



THE ECONOMIC TIMES

L&T Fin Q1 Net Up 71% On Higher Margins

Our Bureau

Mumbai: L&T Finance on Friday posted 71% growth in net profit after tax during the first quarter of the current fiscal year aided by higher margins, improvement in asset quality and lower cost to income. The company reported PAT of ₹538 crore in first quarter ended June against ₹314 in the same period a year ago.

Its return on equity improved to 18.45% for the quarter as against 17% – an improvement of 150 basis points. Cost to income reduced to 23.40% from 24.07%.

The company followed the expected credit loss methodology prescribed in Ind-AS and made provisions based on expected future losses.

Provision coverage rose to 62%. The company's legacy infra stressed portfolio now carries provisions of ₹3,000 crore against total portfolio of ₹5,000 crore. Of the ₹3,000 crore, the company was already carrying nearly ₹1,200 crore of provisions and the remaining ₹1,800 crore has been provided for under IND AS.

Net interest margin plus fees

has improved to 6.6% from 5.8%.

By focusing on rural, housing and wholesale segments, the company reported 27% growth in loans to ₹85,340 crore in the first quarter under question. Wholesale finance grew at a slow rate of 7%. "There is a strategic shift of portfolio towards retalisation of the book which is skewed towards corporates, WHICH constituted 61% and has come down to

27%
**Growth in
loans
in the first
quarter**

58%," said Dinanath Dubhashi, Managing Director & CEO, LTFH. Share of rural and housing which contributed 36% of the book has moved up to 46% in the quarter.

Asset quality improved with the help of better collection and turnaround in rural economy. Gross non-performing loans stage III was down to 7.9% from 11.7% while net NPA came in at 3.2% against 6.1%. The company recovered ₹68 crore Bhushan Steel, said Dubhashi. L&T Finance recovered money when Tata Steel acquired Bhushan Steel under the resolution plan of the NCLT Delhi.

Business Standard

L&T Finance Holdings Q1 net up 71%

L&T Finance Holdings on Friday said its net profit grew 71 per cent to ₹5.38 billion for the quarter ended June 2018 (Q1), compared to ₹3.14 billion a year ago. The finance arm of Larsen & Toubro has prepared financial statement for Q1 according to the new accounting rules Indian Accounting Standards, which came into effect from April 1, 2018. Its loan book comprising rural, housing and wholesale segment grew 27 per cent to ₹853.80 billion at the end of June 2018. In line with the new accounting norms, LTFH's legacy Infrastructure stressed asset portfolio now carries provisions of ₹30 billion, against total portfolio of ₹50 billion. **BS REPORTER**

L&T Fin Holdings Q1 profit jumps 71%

L&T FINANCE Holdings on Friday reported a 71% rise in net profit at ₹538 crore in the first quarter of the current fiscal. The company had reported net profit of ₹314 crore in the April-June quarter of last fiscal. The profit growth was driven by healthy growth in rural, housing and wholesale business, the company said. LTFH's total income in the June quarter of 2018-19 increased to ₹3,178.51 crore, up 31% from ₹2,427.27 crore in the year-ago period. In a regulatory filing, LTFH said it also witnessed a strong growth in investment management and wealth management verticals. The average assets under management in investment management increased 60% from a year ago to ₹71,118 crore. The LTFH stock closed 2.85% higher at ₹155.30 on BSE.

INTERVIEW: DINANATH DUBHASHI, MD & CEO, L&T Finance Holdings

'We want rural, housing fin to be two-thirds of loan book'

L&T FINANCE HOLDINGS reported a 71% year-on-year (y-o-y) growth in net profit on the back of higher margins and fee income. The company has made the entire ₹3,000-crore provision required on its ₹5,000-crore legacy stressed book, Dinanath Dubhashi, MD & CEO, told Shritama Bose. Excerpts:

While your revenues have grown 32%, profit has grown 71%. What would you attribute the profit growth to?

A couple of years ago, we started this journey of profit growth and increasing our RoE (return on equity). Two years back, our RoE was less than 10% and we have reported 18.45% this quarter. Our book growth continues to be robust. We have a 27% book growth this quarter. We decided that we would concentrate not only on NIMs, but we'll also develop a very good fee channel. That is now sustainable and our NIMs plus fees have improved smartly to 6.6% from 5.8% last year. The third part is that expenses have been well-controlled. Our cost-to-income (ratio) is down to 23% from 24% last year. Two years ago, this was in the range of 33-35%. Finally, asset quality has improved drastically. All this has resulted in an excellent profit and RoE growth.

How has the implementation of Ind-AS affected you?

Like all NBFCs, we have also imple-



mented the Ind-AS standard of accounting. It has many small differences over GAAP (generally accepted accounting principles), but the big change is in the way we recognise stress and the way we provide for them. We have not only recognised our NPAs but also all other standard assets, which were in some kind of stress, especially from our old infra book. We have recognised them as stage-3, called them out and said our total stage-3 is ₹5,000 crore. It will not go higher than this because we have recognised not only current stress, but also incipient stress. On this ₹5,000 crore, we had estimated that a provision of about ₹3,000 crore will be required. Of this ₹3,000 crore, over the last eight quarters, we have set aside

₹1,200 crore. We had decided to take the remaining ₹1,800 crore over the next six quarters. As we have moved to Ind-AS, we have taken that entire ₹1,800 crore-hit. So, the entire legacy asset book has not only been recognised, but also been provided for completely.

Your rural finance book has seen 76% growth. What products are driving that growth?

Rural finance has three products. One is tractor finance, one is two-wheeler finance and the third is micro loans. Two years ago, our wholesale portfolio was about 65% (of the total loan book) and rural and housing finance together about 35%. Now, wholesale has come down to about 53% and rural and housing is 46%. We actually want to flip it. Rural plus housing should be two-thirds (of the loan book). I need to qualify the growth for this quarter because this is growth over the first quarter of last year, when we were just recovering from the effects of demonetisation. So, there is some base effect as well. But, the growth in rural finance will be sustainable at 35-40% for the next couple of years. Our overall portfolio growth will be about 20-25%.

Your wholesale finance book has grown 7%. Is it a conscious decision to slow down in that space or would you say you

are growing faster than most others in that space, considering investment is limited?

We are concentrating more on renewables, where investment is quite good. It is not so much lack of opportunities. There is strategic reduction in wholesale. The other thing is that we have a sell-down desk also. We do business and then we sell down a large part of it to other players. So, we book the fees and our book growth doesn't happen that much.

In wholesale, which are the sectors where you are seeing growth? Is it mostly working-capital finance?

It is mostly project finance, which then flows into operating assets. A large part of our disbursement has been in renewables and roads.

What has cost of funds been like for you, given that yields have shot up?

If you compare cost of funds with last year, it is down seven basis points (bps) to 8.29% from 8.36%. But, that doesn't show the right picture. If you see the last two continuous quarters, it is up six bps from 8.23%. So it has steadily gone up. The increase would have been higher, but we have the advantage that in the meantime, we have been upgraded by rating agencies to AAA from AA+. So it is a mix of increasing interest rates and an upgrade.

L&T Finance Q1 profit rises to ₹538 crore

OUR BUREAU

Mumbai, July 20

L&T Finance Holdings (LTFH) has reported a profit of ₹538 crore in the first quarter of fiscal 2018-19 from the ₹314 crore recorded in the year-ago period.

The company, which reported its first results under the new accounting standard, witnessed a 27 per cent growth in assets during the March-June quarter in its lending businesses - rural finance, housing finance and wholesale finance.

At the end of Q1 FY19, rural and housing businesses together constituted 46 per cent of the total portfolio, compared to 35 per cent at the end of Q1 FY18. Average Assets Under Management in its investment management business increased to ₹71,118 crore in Q1 FY19 from ₹44,484 crore in Q1 FY18 - a growth of 60 per cent. Assets under Service in wealth management business increased to ₹18,866 crore in Q1 FY19 from ₹17,120 crore in Q1 FY18 - a growth of 10 per cent.



THE TIMES OF INDIA

L&T Fin Q1 net jumps 71%

New Delhi: L&T Finance Holdings (LTFH) on Friday reported a 71% rise in net profit to Rs 538 crore in the first quarter of the current fiscal. The company had reported a net profit of Rs 314 crore in the April-June quarter of last fiscal 2017-18.

The profit growth was driven by healthy growth in rural, housing and wholesale business, the company said. LTFH's total income in the June quarter increased to Rs 3,179 crore, up 31% from the year-ago period.

LTFH said it also witnessed a strong growth in investment management and wealth management verticals. The average assets under management in investment management increased by 60% from a year ago to Rs 71,118 crore. AGENCIES