

Press Release
Sunday, April 28, 2019, Mumbai
L&T Finance Holdings announces financial results for the quarter and financial year ended March 31, 2019

<p>PAT at Rs. 2,226 Cr for FY19, YoY growth of 77%</p> <p>PAT at Rs. 548 Cr for Q4FY19, YoY growth of 94%</p> <p>RoE at 17.92% for FY19 as against 15.73% for FY18</p> <p>Retailisation of loan book stands at 52% for FY19 against 42% in FY18</p> <p>NIMs plus Fees at 6.75% for FY19 against 5.88% in FY18</p> <p>Gross Stage 3 declined to 5.90% in FY19 from 8.71% in FY18</p>

Profitability: L&T Finance Holdings (LTFH), a leading Non-Banking Financial Company (NBFC), announced a consolidated PAT of Rs.2,226 Cr for FY19 – a growth of 77% from Rs.1,255 Cr in FY18. For Q4FY19, the consolidated PAT stood at Rs. 548 Cr – a YoY growth of 94% over Rs 282 Cr in Q4FY18.

For FY19, RoE stands at 17.92% as against 15.73% in FY18. The RoE for Q4FY19 is at 16.57%. This sustained delivery of top quartile RoE in FY19 has been achieved through focus on retailisation, prudent liquidity management, growth in NIMs plus Fee Income, diversification of funding sources and robust asset quality.

LTFH through its subsidiaries has around Rs. 1,800 Cr exposure to 6 Project SPVs of IL&FS. The Resolution Plan submitted by Union of India (at the instance of IL&FS Board) to NCLAT, specifies that these SPVs are capable of servicing loans to secured creditors and there will be priority on payments towards them. As on March 31, 2019, the exposure as secured financial creditor to these SPVs, is in the Stage 1 category and within the "Standard" classification of RBI's Prudential Norms. This substantiates our view that there will be no provision required towards principal repayment. However, as a measure of commercial prudence and taking a conservative view, an amount of Rs. 84 Cr towards interest of Q3FY19 and Q4FY19 has been reversed. Without this deferment, the PAT and the RoE for FY19 would have been Rs. 2,285 Cr and 18.38%, respectively. Similarly, the PAT and the RoE for Q4FY19 would have been Rs. 607 Cr and 18.32%, respectively.

Growth in businesses: In its focused lending businesses, namely Rural Finance, Housing Finance and Wholesale Finance, LTFH recorded 17% YoY increase in assets in FY19.

<u>Focused Lending Businesses</u>	FY18 (Rs. Cr)	FY19 (Rs. Cr)	Book Growth (FY19 vs FY18)
Rural Finance	17,044	25,577	50%
Housing Finance	19,109	25,519	34%
Wholesale Finance	47,640	47,178	(1%)
TOTAL	83,793	98,274	17%

The growth in Rural Finance has been contributed by all three businesses – Farm Equipment Finance, Two-Wheeler Finance and Micro Loans. LTFH's growth in Housing Finance has been primarily contributed by retail home loans. Backed by strong skills in underwriting and project monitoring, the company has been able to maintain a steady pace of disbursements in financing of real estate, renewable energy and operating roads. The products where LTFH didn't enjoy a strong right to win – structured finance, supply chain finance and DCM, have been deemphasized.

LTFH also delivered growth in its Investment and Wealth Management businesses. Average Assets under Management (AAUM) in Investment Management business increased to Rs.70,944 Cr in Q4FY19 from Rs.65,932 Cr in Q4FY18 – a growth of 8%. Assets under Service (AUS) in Wealth Management business increased to Rs. 28,164 Cr in FY19 from Rs. 18,354 Cr in FY18 – a growth of 53%.

NIMs plus Fees: The NIMs plus Fee Income of LTFH stood at 6.75% in FY19, as against 5.88% in FY18, LTFH demonstrated its pricing power through judiciously passing on the increase in interest rates during the second half of the year. This along with increasing retailisation and prudent ALM management enabled maintenance of NIMs. Additionally, Fee income coming from cross-selling, underwriting and advisory fees from non fund businesses, continued to be strong

Prudent ALM Management: As per its prudent ALM policy, LTFH has maintained positive liquidity and interest rate gap, in the first-year buckets.

- As on 31st March, 2019, Structural Liquidity and Interest Rate gaps were as follows:

Structural Liquidity Statement	
1 Year Gap	Rs. Cr
Asset Inflows (A)	51,371
Liability outflows (B)	31,533
Positive (A-B)	19,838

Interest Rate Sensitivity Statement	
1 Year Gap	Rs. Cr
Re-priceable Assets (A)	78,244
Re-priceable Liabilities (B)	58,198
Positive (A-B)	20,046

Focus on strengthening balance sheet: LTFH has shown a substantial reduction in Stage 3 assets, both in absolute and percentage terms. This has been achieved through vigorously monitored early warning signals, concentration on early bucket collections and strong Stage 3 resolution efforts.

(Rs. Cr)	Q4FY18	Q3FY19	Q4FY19
Gross Stage 3	7,043	6,033	5,549
Net Stage 3	2,554	2,263	2,174
Gross Stage 3 %	8.71%	6.74%	5.90%
Net Stage 3 %	3.34%	2.64%	2.40%
Provision Coverage %	64%	62%	61%

In addition to the provisions mentioned above, LTFH has set aside Rs. 350 Cr as macro-prudential provisions in FY19. These provisions are against unanticipated future event risks and are over and above the expected credit losses on GS3 assets and standard asset provisions.

Diversification of Funding Sources: LTFH raised funds through secured retail NCD issues, aiding in the retailisation of its liabilities. The company raised Rs. 1500 Cr in Tranche 1 and Rs. 1000 Cr in Tranche 2. Both tranches received tremendous response and were oversubscribed on day 1 of opening.

To further diversify its liability book, LTFH has so far raised Rs 1,152 Cr, from International Finance Corporation (an arm of World Bank).

Management Commentary: Commenting on the results and financial performance, Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH, said, "This is our first full year of delivering top quartile RoE. We did so in the face of multiple headwinds, clearly demonstrating the mettle of our cycle resilient strategy and execution capabilities. In FY2020 and beyond, we intend to achieve sustainable RoE through a strategy of responsible growth, continued retailisation of the loan book, diversification of funding sources, healthy NIMs plus fee income, and enhanced productivity."

About L&T Finance Holdings: LTFH (www.ltfs.com) is a financial holding company offering a focused range of financial products and services across rural, housing and wholesale finance sectors, as well as mutual fund products and wealth management services, through its wholly-owned subsidiaries, viz., L&T Finance Ltd., L&T Housing Finance Ltd., L&T Infrastructure Finance Company Ltd., L&T Infra Debt Fund Limited, L&T Investment Management Ltd. and L&T Capital Markets Ltd. LTFH is registered with RBI as a CIC-ND-SI^[1]. LTFH is promoted by Larsen & Toubro Ltd. ("L&T") (www.larsentoubro.com), one of the leading companies in India, with interests in engineering, construction, electrical & electronics manufacturing & services, IT and financial services.

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^[1] Systemically Important Core Investment Company, a classification of Non-Banking Financial Company (NBFC) by RBI