Press Release

Thursday, 23rd July 2015, Mumbai

Financial Performance for the quarter ended 30th June, 2015

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

Healthy Growth in Loans & Advances by 21%

L&T Finance Holdings (L&TFH) today released details of their financial performance for the quarter ended 30th June, 2015.

Highlights:

- **Growth in assets:** Loans & Advances as on 30th June 2015 grew by 21% y-o-y to Rs. 49,219 Cr. as compared to Rs. 40,764 Cr as on 30th June 2014. This has been led by healthy disbursement growth of 37% on a y-o-y basis in our key focus areas i.e. B2C products - two wheelers, housing and microfinance in the retail business and operational projects in the wholesale business.

  The Average Assets Under Management (AAUM) of the investment management business grew by 12% to Rs 22,213 Cr as compared to Rs 19,895 Cr for the same period last year. The share of equity assets increased to 42% of the total AAUM, reaching Rs 9,329 Cr representing a 76% increase on a y-o-y basis.

- **Profit after Taxes (PAT):** The Consolidated PAT (before exceptional items) for the quarter grew by 15% y-o-y to Rs. 192 Cr compared to Rs 167 Cr in the same period last year. The operating performance has continued to remain strong with healthy margins, steady fee income and stable opex.

- **Asset Quality:** Gross NPAs show a marginal increase on a y-o-y basis even with NPA recognition moving to 150 days past due. Increase in Gross NPAs on a sequential quarter basis is largely due to higher delinquencies in the farm portfolio which is seasonal in nature.

Rs Cr	Q1FY15 @ 180 days	Q4FY15 @ 180 days	Q1FY16	
			@ 180 days	@ 150 days
Gross NPA	1,421	1,045	1,278	1,473
Net NPA	1,052	580	766	958
Gross NPA %	3.57%	2.25%	2.64%	3.05%
Net NPA %	2.67%	1.26%	1.60%	2.00%
Provision Coverage %	26%	44%	40%	35%

In line with a conservative provisioning policy, the Company carries ~Rs 193 Cr of provisions in excess of RBI norms.

Management Commentary

Commenting on the results and financial performance, Mr. Y. M. Deosthalee, Chairman & Managing Director, L&T Finance Holdings, said, **"**We are pleased to report a healthy 21% growth in loans and advances along with a 15% growth in profits for the quarter on a y-o-y basis. We continue to see healthy growth opportunities in our focus areas of B2C products in the retail business and operational assets in wholesale business. We also expect steady improvement in the operating metrics including credit costs. The seasonal delinquencies in the farm portfolio have had an impact on the NPAs and financial

performance. Other than this, the overall asset quality has remained stable with fewer incremental additions despite migrating to recognition of NPAs at 150 days past due basis levels. ”

Profit after Taxes

Growth in profits has been a result of consistent and steady improvement in key operating parameters along with stabilization in the overall asset quality. Net Interest Margins (NIMs) for the lending business has shown a 22% growth y-o-y to Rs 681 Cr (5.65%) from Rs 558 Cr (5.52%) in the same period last year. The growth in PAT is after accounting for income reversal on assets in the 150 -180 days past due bucket on a year on year basis.

Business	PAT (before exceptional items) Rs Cr		
	Q1FY15	Q1FY16	Growth %
Retail Finance	90	89	(1%)
Wholesale Finance	88	89	1%
Investment Management	0	2	-
Others	(11)	12	-
Total	167	192	15%

Assets

B2C products constitute 59% of the total loan outstanding in the retail business while operating projects account for 51% of the total loan outstanding in the wholesale business.

Business	Disbursements (Rs Cr)			Loans & Advances (Rs Cr)		
	Q1FY15	Q1FY16	Growth %	Q1FY15	Q1FY16	Growth %
Retail Finance	4,525	6,335	40%	22,678	25,867	14%
Wholesale Finance	1,953	2,510	28%	18,086	23,352	29%
Total	6,478	8,845	37%	40,764	49,219	21%

Outlook:

Consolidating and strengthening our presence in retail B2C products (tractors, 2 Wheelers, microfinance and housing finance) and further enhancing our position as a leading financier of operational projects with particular emphasis on renewables and roads will continue to be the key growth drivers for the year.

The trajectory of improvement in returns is expected to continue aided by stability in key operating metrics, including lower levels of credit costs and optimization of leverage.

While sentiments have improved on the back of steps initiated by government, the operating environment is yet to show significant improvement. Due to the lack of robust order flows and stretched working capital levels, certain restructured assets show

continued levels of stress. If the dispersal or quantum of rain is inadequate as compared to current estimates, the improvement in delinquencies and stressed assets could moderate.

Reporting of NPAs at 150 days overdue starting this quarter will result in slightly elevated levels of reported Gross NPAs (especially in the retail segment) compared to previous time periods. Based on our assessment, our current provisioning norms adequately take care of provisioning requirements due to the new NPA recognition norms.

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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