

Press Release

Thursday, 23rd April 2015, Mumbai

Financial Performance for the quarter and year ended 31st March, 2015

Consolidated Profit (before exceptional items) for the full year grows by 23%

Strong Operating Performance despite acceleration of Provisions

Sharp drop in Gross & Net NPAs

L&T Finance Holdings (L&TFH) today released details of their financial performance for the quarter and year ended 31st March, 2015.

Highlights:

- **Profit after Taxes (PAT):** The Consolidated PAT (before exceptional items) for the year grew by 23% y-o-y to Rs. 736 Cr compared to Rs 597 Cr last year while the Consolidated PAT (before exceptional items) for the quarter grew by 10% y-o-y to Rs 206 Cr compared to Rs 187 Cr in the same period last year.

The operating performance has been strong with healthy margins, increased fee income, stable opex and improvement in asset quality. This enabled acceleration of Rs 96 Cr of provisions, which translates into a net amount of Rs 43 Cr on a post-tax basis adjusted for utilization of Rs 23 Cr of MAT credit in group companies.

Accelerated provisions include impact of increase of standard asset provisions to 0.30% from 0.25%, income reversal on 150 to 180 days past due assets and voluntary provisions on select stress accounts.

- **Asset Quality:** Gross NPA and Net NPA have shown a significant improvement due to robust collections and judicious sale of certain stress assets to ARCs.

| Rs Cr | Q4FY14 | Q3FY15 | Q4FY15 | Y-o-Y |
|----------------------|--------|--------|--------|-----------|
| Gross NPA | 1,243 | 1,327 | 1,045 | (16%) |
| Net NPA | 890 | 863 | 580 | (35%) |
| Gross NPA % | 3.18% | 3.01% | 2.25% | (93 bps) |
| Net NPA % | 2.29% | 1.98% | 1.26% | (103 bps) |
| Provision Coverage % | 29% | 35% | 44% | 15% |

In line with a conservative provisioning policy, the Company carries ~Rs 230 Cr of provisions in excess of RBI norms.

- **Growth in assets:** Loans & Advances as on 31st March 2015 grew by 18% y-o-y to Rs. 47,232 Cr. as compared to Rs. 40,082 Cr as on 31st March 2014. This has been led by healthy disbursement growth of 25% on a y-o-y basis in our key focus areas i.e. B2C products - tractors, two wheelers, housing and microfinance in the retail business and operational projects in the sectors of renewable power and roads in the wholesale business.

The investment management business clocked a 23% growth in Average Assets Under Management (AAUM) to close the year at Rs 22,497 Cr compared to Rs 18,255 Cr for the same period last year. Growth of equity assets by 78% on a y-o-y basis to Rs 8,774 comprising 39% of total AAUM was a key highlight of the year.

L&T Finance Holdings Ltd

City 2, Plot No 177, Vidyanageri Marg
CST Road, Kalina, Santacruz (E)
Mumbai 400 098, India

Registered Office

L&T House, NM Marg
Ballard Estate, Mumbai 400 001, India
CIN: L67120MH2008PLC181833

T +91 22 6621 7300/400

F +91 22 6621 7509

E igr@ltfinanceholdings.com

www.ltfinanceholdings.com

Management Commentary

Commenting on the results and financial performance, Mr. Y. M. Deosthalee, Chairman & Managing Director, L&T Finance Holdings, said, “We are happy to report a healthy 18% growth in loans and advances along with a 23% growth in profits for the full year. Focus on B2C products (tractors, 2-wheeler finance, microfinance and housing finance) and emphasis on operating projects in renewable power and road segment have been key to this growth.

The quarter has also seen a sharp improvement in the gross NPAs due to strong collection efforts and proactive calls on certain stress assets. Healthy net interest margins, increased fee income and stable operating expenses all through the year have enabled the company to accelerate provisions that would result in a stronger balance sheet and create further headroom for growth.”

Profit after Taxes

Growth in profits has been a result of consistent and steady improvement in key operating parameters along with an improvement in the overall asset quality. The growth has been despite the accelerated provisions made during the quarter. Net Interest Margins (NIMs) for the lending business has been robust at Rs 2,471 Cr (5.68%) for the year as compared to Rs 1,965 Cr (5.47%) for the last year.

| Business | PAT (before exceptional items) Rs Cr | | | | | |
|-----------------------|--------------------------------------|------------|------------|------------|------------|------------|
| | Q4FY14 | Q4FY15 | Growth % | FY14 | FY15 | Growth % |
| Retail Finance | 101 | 103 | 2% | 310 | 394 | 27% |
| Wholesale Finance | 94 | 67 | (29%) | 347 | 326 | (6%) |
| Investment Management | 1 | 3 | - | 0 | 5 | - |
| Others | (9) | 33 | - | (60) | 11 | - |
| Total | 187 | 206 | 10% | 597 | 736 | 23% |

Assets

B2C products constitute 57% of the total loan outstanding in the retail business while operating projects account for 47% of the total loan outstanding in the wholesale business.

| Business | Disbursements (Rs Cr) | | | Loans & Advances (Rs Cr) | | |
|-------------------|-----------------------|---------------|------------|--------------------------|---------------|------------|
| | FY14 | FY15 | Growth % | FY14 | FY15 | Growth % |
| Retail Finance | 19,193 | 20,506 | 7% | 22,485 | 24,993 | 11% |
| Wholesale Finance | 6,767 | 11,975 | 77% | 17,598 | 22,238 | 26% |
| Total | 25,959 | 32,481 | 25% | 40,082 | 47,232 | 18% |

Outlook:

Consolidating and strengthening our presence in retail B2C products (tractors, 2 Wheelers, microfinance and housing finance) and further enhancing our position as a leading financier of operational projects with particular emphasis on renewables and roads are expected to be the key growth drivers for the year.

Subject to expectations of industrial activity picking up and an improvement in the overall investment climate being met during FY16, we would aspire to achieve a healthy asset growth of ~25% for the next financial year. The trajectory of improvement in returns is expected to continue aided by stability in key operating metrics and optimization of leverage.

While sentiments have improved on the back of steps initiated by government, the operating environment is yet to show significant improvement. Due to the lack of robust order flows and stretched working capital levels, certain restructured assets show continued levels of stress. Unseasonal rains and expected deficient monsoon could have an impact on the rural sector in the quarter ending June 2015. Consequently the improvement in delinquencies and stressed assets could be moderate.

As regards the increased level of standard assets provision at 30 bps, there will be no impact as we have already raised the standard assets provisioning to the requisite level. As regards the recognition of NPAs at 150 days overdue, the NPAs are expected to be at elevated levels (especially in the retail segment). However, our current provisioning norms will significantly mitigate any additional provisioning that may be required. As a result, we expect the provisioning requirements as a percentage of assets to be stable to declining.

About L&T Finance Holdings:

L&TFH is a financial holding company offering a diverse range of financial products and services across the corporate, retail and infrastructure finance sectors, as well as mutual fund products and investment management services, through its wholly-owned subsidiaries, viz., L&T Finance Ltd, L&T Infrastructure Finance Company Ltd, L&T Investment Management Ltd, L&T Capital Markets Ltd, L&T Housing Finance Ltd, FamilyCredit Ltd and L&T FinCorp Ltd. It is registered with the RBI as a CIC-ND-SI. L&TFH is promoted by Larsen & Toubro (L&T), one of the leading companies in India, with interests in engineering, construction, electrical & electronics manufacturing & services, IT and financial services.

***For Details, Contact: Arijit Sengupta, L&TFH
(9820340485, Arijit.Sengupta@ltfinanceholdings.com)***

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