interim order to maintain *status quo* in respect of the immovable assets, shareholding and composition of the boards of Ansal Seagull SEZ Developers Limited and Ansal Colours Engineering SEZ Limited, has been passed by the CLB on December 2, 2010. The matter is currently pending.

Cases filed by our Company

Criminal Cases

1. A case has been filed by our Company under Section 138 of the Negotiable Instruments Act, 1881 against IDEB Projects Private Limited on October 23, 2009 before the 12th Court, Bandra, Mumbai for recovery of outstanding dues. The amount involved in the matter is ₹ 3.69 million. The matter is currently pending.

2. A case has been filed by our Company under Section 138 of the Negotiable Instruments Act, 1881 against PVP Ventures Limited on December 3, 2009 before the 12th Court, Bandra, Mumbai.. The amount involved in the matter is ₹ 99.99 million. Summons has been served and the acknowledgment has been received. The matter is currently pending.

3. A case has been filed by our Company under Section 138 of the Negotiable Instruments Act, 1881 against PVP Ventures Limited (SSI) on December 3, 2009 before the 12th Court, Bandra, Mumbai. The amount involved in the matter is ₹ 116.66 million. Summons has been served and the acknowledgment has been received. The matter is currently pending.

4. A case has been filed by our Company under Section 138 of the Negotiable Instruments Act, 1881 against Sujana Towers Limited before the 12th Court, Bandra, Mumbai. The amount involved in the matter is ₹ 41.27 million. The case is pending for verification of the complainant. The matter is currently pending.

5. A cheque worth ₹ 14.5 million was drawn on our Company's account with Canara Bank and the signatures of authorised signatories were forged. The cheque was deposited in a branch of Dhanalaxmi Bank at Trivandrum in the account of M/s. Akhila Lokha Thathwasi Trust. No money was transferred from our account. Our Company has filed a complaint on grounds arising from forgery of signatures for unauthorised transfers from our account with the Circle Police Station, Trivandrum against M/s. Akhila Lokha Thathwasi Trust and other unknown persons for the offences of cheating, forgery, etc. An FIR has been registered on October 13, 2010 and the investigation is ongoing.

6. 5 cheques worth total ₹ 106.2 million drawn on our Company's account with IDBI Bank, and the signatures of authorised signatories and our letter heads were forged, which resulted in unauthorised deposits in five different accounts of Mr. Pankaj Bhaindarkar (₹ 9.2 million); Om Associates (₹ 35 million), Mr. Pradeep Nambiar (₹ 50 million), Mr. Vikas V. Wayal, proprietor of Chhatrapati Agro International (₹ 6 million) and D. S. Satnamsingh Jude (for ₹ 6 million) respectively. Our Company has

filed complaints with the BKC Police Station, Mumbai against these people as well as other unknown persons for the offences of cheating, forgery, etc. The police have registered the FIR on November 29, 2010 and the investigation is ongoing.

Civil Cases

1. A petition has been filed by our Company under Section 9 of the Arbitration and Conciliation Act, 1996 against IDEB Projects Private Limited on January 21, 2010. Interim injunction has been granted and the matter is to come up for final disposal. The matter is currently pending in the Bombay High Court, Maharashtra.

2. A petition has been filed by our Company under Section 9 of the Arbitration and Conciliation Act, 1996, against H.S. Bedi on January 21, 2010. Interim injunction has been granted and the matter is to come up for final disposal. The matter is currently pending in the Bombay High Court, Maharashtra.

Tax related matters

1. An appeal has been filed by our Company before the Commissioner of Income Tax (Appeals) against the assessment order dated December 18, 2009. Our Company has claimed that the Assessing Officer erred in disallowing advisory fees, commission and brokerage and contribution to provident fund in the Assessment Order for Assessment Year 2007-08. The appeal has been partly decided in favour of our Company.

Arbitration Proceedings

1. Arbitration proceedings have been initiated by our Company against IDEB Projects Private Limited on April 28, 2010 for a claim amounting to ₹ 321.77 million. The parties were directed to attend the preliminary meeting on June 9, 2010. A statement of claim has been filed and the matter is posted for framing of issues. The matter is currently pending before the Arbitral Tribunal presided by Presiding Arbitrator Justice Sujata Manohar (Retd.), Co-Arbitrator Justice Shivraj Patil (Retd.) and Co-Arbitrator Justice H. Suresh (Retd.). The venue of arbitration is Mumbai, Maharashtra.

2. Arbitration proceedings have been initiated by our Company against H. S. Bedi on April 28, 2010 and the parties were directed to attend the preliminary meeting on June 9, 2010. A statement of claim has been filed and the matter is posted for framing of issues. The matter is currently pending before the Arbitral Tribunal presided by Presiding Arbitrator Justice Sujata Manohar (Retd.), Co-Arbitrator Justice Shivraj Patil (Retd.) and Co-Arbitrator Justice H. Suresh (Retd.). The venue of arbitration is Mumbai, Maharashtra.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the present Issue

The shareholders of our Company, subject to the Memorandum and Articles of Association, have passed a resolution under section 293(1)(d) of the Act, at the general meeting held on September 27, 2010, which prescribes the maximum monetary limit for the purpose of borrowing. The aggregate value of the Debentures offered under this Prospectus, together with the existing borrowings of our Company, is within the approved borrowing limits of ₹ 150,000 million.

The Issue of Debentures offered under this Prospectus is being made pursuant to resolution passed by the Board of Directors of our Company at its Meeting held on January 14, 2011.

Prohibition by SEBI / Eligibility of our Company to come out with the Issue

Our Company and our Promoters have not been restrained, prohibited or debarred by SEBI from accessing the securities market or dealing in securities and no such order or direction is in force. Further, no member of our promoter group has been prohibited or debarred by SEBI from accessing the securities market or dealing in securities due to fraud.

Disclaimer clause of the NSE

AS REQUIRED, A COPY OF THIS PROSPECTUS HAS BEEN SUBMITTED TO NSE. NSE HAS GIVEN VIDE ITS LETTER REF.: NSE/LIST/157371-3 DATED JANUARY 31, 2011, PERMISSION TO THE ISSUER TO USE THE EXCHANGE'S NAME IN THIS PROSPECTUS AS ONE OF THE STOCK EXCHANGES ON WHICH THIS ISSUER'S SECURITIES ARE PROPOSED TO BE LISTED. THE EXCHANGE HAS SCRUTINISED THE DRAFT PROSPECTUS FOR ITS LIMITED INTERNAL PURPOSE OF DECIDING ON THE MATTER OF GRANTING THE AFORESAID PERMISSION TO THIS ISSUER. IT IS TO BE DISTINCTLY UNDERSTOOD THAT THE AFORESAID PERMISSION GIVEN BY NSE SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE PROSPECTUS HAS BEEN CLEARED OR APPROVED BY NSE; NOR DOES IT IN ANY MANNER WARRANT, CERTIFY OR ENDORSE THE CORRECTNESS OR COMPLETENESS OF ANY OF THE CONTENTS OF THIS PROSPECTUS; NOR DOES IT WARRANT THAT THE ISSUER'S SECURITIES WILL BE LISTED OR WILL CONTINUE TO BE LISTED ON THE EXCHANGE; NOR DOES IT TAKE ANY RESPONSIBILITIES FOR THE FINANCIAL OR OTHER SOUNDNESS OF THE ISSUER, ITS PROMOTERS, ITS MANAGEMENT OR ANY SCHEME OR PROJECT OF THE ISSUER.

EVERY PERSON WHO DESIRES TO APPLY FOR OR OTHERWISE ACQUIRE ANY SECURITIES OF THE ISSUER MAY DO SO PURSUANT TO INDEPENDENT INQUIRY, INVESTIGATION AND ANALYSIS AND SHALL NOT HAVE ANY CLAIM AGAINST THE EXCHANGE WHATSOEVER BY REASON OF ANY LOSS WHICH MAY BE SUFFERED BY SUCH PERSON CONSEQUENT TO OR IN CONNECTION WITH SUCH SUBSCRIPTION / ACQUISITION WHETHER BY REASON OF ANYTHING STATED OR OMITTED TO BE STATED HEREIN OR ANY OTHER REASON WHATSOEVER.

Disclaimer clause of the RBI

RBI HAS ISSUED CERTIFICATE OF REGISTRATION DATED JANUARY 10, 2007 AND A FRESH CERTIFICATE OF REGISTRATION DATED JULY 7, 2010 RE-CLASSIFYING OUR COMPANY UNDER THE CATEGORY "INFRASTRUCTURE FINANCE COMPANY". IT MUST BE DISTINCTLY UNDERSTOOD THAT THE ISSUING OF THIS CERTIFICATE AND GRANTING A LICENSE AND APPROVAL BY RBI IN ANY OTHER MATTER SHOULD NOT IN ANY WAY, BE DEEMED OR CONSTRUED TO BE AN APPROVAL BY RBI TO THIS PROSPECTUS NOR SHOULD IT BE DEEMED THAT RBI HAS APPROVED IT AND THE RBI DOES NOT TAKE ANY RESPONSIBILITY OR GUARANTEE THE FINANCIAL SOUNDNESS OF OUR COMPANY OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED BY OUR COMPANY IN THIS CONNECTION AND FOR REPAYMENT OF DEPOSITS / DISCHARGE OF LIABILITIES BY OUR COMPANY.

Listing

The Bonds proposed to be offered in pursuance of this Prospectus will be listed on NSE. We have received the in-principle approval dated January 31, 2011 from the NSE. If permissions to deal in and for an official quotation of our Bonds are not granted by NSE, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Prospectus.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchange(s) mentioned above are taken within 7 working days from the date of allotment.

For the avoidance of doubt, it is hereby clarified that in the event of non subscription to any one or more of the Series of Bonds, such Series of Bonds shall not be listed.

Consents

Consents in writing of: (a) the Directors and Manager, (b) the Compliance Officer, (c) the Statutory Auditors, (d) Bankers to our Company, (e) Lead Managers and Co-Managers, (f) Registrar, (g) Legal Advisor to the Issuer, (h) Legal Advisor to the Lead Managers, (i) Credit Rating Agencies, (j) the Debenture Trustee, (k) Bankers to the Issue and (l) lead brokers to the Issue, to act in their respective capacities, have been obtained and filed along with a copy of this Prospectus with the Stock Exchange.

Expert Opinion

Except for the reports of CARE and ICRA in respect of the credit rating(s) of this Issue and the letters furnishing their rationale for their respective rating(s), our Company has not obtained any expert opinions.

Common Form of Transfer

The Issuer undertakes that there shall be a common form of transfer for the Debentures as prescribed under the SCRA / Act and all applicable laws shall be duly complied with in respect of all transfer of Debentures and registration thereof.

Minimum Subscription

Under the Debt Regulations, our Company is required to stipulate a minimum subscription amount which it seeks to raise. The consequence of minimum subscription amount not being raised is that the Issue shall not proceed and the application moneys received are refunded to the Applicants.

However, SEBI has, by way of letter no. IMD/DF1/OW/21395/2010 dated September 28, 2010, exempted our Company from the requirements of prescribing a minimum subscription amount for the Bonds. Therefore, there is no minimum subscription amount for the Bonds.

Filing of the Prospectus with the ROC

A copy of this Prospectus has been filed with the Registrar of Companies, Tamil Nadu, Chennai in terms of Sections 56 and 60 of the Companies Act. The Debentures are being offered for public issue and the same are being issued at the face value of ₹ 1,000 (Rupees One Thousand) each.

Issue Related Expenses

The expenses of this Issue include, among others, fees for the Lead Managers, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses to be incurred for the Issue size of ₹ 4,000 million (assuming the full subscription including the retention of over subscription of ₹ 3,000 million) are as follows:

(₹in million)

Activity	Expenses	% of Issue Size of ₹ 4,000 million
Lead Management Fee	10	0.25
Advertising and Marketing Expenses and Selling and Brokerage Commissions	150	3.75
Printing, Stationery and Distribution	15	0.38
Others (Debenture Trustee Fees, Registrar Fee, Credit Rating Fee, Legal Fees, Stamp Duty & Registration expense etc.)	15	0.38
Total	**190**	**4.75**

The above expenses are indicative and are subject to change depending on the actual level of subscription to the Issue and the number of Allottees, market conditions and other relevant factors.

Underwriting

This Issue has not been underwritten.

Details regarding the capital issue during the last three years by our Company and other listed companies under the same management within the meaning of section 370 (1B)

Our Company had made a public issue of long-term infrastructure bonds with a face value of ₹ 1,000 each, in the nature of secured, redeemable, non convertible debentures, aggregating up to ₹ 2,000 million with an option to retain an oversubscription of up to ₹ 5,000 million through a prospectus dated October 11, 2010. The issue closed on November 15, 2010 and the debenture certificates / demat credit intimation were dispatched by December 4, 2010. The amount raised through this issue was ₹ 2,562.16 million. The proceeds of the issue will be used for "infrastructure lending" as defined in the regulations issued by the RBI from time to time.

Other than as disclosed in this section, neither our Company nor any other listed company under the same management within the meaning of Section 370(1B) of the Act has made any public or rights or composite issue of capital in the last three years.

Public / Rights Issues by our Company and our Promoters

Our Company has not undertaken any public or rights issue of equity shares in the past. However, L&T Finance Holdings Limited, which is our holding company, is proposing an initial public offering of its equity shares and has filed a draft red herring prospectus dated September 27, 2010 with the Securities and Exchange Board of India.

Previous issues of shares otherwise than for cash

Our Company has not issued shares otherwise than for cash.

Dividend

Our Company has not paid dividend in the past.

Revaluation of assets

Our Company has not revalued its assets in the last five years.

Trading of Debentures

Subject to the Lock-in period of five years, the Debentures shall be traded on the NSE.

Debentures or bonds and redeemable preference shares and other instruments issued by our Company and outstanding

As on December 31, 2010, our Company has issued listed / rated / unrated, secured / unsecured, non-convertible redeemable debentures and commercial papers aggregating to ₹ 24,562.16 million. Apart from the above, there are no outstanding debentures, bonds, redeemable preference shares or other instruments issued by our Company that are outstanding.

Mechanism for redressal of investor grievances

Sharepro Services (India) Private Limited has been appointed as the Registrar to ensure that investor grievances are handled expeditiously and satisfactorily and to effectively deal with investor complaints. The MOU between the Registrar and our Company will provide for retention of records with the Registrar for a period of at least three years from the last date of despatch of the letters of allotment, demat credit and refund orders to enable the investors to approach the Registrar for redressal of their grievances. All grievances relating to the Issue should be addressed to the Registrar giving full details of the applicant, number of Bonds applied for, amount paid on application and the bank branch or collection centre where the application was submitted etc.

Sharepro Services (India) Private Limited
13 A B, Samhita Warehousing Complex
2nd Floor, Sakinaka Telephone Exchange Lane
Andheri - Kurla Road
Sakinaka, Andheri (E), Mumbai – 400 072
Tel: +91 22 6191 5419/408/416/402
Fax: +91 22 6191 5444
Contact Person: Mr. Prakash Khare
Website: www.shareproservices.com
E-mail: prakashk@shareproservices.com
Investor Grievance Email: ltinfra2@shareproservices.com
Compliance Officer: Mr. Prakash Khare
SEBI Registration Number: INR000001476

In addition, our Company's Compliance Officer would also handle all investors' grievances:

Name	:	Mr. Vinay Tripathi
Address	:	3A/Laxmi Towers, First Floor, Bandra Kurla Complex, Bandra (East), Mumbai 400 051
Telephone	:	+91 22 4060 5411
Fax	:	+91 22 4060 5353
E-Mail	:	infrabonds2011A@ltinfra.com

We estimate that the average time required by the Registrar for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Change in auditors of our Company during the last three years

The current statutory auditor of our Company, M/s Deloitte Haskins and Sells, Chartered Accountants, were appointed as the statutory auditor of our Company pursuant to the resolution passed at the second AGM of our Company held on April 23, 2008. M/s Deloitte Haskins and Sells replaced M/s S B Billimoria & Co, Chartered Accountants who were the statutory auditors of our Company from inception till April 23, 2008.

Caution

Though the provisions of sub-section (1) of section 68-A of the Act, do not apply to an issue of bonds / debentures, the attention of the investors is drawn to the provisions as a matter of abundant caution:

"Any person who –

(a) makes in a fictitious name, an application to a company for acquiring, or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in fictitious name,

shall be punishable with imprisonment for a term which may extend to five years".

Disclaimer in respect of Jurisdiction

ISSUE OF THE DEBENTURES HAVE BEEN / WILL BE MADE IN INDIA TO INVESTORS AS SPECIFIED UNDER SECTION "WHO CAN APPLY" ON PAGE 97 OF THIS PROSPECTUS. THE DEBENTURES ARE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE EXISTING INDIAN LAWS AS APPLICABLE IN THE STATE OF MAHARASHTRA. ANY DISPUTE ARISING IN RESPECT THEREOF WILL BE SUBJECT TO THE EXCLUSIVE JURISDICTION OF THE COURTS AND TRIBUNALS OF MUMBAI.

Disclaimer Statement from the Issuer

THE ISSUER ACCEPTS NO RESPONSIBILITY FOR STATEMENTS MADE OTHER THAN IN THIS PROSPECTUS ISSUED BY OUR COMPANY IN CONNECTION WITH THE ISSUE OF THE DEBENTURES AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS / HER OWN RISK.

REGULATIONS AND POLICIES

The regulations set out below are not exhaustive and are only intended to provide general information to investors and is neither designed nor intended to be a substitute for professional legal advice. Taxation statutes such as the Income Tax Act, 1961, Central Sales Tax Act, 1956 and applicable local sales tax statutes, labour regulations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Act, 1952, and other miscellaneous regulations such as the Trade and Merchandise Marks Act, 1958 and applicable shops and establishments statutes apply to us as they do to any other Indian company and therefore have not been detailed below. The statements below are based on the current provisions of Indian law and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

The Reserve Bank of India Act, 1934

The RBI is entrusted with the responsibility of regulating and supervising activities of NBFCs by virtue of powers vested to it through Chapter III B of the RBI Act. Section 45-I (f) of the RBI Act defines a NBFC as:

(i) a financial institution which is a company;

(ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or

(iii) such other non-banking institution or class of such institutions as the RBI may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

As per the RBI Act, a financial institution has been defined as a non-banking institution carrying on as its business or part of its business, amongst other activities, the financing, whether by way of making loans or advances or otherwise, of any activity, other than its own, or the carrying on of any class of insurance business.

Any company which carries on the business of a non-banking financial institution as its principal business is to be treated as an NBFC. The RBI, pursuant to a press release dated April 8, 1999, has further indicated that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to determine its principal business. A company would be categorized as an NBFC if its financial assets were more than 50% of its total assets (netted off by intangible assets) and income from financial assets is more than 50% of the gross income. Both these tests are required to be satisfied as the determinant factor for classifying the principal business of a company as that of an NBFC.

With effect from January 9, 1997, NBFCs were not permitted to commence or carry on the business of a non-banking financial institution without obtaining a Certificate of Registration (CoR). Further, with a view to imparting greater financial soundness and achieving the economies of scale in terms of efficiency of operations and higher managerial skills, the RBI raised the requirement of minimum net owned fund from ₹ 2.5 million to ₹ 20 million for an NBFC commencing business on or after April 21, 1999. Further, every NBFC was required to submit to the RBI a certificate, from its statutory auditor within one month from the date of finalization of the balance sheet and in any case not later than December 30 of that year, stating that it was engaged in the business of non-banking financial institution and it held a CoR.

Capital Reserve fund

Pursuant to Section 45 IC of the RBI Act, every NBFC is required to create a reserve fund and transfer thereto a sum not less than 20% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. Such a fund is to be created by every NBFC including an NBFC not accepting/holding public deposit. Further, no appropriation can be made from such fund by the NBFC except for the purposes specified by the RBI from time to time and every such appropriation shall be reported to the RBI within 21 days from the date of such withdrawal.

Prudential Norms

The RBI has issued the Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended ("**Prudential Norms Directions**"), which contain detailed directions on prudential norms for an NBFC-ND. The Prudential Norms Directions, amongst other requirements prescribe guidelines regarding income recognition, asset classification, provisioning requirements, constitution of audit committee, capital adequacy requirements, concentration of credit/investment and norms relating to infrastructure loans. In terms of the Prudential Norms Directions, all NBFCs-ND with an asset size of ₹1,000 million or more as per their last audited balance sheet will be considered as a systemically important NBFC-ND-SI.

Asset Classification

The Prudential Norms Directions require that every NBFC shall, after taking into account the degree of well defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes:

(i) Standard assets;

(ii) Sub-standard assets;

(iii) Doubtful assets; and

(iv) Loss assets.

Further, such class of assets would not be entitled to be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for such upgradation.

Provisioning Requirements

An NBFC-ND, after taking into account the time lag between an account becoming non performing, its recognition, the realization of the security and erosion overtime in the value of the security charged, shall make provisions against sub-standard assets, doubtful assets and loss assets in the manner provided for in the Prudential Norms Directions.

Disclosure Requirements

An NBFC-ND is required to separately disclose in its balance sheet the provisions made in terms of the above paragraph without netting them from the income or against the value of the assets. These provisions shall be distinctly indicated under separate heads of accounts and shall not be appropriated from the general provisions and loss reserves held, if any, by it. Further every systemically important NBFC (NBFC-ND-SI) shall disclose the following particulars in its balance sheet (i) capital to risk assets ratio (CRAR), (ii) exposure to real estate sector, both direct and indirect, and (iii) maturity pattern of assets and liabilities.

Exposure Norms

The Prudential Norms Directions prescribe credit exposure limits for financial institutions in respect of the loans granted and investments undertaken by a NBFC-ND-SI. An NBFC-ND-SI shall not lend money exceeding 15% of its owned fund to any single borrower and the lending to any single group of borrowers shall not exceed 25% of the NBFC-ND-SI's owned fund. As regards investments, an NBFC-ND- SI shall not invest in the shares of a company exceeding 15% of its owned fund, while the investment in the shares of a single group of companies shall not exceed 25% of its owned fund.

The loans and investments of NBFC-ND-SI taken together should not exceed 25% of its owned fund to or in a single party and 40% of its owned fund to or in a single group of parties. However, this prescribed ceiling shall not be applicable on an NBFC-ND-SI for investments in the equity capital of an insurance company to the extent specifically permitted by the RBI. Further, an NBFC-ND-SI, which is classified as Asset Finance Company, may in exceptional circumstances, exceed the above ceilings on credit / investment concentration to a single party or a single group of parties by 5% of its owned fund, with the approval of its board of directors. Any NBFC-ND-SI not accessing public funds, either directly or indirectly may make an application to the RBI for modifications in the prescribed ceilings. Further, every NBFC-ND-SI is required to formulate a policy in respect of exposures to a single party/a single group of parties.

Capital Adequacy Norms

As per the Prudential Norms Directions, every NBFC-ND-SI is subject to capital adequacy requirements. A minimum capital ratio consisting of Tier I and Tier II capital of not less than 12% of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items is required to be maintained. "Tier I" capital means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund; and "Tier II" capital includes, (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at discounted rate of 55%; (c) general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of one and one fourth percent of risk weighted assets; (d) hybrid debt capital instruments; (e) subordinated debt to the extent the aggregate does not exceed Tier I capital; and (f) perpetual debt instruments issued by a NBFC-ND-SI in each year to the extent it does not exceed 15% of its aggregate Tier I capital, as on March 31 of the previous fiscal year.

Currently, the RBI requires that such ratio shall not be less than 15% by March 31, 2011. Also, the total of Tier II capital of a NBFC –ND-SI shall not exceed 100% of Tier I capital.

Information to be furnished in relation to certain changes

As per the Prudential Norms Directions, an NBFC-ND is required to furnish the following information to the Regional Office of the Department of Non-Banking Supervision of the RBI within one month of the occurrence of any change: (i) complete postal address, telephone/fax number of the registered/corporate office, (ii) name and residential address of the directors of the company, (iii) names and official designations of its principal officers, (iv) names and office address of its auditors, and (v) specimen signatures of the officers authorized to sign on behalf of the company.

Norms applicable to NBFCs classified as Infrastructure Finance Companies

On February 12, 2010, the RBI introduced a new classification of NBFCs termed as 'Infrastructure Finance Companies' ("**IFC**"), with a view to encouraging a greater flow of capital into infrastructure development.

To qualify and maintain its status as an IFC, among other conditions, an NBFC must satisfy the following:

- at least 75 % of the NBFC's total assets should be deployed in infrastructure loans;
- the NBFC must have net owned funds of at least ₹ 3.0 billion;
- the NBFC must have a minimum credit rating of "A" or its equivalent from any of CRISIL, CARE, Fitch or ICRA or a comparable rating from any other accrediting rating agency;
- the NBFC must have a minimum CRAR of 15.0% (with a minimum Tier 1 capital of 10.0%); and
- the NBFC must not accept deposits.

IFCs are entitled to various benefits such as:

- a lower risk weight on their bank borrowings, from 100.0% to as low as 20.0% for AAA rated borrowers;
- higher permissible bank borrowings (both lending and investment, including off balance sheet expenses), increased from 15.0% of its capital funds that a bank may lend to an NBFC to 20.0% of capital funds as per its last audited balance sheet that it may lend to an IFC, **provided that** such increased bank exposure to the IFC is used for on-lending to the infrastructure sector;
- they are permitted to raise external commercial borrowings (ECBs) (the total outstanding ECBs including the proposed ECB) for on-lending to the infrastructure sector under the automatic route (subject to compliance with the applicable prudential guidelines and hedging of the currency risk in full) up to 50% of their owned funds; and
- they are permitted to have loan exposure to the extent of 25.0% (as compared to 20.0% for an NBFC) of net owned funds to a single borrower and loan exposure to the extent of 40.0% (as compared to 35.0% for an NBFC) of net owned funds to a single business group.

Other Regulations

Monthly Return

As per the RBI circulars dated September 6, 2005 and June 4, 2009, all NBFC – ND-SIs with an asset size of ₹ 1,000 million and above are required to submit a monthly return on the important financial parameters to the RBI. It has been clarified by the RBI that the asset size as stated aforesaid may be less then ₹ 1,000 million as on the balance sheet date but may subsequently add on assets before the next balance sheet due to several reasons, including business expansion. Once the asset size of the NBFC reaches ₹ 1,000 million or above, it shall come under the regulatory requirement of the NBFC-ND-SI despite not having such assets as on the last balance sheet.

It has been further clarified by the RBI that if the asset size of the NBFC falls below ₹ 1,000 million in any given month (which may be due to temporary fluctuations and not due to actual downsizing), then such an NBFC shall continue to submit the monthly returns on the important financial parameters to the RBI until the submission of the next audited balance sheet to the RBI and a specific dispensation is received in this regard.

Asset Liability Management

The RBI has prescribed the Guidelines for Asset Liability Management ("**ALM**") System in relation to NBFCs ("**ALM Guidelines**") that are applicable to all NBFCs through a Master Circular on Miscellaneous Instructions to All Non-Banking Financial Companies dated July 1, 2010. As per this Master Circular, the NBFCs (engaged in and classified as equipment leasing, hire purchase finance, loan, investment and residuary non-banking companies) meeting certain criteria, including, an asset base of ₹ 1,000 million, irrespective of whether they are accepting / holding public deposits or not, are required to put in place an ALM system. The ALM system rests on the functioning of ALM information systems within the NBFC, ALM organization including an Asset Liability Committee ("**ALCO**") and ALM support groups, and the ALM process includes liquidity risk management, management of marketing risk, funding and capital planning, profit planning and growth projection, and forecasting/ preparation of contingency plans. It has been **provided that** the management committee of the board of directors or any other specific committee constituted by the board of directors should oversee the implementation of the system and review its functioning periodically. The ALM Guidelines mainly address liquidity and interest rate risks. In case of structural liquidity, the negative gap (i.e. where outflows exceed inflows) in the 1 to 30/31 days time-bucket should not exceed the prudential limit of 15% of outflows of each time-bucket and the cumulative gap of up to one year should not exceed 15% of the cumulative cash outflows of up to one year. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit should be shown by a footnote in the relevant statement.

For further details, please refer to the section titled "*Business*" on page 52 of this Prospectus.

Concentration of Credit

With effect from April 1, 2007, no NBFC-ND-SI is permitted to lend more than 15% of its owned fund to any single borrower or more than 25% of its owned fund to a single group of borrowers.

Fair Practices Code

On September 28, 2006 the RBI prescribed broad guidelines towards a fair practices code that was required to be framed and approved by the board of directors of all NBFCs. On July 1, 2010 the RBI issued a Master Circular on fair practices and has required that the Fair Practices Code of each NBFC is to, be published and disseminated on its website. Among others, the code prescribes the following requirements, to be adhered to by NBFCs:

(i) Inclusion of necessary information affecting the interest of the borrower in the loan application form.

(ii) Devising a mechanism to acknowledge receipt of loan applications and establishing a time frame within which such loan applications are to be disposed.

(iii) Conveying, in writing, to the borrower the loan sanctioned and terms thereof. The acceptance of such terms should be kept on record by the NBFC.

(iv) Giving notice to the borrower of any change in the terms and conditions and ensuring that changes are effected prospectively.

(v) Refraining from interfering in the affairs of the borrowers except for the purposes provided in the terms and conditions of the loan agreement.

(vi) Not resorting to undue harassment in the matter of recovery of loans, and an appropriate grievance redressal mechanism for resolving disputes in this regard is to be established.

(vii) Periodical review of the compliance of the fair practices code and the functioning of the grievances redressal mechanism at various levels of management, a consolidated report whereof may be submitted to the board of directors.

KYC Guidelines

The RBI has issued a Master Circular on Know Your Customer ("**KYC**") guidelines dated July 1, 2010 and advised all NBFCs to adopt such guidelines with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework on KYC and anti-money laundering measures is put in place. The KYC policies are required to have certain key elements such as customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines by the persons authorized by the NBFCs' and including brokers/ agents, due diligence of persons authorized by the NBFCs and customer service in terms of identifiable contact with persons authorized by NBFCs.

Corporate Governance Guidelines

In order to enable NBFCs to adopt best practices and greater transparency in their operations, the RBI introduced corporate governance guidelines on May 8, 2007. The RBI consolidated the corporate governance guidelines issued by it from time to time in the Master Circular dated July 1, 2010. As per this Master Circular, all NBFCs-ND-SI are required to adhere to certain corporate governance norms, including:

(i) Constitution of an audit committee;

(ii) Constitution of a nomination committee to ensure fit and proper status of the proposed and existing Directors;

(iii) Constitution of asset liability management committee to monitor the asset gap and strategize actions to mitigate the associated risk. Further a risk management committee may also be formed to manage the integrated risk;

(iv) Informing the Board of Directors, at regular intervals, the progress made in having a progressive risk management system, a risk management policy and the strategy being followed. The Board of Directors also needs to be informed about compliance with corporate governance standards, including in relation to the composition of various committees and their meetings; and

(v) Frame internal guidelines on corporate governance for enhancing the scope of the guidelines.

Rating of Financial Product

Pursuant to the RBI circular dated February 4, 2009, all NBFCs with an asset size of ₹ 1,000 million and above are required to furnish at the relevant regional office of the RBI, within whose jurisdiction the registered office of the NBFC is functioning, information relating to the downgrading and upgrading of assigned rating of any financial products issued by them within 15 days of such change.

Norms for Excessive Interest Rates

The RBI, through its circular dated May 24, 2007, directed all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges. In addition to the aforesaid instruction, the RBI has issued a Master Circular on Fair Practices Code dated July 1, 2010 for regulating the rates of interest charged by the NBFCs. These circulars stipulate that the board of each NBFC is required to adopt an interest rate model taking into account the various relevant factors including cost of funds, margin and risk premium. The rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different categories of borrowers are required to be disclosed to the borrowers in the application form and expressly communicated in the sanction letter. Further, this is also required to be made available on the NBFCs website or published in newspapers and is required to be updated in the event of any change therein. Further, the rate of interest would have to be an annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

Enhancement of Capital funds Raising Option

Pursuant to the RBI circular on Enhancement of NBFCs' Capital Raising Option for Capital Adequacy Purposes dated October 29, 2008, NBFCs-ND-SI have been permitted to augment their capital funds by issuing perpetual debt instruments ("**PDI**") in accordance with the prescribed guidelines provided under the circular. Such PDI will be eligible for inclusion as Tier I capital to the extent of 15% of the total Tier I capital as on March 31 of the previous accounting year. Any amount in excess of the amount admissible as Tier I capital will qualify as Tier II capital within the eligible limits. The minimum investment in each issue/tranche by any single investor shall not be less than ₹ 500,000. It has been clarified that the amount of funds so raised shall not be treated as public deposit within the meaning of clause 2 (1) (xii) of the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

Supervisory Framework

In order to ensure adherence to the regulatory framework by NBFCs-ND-SI, the RBI has directed such NBFCs to put in place a system for submission of an annual statement of capital funds, and risk asset ratio etc. as at the end of March every year, in a prescribed format. This return is to be submitted electronically within a period of three months from the close of every financial year. Further, a NBFC is required to submit a certificate from its statutory auditor that it is engaged in the business of non banking financial institution requiring to hold a CoR under the RBI Act. This certificate is required to be submitted within one month of the date of finalization of the balance sheet and in any other case not later than December 30 of that particular year. Further, in addition to the auditor's report under Section 227 of the Companies Act, the auditors are also required to make a separate report to the Board of Directors on certain matters, including correctness of the capital adequacy ratio as disclosed in the return NBS-7 to be filed with the RBI and its compliance with the minimum CRAR, as may be prescribed by the RBI.

Anti Money Laundering

The Prevention of Money Laundering Act, 2002 ("**PMLA**") was enacted to prevent money-laundering and to provide for confiscation of property derived from or involved in, money-laundering and for matters connected therewith or incidental thereto. The Government of India under PMLA has issued the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005, as amended ("**PML Rules**"). PMLA & PML Rules extends to all banking companies, financial institutions, including NBFCs and intermediaries.

The RBI has issued a Master Circular dated July 1, 2010 to ensure that a proper policy frame work for the PMLA and PML Rules is put into place. Pursuant to the provisions of PMLA, PML Rules and the RBI guidelines, all NBFCs are advised to appoint a principal officer for internal reporting of suspicious transactions and cash transactions and to maintain a system of proper record (i) for all cash transactions of value of more than ₹ 1 million; (ii) all series of cash transactions integrally connected to each other which have been valued below ₹ 1 million where such series of transactions have taken place within one month and the aggregate value of such transaction exceeds ₹ 1 million.

All NBFCs are required to take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, NBFCs are also required to maintain for at least ten years from the date of transaction between the NBFCs and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. Further, NBFCs shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.

Additionally, NBFCs should ensure that records pertaining to the identification of their customers and their address are obtained while opening the account and during the course of business relationship, and that the same are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data is to be made available to the competent authorities upon request.

Applicable Foreign Investment Regime

FEMA Regulations

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion, GoI, ("**FDI Policy**") and the FDI Policy issued by the DIPP (circular 1 of 2010, with effect from April 1, 2010).

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended ("**FEMA Regulations**") to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India. As specified by the FEMA Regulations, no prior consent and approval is required from the FIPB or the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

Foreign Direct Investment

FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Investors are required to file the required documentation with the RBI within 30 days of such issue/ acquisition of securities. Under the approval route, prior approval of the FIPB and/or RBI is required. FDI for the items/activities not under the automatic route (other than in prohibited sectors) may depend upon the activity be brought in through the approval route. Further:

(a) As per the sector specific guidelines of the Government of India, 100% FDI/ NRI investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

(b) Minimum Capitalisation Norms for fund-based NBFCs are the following:

  (i) For FDI up to 51% - US$ 0.5 million to be brought upfront

  (ii) For FDI above 51% and up to 75% - US $ 5 million to be brought upfront

  (iii) For FDI above 75% and up to 100% - US $ 50 million out of which US $ 7.5 million to be brought upfront and the balance in 24 months

(c) Minimum capitalization norm of US$0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment

(d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US$ 50 million specified in (b) (iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)

(e) Joint ventures operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow, i.e., (b) (i) and (b) (ii) above.

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, the prior approval of the RBI may not be required other than in certain circumstances although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non resident purchaser.

NBFC's having FDI are required to submit a certificate from the statutory auditors on half yearly basis certifying compliance with the terms and conditions of the FDI regulations. Such certificate should be submitted not later than one month from the close of the half year to which the certificates pertains to the regional office of the RBI in whose jurisdiction the head office of the company is registered.

Calculation of Total Foreign Investment in Indian Companies

On February 13, 2009, the Indian Government issued two press notes setting out guidelines for foreign investment in India. Press Note 2 of 2009 prescribes the guidelines for the calculation of total foreign investment (direct and indirect) in Indian companies. Press Note 3 of 2009 prescribes the transfer of ownership or control of Indian companies in sectors with caps from resident Indian citizens to non-resident entities. Additionally, Press Note 4 of 2009 issued on February 25, 2009 clarifies the guidelines on downstream investments by Indian companies. These press notes have been consolidated by the Government of India an FDI Policy issued by the Department of Industrial Policy & Promotion (Circular 1 of 2010, with effect from April 1, 2010). The FDI Policy is reviewed every six months. A revised FDI policy is expected to be issued on September 30, 2010.

SUMMARY OF KEY PROVISIONS OF ARTICLES OF ASSOCIATION

1. Application of Table A

As per Article 1, the Regulations in Table "A" in Schedule I to the Companies Act, shall apply to the Company and constitute its regulations, except as specified in the Articles of Association of the Company.

2. Non Application of certain Regulations of Table A

As per Article 2, the following Regulations viz. 2, 3, 7(1), Proviso to 13(1), 16, 18, 22(a), 24, 36 to 43, 66, 71, 84 of Table "A" in the said Schedule shall not apply to the Company.

3. Shares

As per Article 3, the Share Capital of the Company is as stated in Clause V of the Memorandum of Association, with the power to increase or reduce such Capital from time to time in accordance with the regulations of the Company and the legislative provisions for the time being in force in this behalf and with the power also to divide the shares in the Capital for the time being into equity share capital and preference share capital and to attach thereto respectively any preferential, qualified or special rights, privileges or conditions.

4. Buy Back

As per Article 5, subject to the provisions of the Companies Act or any other law for the time being in force, the Company may purchase its own shares or other securities as may be specified from time to time.

5. **Directors**

(a) As per Article 8, a director need not hold any shares of the Company to qualify for the office of a director of the Company.

(b) As per Article 9, the Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called "the Original Director") during his absence from the State in which meetings of the Board are ordinarily held provided such absence shall not be less than for a period of three months and provided his name is recommended by the Original Director, and such appointment shall have effect and such appointee, whilst he holds office as an Alternate Director, shall be entitled to notice of meetings of the Directors, and to attend and vote thereat accordingly, but he shall ipso facto vacate office if and when the Original Director returns to the said State, or vacates office as a Director.

(c) As per Article 10, subject to the provisions of Section 260 and other applicable provisions, if any, of the Act the Directors shall have power at any time and from time to time to appoint a person as an Additional Director. The Additional Director shall hold office only up to the next annual general meeting of the Company but shall be eligible for appointment by the Company at that meeting as a Director.

(d) As per Article 10, in the event of any vacancy caused by the retirement, resignation, illness, disability or death of a Director or of the removal of a Director the Board shall fill in the vacancy so caused by appointing a suitable person.

(e) As per Article 12, subject to the provisions of Sections 198 and 309 of the Act, and unless otherwise determined by a Resolution passed by the Company at its General Meeting, each Director shall be paid out of the funds of the Company, as remuneration for his service, the maximum remuneration as may be prescribed by the Act or the Central Government from time to time for each Meeting of the Board or a Committee thereof attended by him, and the Directors shall be entitled to be reimbursed all expenses properly incurred by them in connection with their duties as Directors.

6. Classes of Shares

(a) As per Article 13, subject to the provisions of Section 80, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may determine.

(b) As per Article 14, if at any time the share capital is divided into different classes of shares, the rights attached to any class, (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act, and whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

7. Calls in Arrears and Calls in Advance

(a) As per Article 16, if a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at such rate as the Board may determine.

(b) As per Article 16, the Board may, if it thinks fit, receive from any member willing to advance the same, all or any part of the moneys uncalled and unpaid upon any shares held by him and upon all or any of the moneys so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate, unless the Company in general meeting shall otherwise direct, as may be fixed by the Board.

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION:

The following contracts and documents which are or may be deemed material have been entered or are to be entered into by our Company. Copies of these contracts and the other documents referred to hereunder, may be inspected at the Registered Office of our Company at Mount Poonamallee Road, Manapakkam, Chennai - 600 089 from 10.00 a.m. to 5.00 p.m. on any business days from the date of this Prospectus until the date of closure of the Issue.

A. Material Contracts

1. Engagement letter dated January 18, 2011 appointing ICICI Securities Limited, HDFC Bank Limited, SBI Capital Markets Limited and Karvy Investor Services Limited to act as the Lead Managers to the Issue.

2. Engagement letter dated January 18, 2011 appointing Bajaj Capital Limited, Integrated Enterprises (India) Limited and RR Investors Capital Services Private Limited as the Co-Managers to the Issue.

3. The memorandum of understanding between our Company and the Lead Managers dated January 18, 2011.

4. The agreement between the Company and Registrar to the Issue dated January 18, 2011.

5. Draft simple hypothecation cum debenture trust deed to be executed between the Company and the Debenture Trustee.

6. Escrow agreement dated January 28, 2011 executed by our Company, the Registrar, the Escrow Collection Bank(s) and the Lead Managers.

7. Tripartite agreement dated October 3, 2007 between us, the Registrar and NSDL for offering depository option to the Bondholders.

8. Tripartite agreement dated May 6, 2008 between us, the Registrar and CDSL for offering depository option to the Bondholders.

B. Documents

1. Memorandum and Articles of Association of our Company.

2. Certification of Incorporation bearing CIN U67190TN2006PLC059527 dated April 18, 2006 issued by the Registrar of Companies, Tamil Nadu, Chennai.

3. Certificate of Registration No. N-07-00759 dated January 10, 2007 issued by RBI, under section 45-IA of the RBI Act.

4. Fresh Certificate of Registration No. N-07-00759 dated July 7, 2010 issued by RBI, classifying our Company under the category “Infrastructure Finance Company”.

5. Trademark license agreement dated December 1, 2010 between L&T Infrastructure Finance Company Limited, L&T, L&T Finance Limited, L&T Finance Holdings Limited, L&T Mutual Fund Trustee Limited and L&T Investment Management Limited.

6. Certified true copy of Resolution passed by the Shareholders at the general meeting held on September 27, 2010, granting authority to the Board of Directors/Committee of Directors to borrow monies under section 293(1)(d) of the Act, from time to time.

7. Certified true copy of the Resolution passed by the Board of Directors at its Meeting held on January 14, 2011 authorising the Issue.

8. Certified true copy of the Resolution passed by the Board of Directors at its Meeting held on January 14, 2011 appointing Mr. Vinay Tripathi as the compliance officer for the Issue.

9. Auditor’s report dated January 17, 2011 referred to in this Prospectus.

10. Annual reports of our Company from 2006-07 to 2009-10.

11. Certified true copy of Board Resolution dated September 21, 2006 and an agreement dated December 1, 2006 relating to the terms of appointment of the Manager of our Company.

12. Credit rating letter dated September 28, 2010 from CARE and January 14, 2011 from ICRA, granting credit rating(s) to the Debentures to be issued in pursuance of this Prospectus.

13. Consents of the (a) the Directors and Manager, (b) the Compliance Officer, (c) the Statutory Auditors, (d) Bankers to our Company, (e) Lead Managers and Co-Managers, (f) Registrar, (g) Legal Advisor to the Issuer, (h) Legal Advisor to the Lead Managers, (i) Credit Rating Agencies, (j) the Debenture Trustee, (k) Bankers to the Issue and (l) lead brokers to the Issue to include their names in this Prospectus and to act in their respective capacities.

14. Due diligence certificate dated January 31, 2011 filed by the Lead Managers with SEBI.

15. 'In-principle' approval dated January 31, 2011, for the listing of the Bonds, received from the NSE.

DECLARATION

We, the Directors and Manager, as the case may be, of L&T Infrastructure Finance Company Limited, certify that all the relevant guidelines issued by the Government of India, SEBI, applicable provisions under the SCRA, SCRR, the Act and the Debt Regulations have been complied with. We further certify that the disclosures made in this Prospectus are true, fair and correct and adequate and in conformity with Schedule II of the Act, Schedule I of the Debt Regulations and the Listing Agreement executed with National Stock Exchange of India Limited, to the extent applicable.

Yours faithfully,

Sd/-
Mr. Y. M. Deosthalee
(Director)

Sd/-
Mr. B.V Bhargava
(Director)

Sd/-
Dr. R.H. Patil
(Director)

Sd/-
Mr. N. Sivaraman
(Director)

Sd/-
Mr. Suneet K. Maheshwari
(Manager)

Place: Mumbai
Date: February 1, 2011