

Press Release

Wednesday, 23rd April 2014, Mumbai

Financial Performance for the quarter and year ended 31st March, 2014

Loans & Advances surpasses Rs. 40,000 Cr

Consolidated Profit (excluding exceptional items) for the year grows by 7%

L&T Finance Holdings (L&TFH) today released details of their financial performance for the quarter and year ended 31st March, 2014.

Highlights of the quarter:

- **Growth in assets:** Loans & Advances as on 31st March 2014 grew by 20% year on year to Rs. 40,080 Cr. as compared to Rs. 33,310 Cr as on 31st March 2013 and by 6% quarter on quarter. This has been driven by a conscious focus on the rural products finance, personal vehicle finance and housing finance segments in retail business, while pursuing operational assets in the wholesale business.

The investment management business witnessed the Average Assets under Management (AAUM) growing by 63% on a year on year basis to Rs. 18,255 Cr, while the wealth management business achieved average assets under service of Rs. 5,012 Cr as on 31st March 2014.

- **Profit after Taxes (PAT):** The earnings before credit costs (excluding exceptional items) for the full year grew by 23% y-o-y to Rs.1,406 Cr and for the quarter by 47% y-o-y to Rs.414 Cr. The Consolidated PAT (excluding exceptional items) has been impacted by higher credit costs compared to previous year. For the full year the Consolidated PAT (excluding exceptional items) grew by 7% y-o-y to Rs. 597 Cr and for the quarter it grew by 7% y-o-y to Rs. 187 Cr.
- **Asset Quality:**
 - The slowdown in the economy continues to put pressure on the asset quality. Gross NPAs stood at 3.18% of loan assets as on 31st March 2014 as compared to 2.93% as on 31st December 2013. Net NPAs stood at 2.29% of loan assets as on 31st March 2014 as compared to 2.05% as on 31st December 2013.
 - We remain cautious in lending to segments under stress such as CE/CV and corporates, while continuing to follow a conservative provisioning policy with contingent and voluntary provisions of ~Rs. 195 Cr over and above RBI norms.

Commenting on the results and financial performance, Mr. Y. M. Deosthalee, Chairman & Managing Director, L&T Finance Holdings, said, “We are delighted that our outstanding loan book has crossed the Rs. 40,000 Cr mark this quarter which is another milestone in our journey of becoming a comprehensive financial services player. While credit costs remain elevated due to the challenging macro environment, containing the stress and building a quality portfolio has been a key focus for the management team. Post acquisition of FamilyCredit and Indo-Pacific Housing Finance, there are plenty of opportunities to expand our presence in retail and rural markets.”

Assets

We continue to focus on rural products finance, personal vehicle finance and housing finance segments in the retail business, while increasing the proportion of operational assets in the wholesale business. Growth in the corporate loan book has been maintained by focusing on high quality borrowers and opportunistic large ticket lending.

High inflation combined with the slowdown in the economy has led to lower consumer demand and a muted investment climate causing stress on cash flow for all segments. Consequently we continue to follow a stringent credit selection approach which is reflected in the disbursement growth being relatively lower compared to the previous years, especially in the wholesale finance business.

The continuing stress in the economy has resulted in slippages in asset quality mainly in the construction equipment, commercial vehicle, corporate and restructured assets.

Business	Disbursements (Rs Cr)			Loans & Advances (Rs Cr)			GNPA %	
	FY13	FY14	Growth %	FY13	FY14	Growth %	FY13	FY14
Retail & Mid-Market Finance	16,132	17,949	11%	18,149	20,602	14%	2.50%	3.42%
Housing Finance	171	1,245	-	326	1,880	-	0.67%	1.22%
Wholesale Finance	6,692	6,767	1%	14,835	17,598	19%	1.46%	3.10%
Total	22,995	25,959	13%	33,310	40,080	20%	2.03%	3.18%

Profit after Taxes

The earnings before credit costs (excluding exceptional items) for the full year grew by 23% to Rs.1,406 Cr in line with the asset growth and for the quarter by 47% y-o-y to Rs.414 Cr. The profit growth has been due to the thrust on retail business and opportunistic lending to high quality corporates, offset by increase in credit costs. Despite the interest rate environment being volatile during the year, there has been a consistent improvement in the net interest margins (NIMs) for the lending businesses in FY14.

The break even achieved in the investment management business on the back of accelerated growth in the AAUM combined with tight cost control has also contributed to growth in profit.

Business	PAT (Rs Cr)				Y-o-Y Growth	
	Q4'13	FY13	Q4'14	FY14	Q4 (%)	FY (%)
Retail & Mid-Market Finance	99	262	94	300	(5)%	17%
Housing Finance	(0.9)	0.2	8	10	-	-
Wholesale Finance	108	350	94	347	(13)%	(1)%
Investment Management	(27)	(59)	1	1	-	-
Others	(5)	6	(10)	(61)	-	-
PAT (before exceptional items)	174	559	187	597	7%	7%

Non-Performing Assets

Gross NPA stood at Rs. 1,243 Cr. or 3.18% as a percentage of gross advances as on 31st March 2014 as against Rs. 1,065 Cr. or 2.93% as on 31st December 2013. Net NPA stood at Rs. 890 Cr. or 2.29% as a percentage of gross advances as on 31st March 2014 as against Rs. 740 Cr. or 2.05 % as on 31st December 2013.

Outlook:

The trends in the movement of the leading macro indicators remain unstable, raising doubts about sustained revival in economic growth. Inflation remains a key monitorable for the regulator with any possible cut in regulatory rates being dependent on a sustained reduction in inflation. Vagaries in monsoons due to the expected negative impact of El Nino weather phenomenon could impact the rural economy.

On the other hand, the monetary situation is benign with the CAD expected to be much lower at ~ USD 35 billion on the back of moderate pick up in exports and substantial fall in gold imports. The positive impact of the government's initiatives to clear long pending infrastructure projects is expected to be visible on the ground in the next 2 quarters, while the outcome of the general elections would determine the growth trajectory in the medium term.

Given the challenging environment, we continue to focus on building a quality portfolio by being cautious in credit selection and containing credit costs on our existing assets through aggressive asset monitoring. While growth may be slightly muted in FY15, we expect to maintain overall book growth at 15% -20%. Improved margins with a stable opex, lower credit costs and increase in gearing are expected to result in better return ratios for the business.

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.

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