L&T Finance Holdings

Press Release

Wednesday, 22nd October 2014, Mumbai

Financial Performance for the quarter and half year ended 30th September, 2014

Consolidated Profit for the quarter grows by 17%; Loans & Advances grows by 21%

Consolidated Profit (before exceptional items) for the half year grows by 16%

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

Highlights of the quarter:

- **Growth in assets:** Loans & Advances as on 30th September 2014 grew by 21% year on year to Rs. 42,760 Cr. as compared to Rs. 35,459 Cr as on 30th September 2013. This growth has been enabled by healthy disbursements in the B2C segments of the retail business i.e. microfinance, rural products finance, personal vehicle finance and housing finance while retaining the focus on operational assets in the wholesale business.

  The investment management business witnessed the Average Assets under Management (AAUM) growing by 37% on a year on year basis to Rs. 20,673 Cr. The average equity assets rose smartly by 42% y-o-y to Rs 6,644 Cr on the back of NFOs / positive net sales as well as market performance. The average equity assets were a healthy 32% of the total AAUM.

- **Asset Quality:**
  - Gross NPA decreased by 61 bps to 2.96% as a percentage of gross advances as on 30th September 2014 as against 3.57% as on 30th June 2014. Net NPA stood at 2.00% as a percentage of gross advances as on 30th September 2014 as against 2.67% as on 30th June 2014.
  - In line with the conservative provisioning policy followed, the Company made additional provisions to increase the coverage ratio to a healthy 33% for the quarter ending September 2014.

- **Profit after Taxes (PAT):** The Consolidated PAT for the quarter grew by 17% y-o-y to Rs. 182 Cr compared to Rs 156 Cr in the same period last year while the Consolidated PAT (before exceptional items) for the half year grew by 16% y-o-y to Rs 349 Cr compared to Rs 301 Cr in the half year of last year. The PAT growth was supported by strong operating performance on net interest margins and operating cost ratios. Additional provisions made to improve the coverage ratio against NPAs partially dampened the growth.

Commenting on the results and financial performance, Mr. Y. M. Deosthalee, Chairman & Managing Director, L&T Finance Holdings, said, **"**We continue to see healthy asset accretion on the back of robust disbursements to operating projects in the wholesale business and B2C products in the retail business. Increasing margins in the retail business are a reflection of the shift in product mix towards high yield assets, while sustained focus on collections has led to stabilization in asset quality. The company has increased the provision coverage ratio on NPAs in line with the conservative provisioning policy. We expect to see a gradual uptick in the returns in the coming quarters supported by margin expansion, stable to lowering opex and improvement in credit costs."

Assets

Disbursement momentum has been robust largely on account of operating projects in the wholesale business and supported by the B2C segment in the retail business. The loans and advances of the B2C segment increased by 54% on a y-o-y basis while the proportion of operating assets in the wholesale book grew to 43% compared to 33% last year.

The low disbursement growth in the retail and mid-market business has been on account of being extremely selective in lending to CE/CV segment and the corporate segment.

Business	Disbursements (Rs Cr)			Loans & Advances (Rs Cr)			GNPA %	
	H1'14	H1'15	Growth %	H1'14	H1'15	Growth %	H1'14	H1'15
Retail & Mid-Market Finance	8,077	8,151	1%	18,974	20,636	9%	3.14%	3.50%
Housing Finance	500	839	68%	787	2,464	-	0.3%	1.6%
Wholesale Finance	2,828	5,173	83%	15,878	19,660	24%	2.36%	2.53%
Total	11,405	14,163	24%	35,459	42,760	21%	2.89%	2.96%

The reduction in NPA was helped by resolutions as well as sale of certain assets to ARC.

Profit after Taxes

The profit growth has been aided by continued improvement in margins in the retail business due to the shift in the product mix towards high yield assets. Net Interest Margins (NIMs) for the lending business are at Rs 632 Cr (6.05%) this quarter compared to Rs 464 Cr (5.49%) in the same quarter last year. The asset management business has maintained break even status despite an increase in the proportion of equity assets from 27% in Q1FY15 to 32% in Q2FY15.

Business		PAT (Rs Cr)		Y-o-Y Growth
	Q2FY14	Q1FY15	Q2FY15	
Retail & Mid-Market Finance	69	82	88	26%
Housing Finance	3	9	8	-
Wholesale Finance	106	88	90	(15%)
Investment Management	2	0	0	-
Others	(24)	(12)	3	-
PAT (before exceptional items)	156	167	182	17%

Outlook:

With a politically strong government at the center showing signs of taking crucial decisions on important policy matters related to labor reforms, de-regulating diesel prices and fixing gas prices; expectations of a turnaround in the overall economy remain high. The fall in global crude oil prices to four year lows could aid an improvement of the twin deficits and the downward movement in inflation would be a positive for renewed consumption growth. India's GDP forecasts by IMF for 2014 and 2015 show an upward trajectory of ~5.6% and ~6.4% while S&P has upgraded India's rating outlook to 'stable'.

Credit growth remains low at 11% as of October 2014 while two consecutive months of weak IIP growth at 0.4% indicates that the expected uptick in economic growth would be more gradual and possibly uneven for few quarters. Monetary easing is not expected in the near term as the regulator remains focused on ensuring a sustainable low inflationary environment that is conducive for future growth. Regulatory clarity and the impact of the government's proposed action plan in the aftermath of the coal block de-allocation would have a significant impact on key sectors of the economy including power, mining and steel sectors.

While the improvement in the overall macroeconomic environment appears more certain, it would need to be supported by swift policy decisions and reform measures by the government. Even as we look forward to seeing a pick-up in the pace of improvements on the ground, our focus continues to be on building a quality portfolio which would enable us to deliver improved returns. We expect to achieve an overall book growth of ~20% - 25% led by robust disbursements to B2C segment in the retail business, operating projects in infrastructure business and selective lending to corporates. Sustained improvement in margins, stable to lowering opex and improving asset quality are expected to improve the return metrics in the coming quarters.

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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