

Press Release

Friday, July 22, 2016, Mumbai

Financial Performance for the quarter ended June 30, 2016

Consolidated Profit to shareholders grows by 21%

Loans & Advances in the focused businesses grow by 23%

Update on strategic re-orientation

In April 2016, L&T Finance Holdings (LTFH) unveiled its strategy to reach top quartile Return on Equity (RoE) by FY 2020. As part of this strategy, LTFH realigned its focus on profitable growth in three lending businesses – Rural, Housing and Wholesale while de-emphasizing other products in its lending portfolio. The focus in Investment Management and Wealth Management businesses remains on enhancing value by increasing AUM and customer base.

The following are the key updates to the strategic roadmap achieved in this quarter:

- Cost to income ratio improves from 32% to 29%
- Divestment process for de-emphasized portfolio is on track
- Actions on Centres of Excellence for focused businesses initiated

Result Highlights:

LTFH financial performance for the quarter ended June 30, 2016 is as below:

- **Increase in PAT from focused businesses:** Consolidated PAT to Shareholders* grew by 21% to Rs. 175 Cr. for the quarter ended June 30, 2016 from Rs. 145 Cr. for the quarter ended June 30, 2015.

This improvement is mainly on account of a sharp profit growth in the focused businesses with a healthy RoE of 13.81% in the current quarter. The negative impact of the de-emphasized product portfolio on the overall RoE would see reduction in the subsequent quarters as this portfolio runs-down/ is divested.

Q1FY16		Business Segments (Rs Cr)	Q1FY17		PAT Y-o-Y (%)
PAT	RoE		PAT	RoE	
45	16.53%	Rural Business	67	21.99%	49%
16	9.66%	Housing Business	39	15.04%	141%
132	13.05%	Wholesale Business	129	11.36%	(2%)
193	13.22%	Focused Business	235	13.81%	21%
(16)	(6.82%)	De-emphasized Business	(36)	(21.70%)	-
178	10.57%	Lending Businesses	198	10.66%	12%
15	4.25%	Other Businesses**	9	3.47%	(43%)
192	9.48%	LTFH Consol. (Reported)	207	9.82%	8%
47	-	Less Preference Dividend*	32	-	(32%)
145	9.09%	LTFH Consol. (To Shareholders)	175	9.78%	21%

*Consol. PAT and RoE to Shareholders is after considering dividend on preference shares on pro-rata basis; ; Net Worth excludes preference shares, pref. dividend on pro-rata basis and share warrant money

**Other Businesses include Mutual Fund, Wealth Management, Private Equity, L&T Vrindavan, L&T Access and LTFH Standalone

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- Growth in loans & advances in the focused lending portfolio:** Loans & Advances in the focused businesses grew by 23% y-o-y to Rs.53,331 Cr as on June 30, 2016 as compared to Rs.43,256 Cr as on June 30, 2015. This growth was led by disbursements in housing finance, operational projects in renewable energy, microfinance and two-wheeler finance. In farm equipment business, based on robust analytics and risk framework, the Company ceded market share in some geographies.

In the de-emphasized portfolio, the loans & advances show a reduction of 26%. Consequently the overall growth in Loans & Advances is 17%.

Loans & Advances (Rs. Cr.)	Q1FY16	Q1FY17	Y-o-Y (%)
Rural Finance	7,486	8,586	15%
Housing Finance	6,781	10,408	53%
Wholesale Finance	28,989	34,336	18%
Focused Products	43,256	53,331	23%
De-emphasized Products	5,962	4,405	(26%)
Total	49,218	57,736	17%

- Improvement in asset quality:** As per regulatory requirements, LTFH has started recognizing NPAs at 120 days of delinquency. Gross NPA% has reduced from 5.45% as on June 30, 2015 to 4.58% of book at the end of the current quarter.

Rs. Cr.	Q1 FY'16	Q1 FY'17
Gross NPA	2,635	2,599
Net NPA	2,118	1,752
Gross NPA %	5.45%	4.58%
Net NPA %	4.43%	3.13%
Provision Coverage %	20%	33%

The Company's provisioning policy takes into account long term portfolio behaviour based on the probability of default and loss given default of the portfolio.

- Generating value through the Investment Management and Wealth Management businesses:** In the Investment Management business, Average Assets under Management (AAUM) for the quarter grew by 28% to Rs. 28,404 Cr as compared to Rs. 22,213 Cr for the same period last year. The share of equity assets is at 40% of the total AAUM, reaching Rs 11,381 Cr representing a 25% increase on a y-o-y basis from Rs.9,107 Cr. In the Wealth Management business, the Average Assets Under Service (AAUS) went up by 36% - from Rs. 7,143 cr. to Rs. 9,693 cr. y-o-y with client - base growing from 3,300 to 4,800.

Management Commentary

Commenting on the results and financial performance, Mr. Y. M. Deosthalee, Chairman, L&T Finance Holdings, said, "We are happy to report a healthy 23% growth in loans and advances of our focused businesses along with 21% growth in PAT to shareholders for the quarter on a y-o-y basis. This has been despite slower than expected pick up in the overall economy and significant cash flow pressures in the rural markets. Our focus on financing operational projects in renewable energy and road sectors, and select segments of rural and housing finance has enabled this. Our philosophy of being a focused financial services player is playing out positively in terms of maintaining a consistently healthy growth in assets and profitability."

About L&T Finance Holdings:

LTFH is a financial holding company offering a diverse range of financial products and services across the 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 Infrastructure Finance Company Ltd, L&T Investment Management Ltd, L&T Capital Markets Ltd, L&T Housing Finance Ltd, Family Credit Ltd and L&T FinCorp Ltd. It is registered with the RBI as a CIC-ND-SI. LTFH 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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