

₹120 CRORE DEAL

# L&T Finance buys FamilyCredit

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CHENNAI/MUMBAI

**L&T Finance Holdings Ltd** has acquired **FamilyCredit Ltd**, an auto finance company, from its French parent Société Générale Consumer Finance for ₹120 crore. The company said it entered into an agreement on 19 October with the French firm to buy FamilyCredit.

The transaction is subject to regulatory approvals, the company said in a communication to BSE on Monday.

FamilyCredit had a loan book of ₹1,287 crore. Two-wheeler and car financing constituted 53% and 35% of the loan book as on 30 June, respectively. The company has at least 400,000 customers across 53 branches and 1,400 dealer outlets.

According to Y.M. Deosthalee, chairman and manag-

ing director of L&T Finance, the acquisition will enable L&T Finance to expand its business.

"The business synergizes well with our existing retail financing business and provides opportunity for us to further expand our product offering in the consumer finance domain," Deosthalee said.

But analysts are sceptical about the acquisition, saying it may not translate into significant gains to L&T Finance as more than half of FamilyCredit's portfolio is relatively riskier two-wheeler loans.

"We will have to wait and watch how the acquisition of such a company benefits L&T Finance," a Mumbai-based analyst said, requesting anonymity. "L&T has acquired the company at about 60% of its book value. If a company is being sold at a discount to book value, there can be questions about the quality of the loan

book," said an analyst who participated at a conference call that the company had with analysts after announcing the acquisition.

Started in 1994, L&T Finance has operations in a range of sectors including vehicle finance, corporate finance and rural finance. It has a loan book of ₹27,662 crore as on 30 September. Gross non-performing assets of the lender, excluding microfinance business, rose to 1.56% in the second quarter against 1.1% in the year-ago period.

For the quarter ended 30 June, FamilyCredit posted a net profit of ₹5 crore.

Shares of L&T Finance dropped 0.09% to close at ₹54 on Monday on BSE even as the exchange's benchmark Sensex rose 0.59%.

India's auto loan market has been witnessing intense competition from commercial

banks as well as non-banking finance companies.

Commercial banks, especially state-run lenders, have been aggressive in this segment and many of them have reduced their lending rates by 0.25-0.5% after the Reserve Bank of India cut its key lending rate and mandatory cash reserve ratio. Banks also announced festive offers to attract auto buyers.

Total loans outstanding of Indian banks to vehicle loans, including lending to vehicle parts and transport equipment, rose to ₹60,000 crore in August 2012 from ₹49,000 crore last year.

Last week, the country's largest lender **State Bank of India** slashed the processing fee for auto and home loans as part of a festive offer. For auto loans, the processing fee has been reduced to 0.255% of the loan amount from 0.51%.

The lender is receiving close to 1,500-1,600 applications daily for auto loans post the rate cut, about four times of the number of applications before rates were slashed, a bank official said.

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