LARSEN & TOUBRO

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SEC/PAM/2018

July 25, 2018

The Secretary BSE Limited Phiroze Jejeebhoy Towers, Dalal Street, MUMBAI - 400 001 **STOCK CODE: 500510**	National Stock Exchange Of India Limited Exchange Plaza, 5th Floor Plot No.C/1, G Block Bandra-Kurla Complex Bandra (E), Mumbai - 400 051 **STOCK CODE: LT**

Dear Sir,

Re : "SFIO receives complaints against ICICI Bank, L&T...."
Media Report

We refer to the emails received from BSE and NSE dated today on the captioned subject

Please note that as mentioned in the media report, this is the statement made by Minister of State for Corporate Affairs, Shri P. P. Chaudhary, in the Rajya Sabha yesterday. We assume that this is with reference to media report of 6th April, 2018.

We vide our letter reference – SEC/PAM/2018 dated April 6, 2018 had written to the Exchanges responding to the allegations mentioned in the media report of April 2018. We attach a copy of the said letter for your ready reference.

We wish to inform the exchanges that the Company has so far not received any letter or notice from SFIO or any Authority on this matter.

Thanking you

Yours faithfully,
for LARSEN & TOUBRO LIMITED

N. HARIHARAN
EXECUTIVE VICE PRESIDENT &
COMPANY SECRETARY
(ACS 3471)

Encl: As above

CIN : L99999MH1946PLC004768

ISO 9001 REGISTERED
DNV
MGMT SYS
RvA C 024
DNV Certification B.V., The Netherlands

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April 6, 2018

The Secretary BSE Limited Phiroze Jejeebhoy Towers, Dalal Street, MUMBAI - 400 001 **STOCK CODE: 500510**	National Stock Exchange Of India Limited Exchange Plaza, 5th Floor Plot No.C/1, G Block Bandra-Kurla Complex Bandra (E), Mumbai - 400 051 **STOCK CODE: LT**

Dear Sir,

Re : SFIO receives compliant against L&T, group rubbishes it as baseless

We refer to email received from BSE and NSE dated today on captioned subject

According to media reports, Serious Frauds Investigation Office (SFIO) has received a complaint against the company alleging "thousands of crores" of financial irregularities, including money laundering and tax evasion. The media report further stated that SFIOs Mumbai Regional Office has written to the Head Office in Delhi stating that "it is a fit case to be investigated".

We wish to inform the exchange that the Company has so far not received any letter or notice from SFIO or any Authority on this matter nor any letter or notice from NHAI black listing the Company on account of any default of its road subsidiaries/projects.

Our response to the allegations are attached as Annexure A.

Thanking you

Yours faithfully,
for LARSEN & TOUBRO LIMITED

Sivaram Nair A
Sr. Joint Company Secretary
(FCS - 3939)

Encl: As above

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a) **L&T Chennai Tada Tollways Limited**:

It is a NHAI project in the urban corridor just outside Chennai. Though the Appointed Date for the Project was declared on April 3, 2009 and the Project was scheduled to be completed by October 1, 2011 (912 days from the Appointed Date), NHAI was never in a position to hand over either 60% of the total Right of Way on the Appointed Date or 100% of the Right of Way within 90 days from the Appointed Date. NHAI's failure to honour its commitment even after 6 years from the Appointed Date under the Concession Agreement (CA) resulted in considerable losses for the Concessionaire. Failure of NHAI to hand over the land in time and pay the damages had adversely impacted the construction schedule, both in terms of time and cost, and as a consequence, the SPV had to invoke Material Adverse Effect as defined in the Concession Agreement (CA). Accordingly, in terms of the Article 35.2 of the CA, NHAI was requested to pay an amount of Rs. 453.4 crores (as on 18th March, 2015) being the losses suffered / incurred by the Concessionaire and the arbitration process is pending against NHAI.

As NHAI refused to compensate the Concessionaire and as the continued breach by NHAI was causing irreparable financial burden on the Concessionaire, the Concessionaire was left with no option but to terminate the Concession Agreement. The Concessionaire terminated the Concession Agreement w.e.f. 24.06.2015 and requested NHAI to make payment of Rs. 448.89 crores as Termination Payment in terms of Article 37.3.2 of the Concession Agreement. **It is to be noted that the Promoter (L&TIDPL) had infused Rs 18 crore incremental funding (over and above the Rs 42 crore committed to the Lenders under the loan documents) into the Concessionaire Company primarily to service the Lenders.** The termination issue and claims are pending adjudication before the Arbitrators.

The Concessionaire, in order to protect the interests of the Lenders, filed Section 9 Application under the Arbitration Act, 1996 before the Delhi High Court seeking directions to NHAI to continue depositing the toll in the Escrow Account and disburse the toll collected in terms of the waterfall mechanism stipulated therein. The Delhi High Court in its Order dated 27.05.2016 directed NHAI that the toll collected by it through the tolling contractor be deposited in the Escrow Account as large amount of debt is still owed to the Lenders/banks. **Though the borrowing was on a non-recourse basis, it was the efforts of the Concessionaire to ensure the Lenders are able to receive the toll collections pending disposal of the arbitration although the concession has been terminated**. The Lenders have been informed that upon favourable orders being obtained in the arbitration, which the concessionaire is reasonably confident of, the moneys due to lenders would be settled out of the award amount received by the Concessionaire from NHAI.

b) **L&T Halol Shamlaji Tollway Limited: (Concessionaire/L&T HSTL)**

With respect to Halol Shamlaji Highways Project under BOT, the bid was awarded for construction, operations and maintenance of a four lane State Highway No. 5 through a competitive process at a 10.21% Revenue Share upon commencement of Commercial Operations. In addition to the Concession Agreement (CA), a State Support Agreement (SSA) was also executed between the Concessionaire, GSRDC and Government of Gujarat.

In spite of various challenges by way of delay in awarding the Project, consequent escalation in costs, substantial changes in interest rate regime during the period from bid to financial closure, inordinate delays during land acquisition, etc. the Project Road has been built to state of the art specifications and standards within stipulated time. Bidding

for the project was based on estimates of base year traffic and reasonable growth projections linked to economic growth of Gujarat state.

While the Project was bid out in December 2007, the substantial improvement of an alternate road (SH 59) from Modassa to Nadiad was undertaken by Government of Gujarat through a BOT Annuity mode much after the award of the L&T HSTL Project. These time lines indicate that the development of alternate road was conceptualised over three years after bidding was done for the Project.

There was a significant change in traffic pattern due to vehicles entering the Project stretch at Shamlaji and diverting off the Project at Modassa after paying toll at Toll Plaza 4. It is observed that more than 75% of long distance Multi Axle Vehicles (mostly registered in states other than Gujarat) prefer to take this diversion to avoid paying toll in the Project. This diversion has been facilitated due to substantial improvement of the alternate road by the GOG. **Meanwhile, HSTL was servicing its debt (regular interest payment from the beginning as well as principal repayment from April 2013) to the Allahabad Bank-led consortium.** Despite the challenges, **the Promoter had infused into the Project a sum of Rs 247 crores over and above the Rs 524 crores required under the loan documents primarily to service lenders**.

HSTL served a notice of termination to GSRDC in April 2016 citing an Authority Event of Default. However, since no termination action was forthcoming from the GSRDC, the Allahabad Bank-led consortium sought to revive the project under the SDR (Strategic Debt Restructuring) Scheme of RBI. **To facilitate the implementation of SDR by the lenders, HSTL revoked the notice of termination in September 2016 and in February 2017, the lender consortium converted Rs. 406 crore of debt into equity thereby holding 51% of the equity of HSTL as stipulated under the extant RBI regulations, with 'Reference Date' as July 2016. Currently, of the total equity of Rs. 795 crores, only 49% is held by IDPL, while lenders hold 51%.**

Under SDR provisions, banks must sell the 51% equity stake within 18 months of 'Reference Date,' which in this case was January 2018. For the reduced debt of Rs. 597 crores, HSTL is servicing debt based on the project cash flows. Meanwhile, both concessionaire and bank consortium continue to request GSRDC and GoG for necessary relief to make the project viable.

IDPL reiterates that this project was funded by the Allahabad Bank-led consortium of lenders on a non-recourse basis and that the default of HSTL (now majority held by the lenders) is on account of the significant diversions happening to the alternate road facility.

Currently, the Concessionaire is servicing the residual debt out of the toll collections.

c) **It is important to note that the promoter has neither received a return of or return on its investment made in the above two companies. In spite of the specific commercial understanding that the Projects are funded on a non-recourse basis, the Promoter has infused into the two projects substantial amounts over and above its obligations and commitments under the loan documents to service the loans from the lenders. Attributing any motives or mismanagement against the project company, promoters L&TIDPL (or the parent company L&T) is uncalled for and without any basis.**