L&T Finance Limited: Update

August 23, 2021

Background

L&T Finance Limited (LTFL), vide stock exchange intimation dated August 13, 2021, had informed the stock exchange, basis confirmation from the bank, that the interest payment in respect of the ISINs bearing numbers INE027E07949, INE027E07956, INE027E07980, INE027E07998 aggregating to ~ Rs.1.25 crore due on August 13, 2021, was made.

In continuation to the said intimation, LTFL vide its stock exchange update dated August 18, 2021, has informed the exchange that the said interest payment was credited to the bondholders account on the next working day i.e. August 17, 2021. It was also informed that while the Company had funded the bank account on time, due to error on part of the bank, the interest was credited to the bondholders account on the next working day i.e., August 17, 2021.

Update

CARE understands from the bank statements (separate bank statement for each of the ISIN's referred above) shared by LTFL that it had prefunded their respective bank accounts on August 12, 2021 itself, for the payment of interest in respect of aforementioned ISINs, which was due on August 13, 2021.

However, due to an operational error from the Bank's side, the same was not processed on August 13, 2021, and was credited to bondholders' account only on the next working day i.e., on August 17, 2021.

CARE has also verified the Bank's communication to LTFL, confirming the pre-funded status, and the operational error on part the Bank to process the payment on August 13, 2021, establishing no default on part of LTFL in servicing the interest payment. Further, to ensure that the bondholders are compensated, LTFL (though there was no default on their part) has also credited the relevant interest for four days to the bondholders account on August 19, 2021.

Hence, CARE believes that the delay was a one-off event on account of the operational error from the Bank's side in crediting the interest to the bondholders' account and there was no default on part of the Company. Further, this instance in no way reflects any financial or liquidity stress or inability or unwillingness in servicing the debt and / or interest by LTFL. In CARE's opinion, this event is not reflective of the credit quality of LTFL, and therefore does not warrant any rating review and hence default is not recognized for the various debt instruments of LTFL in line with the CARE's policy on default recognition.

Applicable Criteria:

Policy on Default Recognition

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