

Press Release

Wednesday, October 24, 2018, Mumbai

Financial Performance for the quarter ended September 30, 2018
RoE at 18.47% for Q2FY19
PAT at Rs. 560 Cr – YoY growth of 66%
Retailisation stands at 47% in Q2FY19 against 38% in Q2FY18
NIMs plus Fees at 6.86% in Q2FY19 against 5.74% in Q2FY18

Robust ALM Framework: LTFH is comfortably placed with respect to both liquidity and interest rate risks, due to its robust ALM, strong risk management framework and proactive actions.

 As on 30th September, 2018;

- LTFH enjoys positive gaps in both Structural Liquidity and Interest Rate Sensitivity.

Structural Liquidity Statement	
1 Year Gap	Rs. Cr
Asset Inflows (A)	50,550
Liability outflows (B)	32,027
Positive (A-B)	18,523

Interest Rate Sensitivity Statement	
1 Year Gap	Rs. Cr
Re-priceable Assets (A)	68,685
Re-priceable Liabilities (B)	55,170
Positive (A-B)	13,515

- Due to these positive gaps, LTFH NIMs will be protected in a rising interest rate scenario
- Liquidity of Rs. 6,166 Cr is maintained in form of cash, FDs and other liquid instruments. In addition to this, we have undrawn bank lines of Rs. 4,146 Cr and back up line from L&T of Rs. 2000 Cr.

Growth in businesses: In its focused lending businesses, namely Rural Finance, Housing Finance and Wholesale Finance, LTFH recorded 26% YoY increase in assets in Q2FY19. At the end of Q2FY19, Rural and Housing businesses together constituted 47% of total portfolio as against 38% at the end of Q2FY18.

<u>Focused Lending Businesses</u>	Q2FY18	Q2FY19	Book Growth Q2FY19 vs Q2FY18
Rural Finance	12,518	21,433	71%
Housing Finance	15,528	21,718	40%
Wholesale Finance	43,353	46,875	8%
TOTAL	71,399	90,026	26%

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LTFH also delivered strong growth in its Investment Management & Wealth Management businesses. Average Assets under Management (AAUM) in Investment Management business increased to Rs. 73,754 Cr in Q2FY19 from Rs. 52,749 Cr in Q2FY18 – growth of 40%. Average Assets under Service (AAUS) in Wealth Management business increased to Rs. 20,300 Cr in Q2FY19 from Rs. 16,542 Cr in Q2FY18 – growth of 23%.

Improving asset quality: 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. LTFH's provision coverage has also increased during this time, indicating strength of its portfolio.

(Rs. Cr)	Q2FY18	Q1FY19	Q2FY19
Gross Stage 3	7,523	6,480	6,119
Net Stage 3	3,493	2,463	2,296
Gross Stage 3 %	10.95%	7.93%	7.10%
Net Stage 3 %	5.40%	3.17%	2.79%
Provision Coverage %	53.57%	61.99%	62.47%

In addition to the provisions mentioned above, LTFH has set aside Rs. 110 Cr as macro-prudential provisions in Q2FY19, taking overall macro-prudential provisions to Rs. 200 Cr. These provisions are against unanticipated future event risk and are over and above the expected credit losses and standard asset provisions.

Profitability: LTFH has delivered consolidated PAT of Rs. 560 Cr in current quarter as against PAT of Rs. 338 Cr for Q2FY18, a strong growth of 66%. Having achieved a RoE of 18.45% in Q1FY19, LTFH has maintained its profitability with 18.47% RoE in Q2FY19. This has been achieved on the back of strong NIMs plus Fee income, strict control on cost and improved asset quality.

Management Commentary:

Commenting on the results and financial performance, Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH, said “Enabled by the strength of our business model and a robust risk management framework, we have successfully overcome multiple headwinds during the past two years. Our prudent asset liability management has ensured that our average borrowing cost is well in control despite hardening of interest rates. This is the second quarter where we have delivered top quartile RoE and have continued on our path of responsible growth. Additionally, over the last two years, we have successfully steered our portfolio towards ‘retailisation’, with a rapid increase in our Rural and Housing loan book. We will continue to improve our competitive positioning, maintain NIMs plus fees income and strengthen asset quality.”

Results of Q2FY19 are prepared and reported in compliance with IND AS requirements. Additionally, for the same quarter of previous year (Q2FY18), figures have been recast to meet IND AS requirements.

About L&T Finance Holdings: LTFH 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 Investment Management Ltd. and L&T Capital Markets Ltd. LTFH is registered with RBI as a CIC-ND-SI. LTFH is promoted by Larsen & Toubro Ltd. (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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