

## Press Release

Wednesday, 23<sup>rd</sup> July 2014, Mumbai

### **Financial Performance for the quarter ended 30<sup>th</sup> June, 2014**

***Consolidated Profit (excluding exceptional items) for the quarter grows by 15%***

L&T Finance Holdings (L&TFH) today released details of their financial performance for the quarter ended 30<sup>th</sup> June, 2014.

#### **Highlights of the quarter:**

- **Growth in assets:** Loans & Advances as on 30<sup>th</sup> June 2014 grew by 19% year on year to Rs. 40,764 Cr. as compared to Rs. 34,340 Cr as on 30<sup>th</sup> June 2013. This has been led largely by continued momentum in disbursements of rural products finance, personal vehicle finance and housing finance in the retail business, while focusing on operational assets in the wholesale business.

The investment management business witnessed the Average Assets under Management (AAUM) growing by 44% on a year on year basis to Rs. 19,895 Cr, while the wealth management business achieved average assets under service of Rs. 6,139 Cr as on 30<sup>th</sup> June 2014.

- **Profit after Taxes (PAT):** The Consolidated PAT (excluding exceptional items) for the quarter grew by 15% y-o-y to Rs. 167 Cr compared to Rs 145 Cr in the same period last year. The Consolidated PAT for the quarter including gain (~Rs 119 Cr net of tax) from the sale of shares in City Union Bank Ltd. grew by 97% y-o-y to Rs. 286 Cr. Profit before taxes is lower by Rs 9.23 Cr due to higher depreciation provisions as there is a reduction in useful life of assets in line with Schedule II of Companies Act, 2013.
- **Asset Quality:**
  - The seasonal pressures in retail assets and prevailing stress in the infrastructure related segments have resulted in an increase in GNPA's. Gross NPA stood at 3.57% as a percentage of gross advances as on 30<sup>th</sup> June 2014 as against 3.18% as on 31<sup>st</sup> March 2014. Net NPA stood at 2.67% as a percentage of gross advances as on 30<sup>th</sup> June 2014 as against 2.29 % as on 31<sup>st</sup> March 2014.
  - We continue to remain cautious in lending to stressed segments such as CE/CV and corporates, while continuing to follow a conservative provisioning policy with contingent and voluntary provisions of ~Rs. 190 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, "The conscious focus on operating project assets in wholesale business and B2C products in retail business has helped maintain Y-o-Y asset growth of 19%. Margins in the retail business continued to improve and the overall credit costs have stabilized. There has been an increase in the overall GNPA % arising from the seasonality seen in the retail portfolio during the first quarter and existing stress in infrastructure sector. Our efforts and the positive outlook for the medium term should bring about a gradual improvement in asset quality in the upcoming quarters."

## Assets

We continue to see growth in the B2C segments in retail business and operating assets in the wholesale business. The proportion of B2C segment in the retail and mid-market book has increased to 41% from 33% last year and operating assets account for 42% of the wholesale book compared to 28% last year. IDF-NBFC is now fully operational with the first disbursement being completed in this quarter.

Being extremely selective in lending to CE/CV segment and the corporate segment is reflected in the low disbursement growth in the retail and mid-market business.

Business	Disbursements (Rs Cr)			Loans & Advances (Rs Cr)			GNPA %	
	Q1'14	Q1'15	Growth %	Q1'14	Q1'15	Growth %	Q1'14	Q1'15
Retail & Mid-Market Finance	4,278	4,172	(2%)	18,590	20,568	11%	3.25%	3.79%
Housing Finance	206	353	71%	520	2,110	-	0.43%	2.00%
Wholesale Finance	1,376	2,017	47%	15,231	18,086	19%	1.53%	3.51%
Total	5,859	6,542	12%	34,340	40,764	19%	2.54%	3.57%

## Profit after Taxes

The profit growth has been aided by continued improvement in margins in the retail business offset by dip in margins in the wholesale business, while operating expenses and credit costs have remained stable. Net Interest Margins (NIMs) for the lending business have kept pace with asset growth at Rs 558 Cr (5.53%) this quarter compared to Rs 473 Cr (5.59%) in the same quarter last year. The asset management business has maintained break even status.

Business	PAT (Rs Cr)		Y-o-Y Growth
	Q1FY14	Q1FY15	
Retail & Mid-Market Finance	74	82	11%
Housing Finance	2	9	-
Wholesale Finance	79	88	12%
Investment Management	(4)	(0)	-
Others	(6)	(12)	-
PAT (before exceptional items)	145	167	15%

**Outlook:**

Emergence of a stable government post elections has resulted in a positive business sentiment and heightened expectations of a faster recovery in the overall economy. The focus of the budget in terms of creating enabling framework for PPPs, REITs, Infrastructure Investment Trusts and relaxation in regulations to raise long term bonds for the infrastructure funding are positives. Increasing FDI limits in the defence manufacturing and insurance sector is expected to bring in further investments. The monetary environment remains stable with some positive news flows on IIP growth and continuing momentum in exports, supported by healthy global demand.

Inflation remains a key challenge, though there have been positive surprises in terms of downward movement in June. The delay in monsoon resulting in a deficiency in excess of 35% is a cause of concern. The trajectory and distribution of rainfall in the next few months along with any unexpected shocks in crude oil price due to geopolitical tensions in Iraq would be key to the overall direction of inflation.

In the current environment where implementation of policy decisions would be crucial to drive economic growth going ahead, we would continue to focus on building a quality portfolio by focusing on retail B2C segments, housing finance and operating projects in the infrastructure segment. While business sentiment is positive, the pace of fresh meaningful capex is expected to be more gradual. We would look to maintain overall book growth at ~20% levels and expect improved return metrics on back of improving margins and lower opex in retail business, while overall credit costs begin to taper.

**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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