

Press Release

Thursday, 23rd January 2014, Mumbai

Financial Performance for the quarter and nine months ended 31st December, 2013

Consolidated Profit (excluding exceptional items) for the nine month period grows by 7.2%

L&T Finance Holdings (L&TFH) today released details of their financial performance for the quarter and nine months ended 31st December, 2013.

Highlights of the quarter:

- **Growth in assets:** Loans & Advances as on 31st December 2013 grew by 21.1% year on year to Rs. 37,820.4 Cr. and by 13.5% as compared to Rs. 33,309.9 Cr as on 31st March 2013. The focus on B2C segments, aided by strategic acquisitions made in FY13 in these segments has provided momentum to growth.

The Average Assets under Management (AAUM) of our Investment Management business grew by 12.7% compared to Q2FY14 and achieved breakeven on a run rate basis for the quarter.

- **Profit after Taxes (PAT):** The contribution before credit costs (excluding exceptional items) for the nine month period grew by 19.9% y-o-y to Rs.990.2 Cr and for the quarter by 9.9% y-o-y to Rs.310.5 Cr. The Consolidated PAT (excluding exceptional items) has been impacted by higher credit costs compared to previous year. For the nine month period the Consolidated PAT (excluding exceptional items) grew by 7.2% y-o-y to Rs. 410.4 Cr and for the quarter it de-grew by 7.3% to Rs. 109.7 Cr.
- **Asset Quality:**
 - The continuing stress in the economy has resulted in slippages in asset quality mainly in the construction equipment, commercial vehicle and corporate segments. Gross NPAs stood at 2.93% of loan assets as on 31st December 2013 as compared to 2.89% as on 30th September 2013. Net NPAs stood at 2.05% of loan assets as on 31st December 2013 as compared to 1.93% as on 30th September 2013.
 - We continue to follow a conservative provisioning policy with contingent and voluntary provisions of Rs. 299.8 Cr over and above RBI norms.
- **Other Highlights:**
 - The Private Wealth Management business continued to build momentum with the client base crossing 1,600 and an Average Assets under Service (AAUS) of Rs. 5,038.1 Cr.
 - L&T Housing Finance completed acquisition of a mortgage loan portfolio via the assignment route on 30th Nov, 2013. The acquired portfolio has a POS of ~Rs.698 Cr with 76% of the portfolio being Loan Against Property (LAP). This gives meaningful size to the housing finance business, enabling efficient capital utilization and widening the reach to customers across 68 cities and 16 states.

Commenting on the results and financial performance, Mr. Y. M. Deosthalee, Chairman & Managing Director, L&T Finance Holdings, said, "We are happy to note that our focus on the B2C segments – rural products, personal vehicle finance and housing finance –

continues to provide momentum to growth. At the same time, the continuing stress in the economy has resulted in elevated levels of credit costs, which have impacted the overall returns for the quarter. We expect a gradual improvement in credit costs from Q4FY14 onwards. We are also pleased that, as per our plan, our investment management business has achieved break-even on a run-rate basis.”

Assets

In line with our strategy, momentum continues in the B2C segments with healthy growth in disbursements in Rural Products Finance, Personal Vehicle Finance and Housing Finance businesses. Disbursement growth in wholesale segment was driven largely by opportunities in financing operational assets.

There has been a general slowdown in the economy that has been characterized by absence of new capex, stretched working capital cycles of corporate and resulted in a subdued investment climate. Consequently we continue to follow a cautious approach to credit selection and hence disbursements in B2B segment (corporate, construction equipment and commercial vehicle segments) have been muted.

Business	Disbursements (Rs Cr)			Loans & Advances (Rs Cr)			
	YTD'13	YTD'14	Growth %	YTD'13	FY13	YTD'14	Growth %
Retail & Mid-Market Finance	11,413	12,828	13.0%	17,649	18,149	19,608	11.1%
Housing Finance	31	834	-	195	326	1,567	-
Wholesale Finance	4,112	4,164	1.3%	13,385	14,835	16,645	24.4%
Total	15,556	17,826	14.6%	31,231	33,310	37,820	21.1%

Profit after Taxes

The contribution before credit costs (excluding exceptional items) for the nine month period grew by 19.9% y-o-y to Rs.990.2 Cr and for the quarter by 9.9% y-o-y to Rs.310.5 Cr. Continued momentum in the Retail Finance Business and reduction in the losses in the investment management business has also aided profit growth. The growth in PAT has been impacted by increase in credit costs.

Business	PAT (Rs Cr)				Y-o-Y Growth	
	Q3'13	YTD'13	Q3'14	YTD'14	Q3 (%)	YTD (%)
Retail & Mid-Market Finance	51.5	163.4	63.1	206.0	22.5%	26.1%
Housing Finance	1.1	1.1	(2.6)	2.5	-	-
Wholesale Finance	83.7	242.4	68.0	252.8	(18.8%)	4.3%
Investment Management	(12.1)	(27.8)	1.3	(0.4)	-	-
Others	(5.9)	3.7	(20.1)	(50.5)	-	-
PAT (before exceptional items)	118.3	382.8	109.7	410.4	(7.3%)	7.2%
PAT	294.6	559.0	109.7	410.4	-	-

Non-Performing Assets

Gross NPA stood at Rs. 1,065.2 Cr. or 2.93% as a percentage of gross advances as on 31st December 2013 as against Rs. 992.9 Cr. or 2.89% as on 30th September 2013. The continuing stress in the economy has resulted in slippages in asset quality mainly in the construction equipment, commercial vehicle, corporate and restructured assets.

Net NPA stood at Rs. 739.8 Cr. or 2.05% as a percentage of gross advances as on 31st December 2013 as against Rs. 654.6 Cr. or 1.93 % as on 30th September 2013.

Outlook:

The macroeconomic environment continues to remain challenging, with no consistent signs of an improvement in the overall economy. Though overall inflation has softened slightly in December 2013, the core inflation remains high. While regulatory rates may be maintained at current levels to balance growth and inflation concerns, interest rates are unlikely to soften in the near term.

The clearances to long pending infrastructure projects by the government could revive the capex cycle and investments in the medium to long term. Good monsoons are likely to result in improved agricultural production and keep the rural economy buoyant, contributing to growth in disbursements and advances. Thus our strategy of focusing on the B2C segments to drive growth is expected to maintain the momentum in growth.

In this uncertain environment, we continue to be cautious in credit selection and aggressive in asset monitoring. Margins are expected to be stable, with interest rates expected to soften in the medium term. We expect asset quality and credit costs to gradually improve from Q4FY14 onwards.

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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