

Press Release

Wednesday, 23rd October 2013, Mumbai

Financial Performance for the quarter and half year ended 30th September, 2013

Consolidated Profit for the half year grows by 13.7%

L&T Finance Holdings (L&TFH) today released details of their financial performance for the quarter ended 30th September, 2013.

Highlights of the quarter:

- **Healthy growth in assets:** Loans & Advances as on 30th September 2013 grew by 28.2% year on year to Rs. 35,458.7 Cr. and by 6.5% as compared to Rs. 33,309.9 Cr as on 31st March 2013.

Growth in Profit after Taxes (PAT): The Consolidated PAT for the half year grew by 13.7% y-o-y to Rs. 300.7 Cr and for the quarter it grew by 8.4% to Rs. 155.7 Cr. For the lending businesses, the Consolidated PAT for the half year grew by 20.8% y-o-y to Rs. 326.9 Cr and for the quarter grew by 21.4% y-o-y to Rs.174.2 Cr.

The growth in PAT in lending businesses has been on account of improvement in margins, offset by an increase in credit costs. For the lending businesses, net interest margin for the quarter improved by 10 bps y-o-y to 5.6%, and for the half year by 20 bps.

- **Asset Quality:** Gross NPAs stood at 2.89% of loan assets as on 30th September 2013 as compared to 2.54% as on 30th June 2013. Net NPAs stood at 1.93% of loan assets as on 30th September 2013 as compared to 1.67% as on 30th June 2013. Increase in Gross NPA was mainly due to slippage of one account in the infrastructure segment.
- **Other Highlights:**
 - The Investment Management business has had another strong quarter. Despite a de-growth in the industry, the Average Assets under Management (AAUM) grew by 9.4% to Rs. 15,078.9 Cr., resulting in an increase in market share from 1.6% in Q1FY14 to 1.9% in Q2FY14.
 - The Private Wealth Management business continued to build momentum with the client base crossing 1,000 and an Average Assets under Service (AAUS) of Rs. 3,570.0 Cr.

Assets

There has been a general slowdown in the economy, absence of new capex cycle and stretched working capital cycles of corporates. Consequently we continue to follow a cautious approach to credit selection and hence disbursements in corporate, construction equipment and commercial vehicle segments have been muted.

However, the robust rural economy has aided healthy growth in disbursements in Rural Products Finance. Further, H1FY14 has seen disbursement momentum picking up in the

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Personal Vehicle Finance and Housing Finance businesses (acquisitions made in FY13). Disbursement growth in wholesale segment was driven largely by opportunities in financing operational assets.

| Business | Disbursements (Rs Cr) | | | Loans & Advances (Rs Cr) | | | |
|----------------------------|-----------------------|--------|----------|--------------------------|--------|--------|----------|
| | H1FY13 | H1FY14 | Growth % | H1FY13 | FY13 | H1FY14 | Growth % |
| Retail & Corporate Finance | 7,059 | 8,076 | 14.4% | 15,533 | 18,149 | 18,793 | 21.0% |
| Housing Finance | - | 500 | - | - | 326 | 787 | - |
| Wholesale Finance | 1,841 | 2,828 | 53.6% | 12,133 | 14,835 | 15,878 | 30.9% |
| Total | 8,900 | 11,404 | 28.1% | 27,666 | 33,310 | 35,459 | 28.2% |

Profit after Taxes

The growth in PAT has been on account of improvement in margins, offset by an increase in credit costs. For the lending businesses, net interest margin for the quarter improved by 10 bps y-o-y to 5.6%, and for the half year by 20 bps. Continued momentum in the Retail Finance Business and reduction in the losses in the investment management business has also aided profit growth.

| Business | PAT (Rs Cr) | | | | Growth | |
|----------------------------|-------------|--------|--------|--------|--------|--------|
| | Q2FY13 | H1FY13 | Q2FY14 | H1FY14 | Q2 (%) | H1 (%) |
| Retail & Corporate Finance | 59.9 | 111.9 | 69.4 | 142.9 | 15.9% | 27.7% |
| Housing Finance | - | - | 3.2 | 5.1 | - | - |
| Infrastructure Finance | 83.5 | 158.7 | 101.6 | 178.9 | 21.7% | 12.8% |
| Investment Management | -8.4 | -16.1 | 1.7 | -1.8 | - | - |
| Others | 8.7 | 9.9 | -20.2 | -24.4 | - | - |
| Total | 143.7 | 264.4 | 155.7 | 300.7 | 8.4% | 13.7% |

Non-Performing Assets

Gross NPA stood at Rs. 992.9 Cr. or 2.89% as a percentage of gross advances as on 30th September 2013 as against Rs. 846.4 Cr. or 2.54% as on 30th June 2013. The elevated Gross NPAs is mainly due to one account in the infrastructure segment. The GNPA includes Rs. 92.9 Cr (net of write off) in FamilyCredit Limited (FCL), mainly contributed by legacy portfolio (fully provided for).

Net NPA stood at Rs. 654.6 Cr. or 1.93% as a percentage of gross advances as on 30th September 2013 as against Rs. 551.0 Cr. or 1.67 % as on 30th June 2013.

We continue to follow a conservative provisioning policy with contingent and voluntary provisions of Rs. 258.0 Cr over and above RBI norms.

Outlook:

The macroeconomic environment continues to remain challenging, with no consistent signs of an improvement in the overall economy. While the volatility in exchange rates seems to have subsided in the near term, the challenge of continued high inflation portends a high interest rate regime.

The policy initiatives of the government including clearances to long pending infrastructure projects could revive the capex cycle and investments in the medium to long term. Good monsoons are expected to result in increased agricultural production, keeping the rural economy buoyant and in turn contributing to growth in disbursements and advances. Margins are expected to be stable despite expectations of an uptrend in the interest environment. We continue to be cautious in credit selection and with aggressive asset monitoring; we expect asset quality to remain stable.

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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