L&T Finance Holdings

October 22, 2014

National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra - Kurla Complex, Bandra (East),
Mumbai - 400 051.

Symbol: L&TFH

BSE Limited
Corporate Relations Department,
1st Floor, New Trading Ring,
P. J. Towers, Dalal Street,
Mumbai - 400 001.

Scrip Code No.: 533519

Kind Attn: Head – Listing Department / Dept of Corporate Communications

Sub: Unaudited Consolidated Financial Results under Clause 41 of the Equity Listing Agreement

Dear Sir/ Madam,

This has reference to our letter of even date for submitting Unaudited Standalone Financial Results of the Company for the quarter and half year ended September 30, 2014.

Please find enclosed herewith Unaudited Consolidated Financial Results of the Company for the quarter and half year ended September 30, 2014 along with Limited Review Report of Statutory Auditors and Press Release thereon.

Kindly take the same on record and acknowledge the receipt.

Thanking you,

Yours faithfully,

For **L&T Finance Holdings Limited**

N. Suryanarayanan
Company Secretary

Encl: as above

L&T Finance Holdings Ltd
8th Floor, City 2, Plot No 177
Vidyanagari Marg, CST Road, Kalina
Santacruz (E), Mumbai 400 098, India

Registered Office
L&T House, NM Marg
Ballard Estate, Mumbai 400 001, India
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SHARP & TANNAN
Chartered Accountants

REPORT ON REVIEW OF CONSOLIDATED FINANCIAL RESULTS

To the board of directors of L&T Finance Holdings Limited

We have reviewed the accompanying statement of unaudited consolidated financial results of L&T Finance Holdings Limited ("the Company") and its subsidiaries and associates ("the LTFH Group") for the six month period ended September 30, 2014 except for the disclosures regarding 'Public Shareholding' and 'Promoters and Promoter Group Shareholding' which have been traced from disclosures made by management and have not been audited by us. This statement is the responsibility of the Company's management and has been approved by the board of directors on October 22, 2014. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the 'Standard on Review Engagements (SRE) 2410', Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We did not audit/review the financial statements of nine subsidiaries included in the consolidated financial results, whose interim financial statements reflect total assets of Rs. 2,652,349.82 lakhs as at September 30, 2014; as well as the total revenue of Rs. 157,424.53 lakhs and net cash outflow amounting to Rs.17,649.65 lakhs for the six month period ended September 30, 2014. These interim financial statements and other financial information have been audited/ reviewed by other auditors whose reports have been furnished to us, and our opinion on the consolidated financial results, to the extent they have been derived from such interim financial statements is based solely on the report of such auditors.

We further report that in respect of one associate, we did not carry out the review. These financial statements have been certified by management and have been furnished to us, and in our opinion, insofar as it relates to the amounts included in respect of the associate are based solely on these certified financial statements.

Since the financial statements for the six month period ended September 30, 2014, which were compiled by management of these companies, were not reviewed, any adjustments to their balances could have consequential effects on the attached condensed consolidated financial statements. However, the size of the associate in the consolidated position is not significant in relative terms. The consolidated financial statements include the net carrying cost of investment of Rs. 4,219.53 lakhs and current period share of net profit of Rs. 96.54 lakhs in respect of these associates. Our opinion is not qualified in respect of this matter.

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Farook M. Kobla Shreedhar T. Kunte Milind P. Phadke Ramnath D. Kare Ashwin B. Chopra
Edwin Augustine Raghunath P. Acharya Firdosh D. Buchia Thirtharaj A. Khot Pavan K. Aggarwal
Also at Pune. Associate Offices : Bangalore, Chennai, Goa & New Delhi

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited consolidated financial results prepared in accordance with applicable accounting standards prescribed by section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of clause 41 of the listing agreement including the manner in which it is to be disclosed, or that it contains any material misstatement.

SHARP & TANNAN
Chartered Accountants
Firm's registration no. 109982W
by the hand of

Firdosh D. Buchia
Partner
Membership no. 38332

Mumbai, October 22, 2014

22/10 / 11.15

L&T FINANCE HOLDINGS LIMITED
CIN. L67120MH2008PLC181833
Regd. Office : L&T House, Ballard Estate, Mumbai - 400 001
Website: www.ltfinanceholdings.com Email: lgrc@ltfinanceholdings.com Phone: +91 22 6621 7300 Fax: +91 22 6621 7509

(₹ Lakh)

PART I : STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2014

Sr. No.	Particulars	Quarter ended			Half year ended		Year ended
		September 30, 2014	June 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013	March 31, 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	**Income from operations**	**155,180.74**	**143,778.62**	**123,209.98**	**298,959.36**	**238,569.00**	**505,593.81**
2	**Expenses:**						
	a) Employee benefits expense	8,697.96	7,820.78	6,653.01	16,518.74	13,140.07	27,364.65
	b) Professional fees	6,401.97	5,281.66	5,275.27	11,683.63	9,480.90	21,465.55
	c) Allowances and write-offs	15,678.92	12,683.97	10,027.06	28,362.89	19,115.72	42,610.93
	d) Depreciation and amortisation	2,178.16	2,957.30	1,978.60	5,135.46	3,807.67	8,014.27
	e) Administration and other expenses	10,634.36	8,347.15	8,540.41	18,981.51	15,910.53	34,387.18
	Total expenses	**43,591.37**	**37,090.86**	**32,474.35**	**80,682.23**	**61,454.89**	**133,842.58**
3	**Profit from operations before other income, finance costs and exceptional items (1-2)**	**111,589.37**	**106,687.76**	**90,735.63**	**218,277.13**	**177,114.11**	**371,751.23**
4	Other income	3,480.40	3,076.34	8,636.75	6,556.74	11,177.29	18,124.61
5	**Profit from ordinary activities before finance costs and exceptional items (3+4)**	**115,069.77**	**109,764.10**	**99,372.38**	**224,833.87**	**188,291.40**	**389,875.84**
6	Finance costs	88,297.58	86,071.81	77,141.41	174,369.39	145,903.77	307,387.77
7	**Profit from ordinary activities after finance costs but before exceptional items (5-6)**	**26,772.19**	**23,692.29**	**22,230.97**	**50,464.48**	**42,387.63**	**82,488.07**
8	Exceptional items (Refer note 3)	-	14,389.42	-	14,389.42	-	-
9	**Profit from ordinary activities before tax (7+/-8)**	**26,772.19**	**38,081.71**	**22,230.97**	**64,853.90**	**42,387.63**	**82,488.07**
10	**Tax expense:**						
	a) Current tax	9,687.39	10,078.06	8,092.63	19,765.45	17,336.92	32,057.22
	b) Deferred tax	(1,011.60)	(554.64)	(1,392.07)	(1,566.24)	(4,949.56)	(9,053.31)
	Total tax expense	**8,675.79**	**9,523.42**	**6,700.56**	**18,199.21**	**12,387.36**	**23,003.91**
11	**Net profit from ordinary activities after tax (9-10)**	**18,096.40**	**28,558.29**	**15,530.41**	**46,654.69**	**30,000.27**	**59,484.16**
12	Extraordinary items	-	-	-	-	-	-
13	**Net profit before share in profit/(loss) of associates (11+/-12)**	**18,096.40**	**28,558.29**	**15,530.41**	**46,654.69**	**30,000.27**	**59,484.16**
14	Share of profit of associates	67.14	29.40	41.98	96.54	66.01	205.17
15	**Net profit for the period/ year (13+14)**	**18,163.54**	**28,587.69**	**15,572.39**	**46,751.23**	**30,066.28**	**59,689.33**
16	Paid-up equity share capital (Face value of ₹ 10/- each) (Refer note 4)	171,912.15	171,867.18	171,693.31	171,912.15	171,693.31	171,844.90
17	Reserves excluding Revaluation Reserve						410,720.39
18	**Earnings per share (EPS):**						
	a) Basic EPS before and after extraordinary items (₹) (* not annualised)	*0.89	*1.54	*0.81	*2.42	*1.56	3.03
	b) Diluted EPS before and after extraordinary items (₹) (* not annualised)	*0.89	*1.53	*0.81	*2.42	*1.56	3.03
19	**Non-Performing Assets (NPA) Ratios:**						
	a) Amount of Gross NPA	122,822.08	142,053.38	99,291.04	122,822.08	99,291.04	124,300.00
	b) Amount of Net NPA	82,137.75	105,238.50	65,455.42	82,137.75	65,455.42	88,954.18
	c) Gross NPA (%)	2.96%	3.57%	2.89%	2.96%	2.89%	3.18%
	d) Net NPA (%)	2.00%	2.67%	1.93%	2.00%	1.93%	2.29%
20	**Profit after tax from normal operations (i.e. excluding exceptional and extraordinary items)**	**18,163.54**	**16,723.27**	**15,572.39**	**34,886.81**	**30,066.28**	**59,689.33**

PART II : SELECT INFORMATION FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2014

A	PARTICULARS OF SHAREHOLDING						
1	**Public shareholding**						
	- Number of shares	430,117,659	429,667,955	299,908,841	430,117,659	299,908,841	401,859,366
	- Percentage of shareholding	25.02%	25.00%	17.47%	25.02%	17.47%	23.39%
2	**Promoters and Promoter Group shareholding**						
	a) Pledged / encumbered						
	- Number of shares	Nil	Nil	Nil	Nil	Nil	Nil
	- Percentage of shares (as a % of the total shareholding of promoters and promoter group)	NA	NA	NA	NA	NA	NA
	- Percentage of shares (as a % of the total share capital of the Company)	NA	NA	NA	NA	NA	NA
	b) Non-encumbered						
	- Number of shares	1,289,003,865	1,289,003,865	1,417,024,221	1,289,003,865	1,417,024,221	1,316,589,609
	- Percentage of shares (as a % of the total shareholding of promoters and promoter group)	100%	100%	100%	100%	100%	100%
	- Percentage of shares (as a % of the total share capital of the Company)	74.98%	75.00%	82.53%	74.98%	82.53%	76.61%

	Particulars	Quarter ended September 30, 2014
B	**INVESTOR COMPLAINTS**	
	Pending at the beginning of the quarter	Nil
	Received during the quarter	2
	Disposed off during the quarter	2
	Remaining unresolved at the end of the quarter	Nil

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2014

Sr. No.	Particulars	As at September 30, 2014 (Unaudited)	As at March 31, 2014 (Audited)
A	**EQUITY AND LIABILITIES**		
1	**Shareholders' funds**		
	(a) Share capital	308,252.15	271,844.90
	(b) Reserves and surplus	456,742.20	410,720.39
	Sub-total - Shareholders' funds	**764,994.35**	**682,565.29**
2	**Minority interest**	**10,030.00**	**-**
3	**Non-current liabilities**		
	(a) Long-term borrowings	2,545,529.56	2,328,824.87
	(b) Other long-term liabilities	65,561.93	49,360.58
	(c) Long-term provisions	24,400.51	19,998.95
	Sub-total - Non-current liabilities	**2,635,492.00**	**2,398,184.40**
4	**Current liabilities**		
	(a) Short-term borrowings	594,196.99	454,715.79
	(b) Current maturities of long term borrowings	687,623.05	801,816.03
	(c) Trade payables	4,781.37	3,716.74
	(d) Other current liabilities	130,257.33	127,161.03
	(e) Short-term provisions	5,621.95	17,933.31
	Sub-total - Current liabilities	**1,422,480.69**	**1,405,342.90**
	TOTAL - EQUITY AND LIABILITIES	**4,832,997.04**	**4,486,092.59**

B	ASSETS		
1	**Non-current assets**		
	(a) Fixed assets	72,787.39	72,874.10
	(b) Goodwill on consolidation	63,891.06	63,891.06
	(c) Non-current investments	126,257.75	97,986.63
	(d) Deferred tax assets (net)	23,307.88	21,741.66
	(e) Long-term loans and advances	20,349.06	19,648.32
	(f) Long-term loans and advances towards financing activities	3,030,379.38	2,786,419.07
	(g) Other non-current assets	35,986.98	14,940.23
	Sub-total - Non-current assets	**3,372,959.50**	**3,077,501.07**
2	**Current assets**		
	(a) Current investments	245,213.80	175,040.61
	(b) Trade receivables	2,726.90	3,071.67
	(c) Cash and bank balances	39,846.71	78,273.89
	(d) Short-term loans and advances towards financing activities	201,249.99	185,159.85
	(e) Current maturities of long term loans and advances towards financing activities	867,355.51	898,136.12
	(f) Other current assets	103,644.63	68,909.38
	Sub-total - Current assets	**1,460,037.54**	**1,408,591.52**
	TOTAL - ASSETS	4,832,997.04	4,486,092.59

Notes:

1 The consolidated financial statements are prepared in accordance with Accounting Standards 21 and 23.

2 Pursuant to Clause 41 of the Equity Listing Agreement, the Company has opted to publish the consolidated financial results. Both the unaudited consolidated and standalone financial results have been submitted to the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE), where the equity shares of the Company are listed. The unaudited standalone financial results for the quarter and half year ended September 30, 2014 are summarized below and detailed financial results are also available on the Company's website www.ltfinanceholdings.com.

(₹ Lakh)

Particulars	Quarter ended			Half year ended		Year ended
	September 30, 2014 (Unaudited)	June 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	March 31, 2014 (Audited)
Income from operations	988.33	897.06	16,931.48	1,885.39	18,092.38	25,757.14
Profit/(loss) from ordinary activities before tax for the period/year	169.54	(565.25)	14,664.19	(395.71)	14,572.62	19,689.23
Net profit/(loss) for the period/year after tax	148.57	(557.95)	14,646.68	(409.38)	14,523.97	19,638.31

3 Exceptional items during the previous quarter represent gains of ₹ 14,389.42 lakh on sale of investment in City Union Bank Limited.

4 The Company, during the current quarter has allotted 449,704 equity shares of ₹ 10/- each, fully paid up, on exercise of options by employees, in accordance with the Company's Employee Stock Option Scheme(s).

5 Share / Debenture issue expenses for the half year ended September 30, 2014 amounting to ₹ 578.67 lakh net of tax have been adjusted against Securities Premium Account.

6 **Earnings per share from normal operations (i.e. excluding exceptional and extraordinary items)**

Particulars	Quarter ended			Half year ended		Year ended
	September 30, 2014 (Unaudited)	June 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	March 31, 2014 (Audited)
(a) Basic EPS from normal operations (i.e. excluding exceptional and extraordinary items) (* not annualised) (₹)	*0.89	*0.84	*0.81	*1.73	*1.56	3.03
(b) Diluted EPS from normal operations (i.e. excluding exceptional and extraordinary items) (* not annualised) (₹)	*0.89	*0.84	*0.81	*1.73	*1.56	3.03

7 Previous periods/year figures have been regrouped/reclassified to make them comparable with those of current period.

8 The above financial results have been subjected to Limited Review by the Statutory Auditors, reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on October 22, 2014.

9 Segment-wise Revenue, Result and Capital Employed in terms of Clause 41 of the Listing Agreement:

(₹ Lakh)

Sr. No.	Particulars	Quarter ended			Half year ended		Year ended
		September 30, 2014 (Unaudited)	June 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)	March 31, 2014 (Audited)
	Gross segment revenue from continuing operations						
a	Retail and Mid Market Finance	92,267.82	86,927.83	72,216.99	179,195.65	139,600.61	300,095.61
b	Wholesale finance	58,736.20	53,386.55	49,095.84	112,122.75	94,511.96	194,448.99
c	Investment Management	3,345.51	2,678.96	2,330.12	6,024.47	4,279.60	9,477.48
d	Others	1,938.43	1,886.15	17,388.86	3,824.58	19,185.57	28,649.37
	Total	**156,287.96**	**144,879.49**	**141,031.81**	**301,167.45**	**257,577.74**	**532,671.45**
	Less: Inter Segment revenue	(1,107.22)	(1,100.87)	(17,821.83)	(2,208.09)	(19,008.74)	(27,077.64)
	Net segment revenue from continuing operations	**155,180.74**	**143,778.62**	**123,209.98**	**298,959.36**	**238,569.00**	**505,593.81**
	Segment Result (Profit/(loss) before tax)						
a	Retail and Mid Market Finance	14,534.32	13,059.75	11,285.45	27,594.07	21,503.33	40,954.63
b	Wholesale finance	12,631.81	11,694.95	13,376.89	24,326.76	24,191.08	47,462.15
c	Investment Management	106.41	156.39	322.90	262.80	(153.66)	(21.36)
d	Others (net of expenses)#	(500.35)	13,170.62	(2,754.27)	12,670.27	(3,153.12)	(5,907.35)
	Profit before tax	**26,772.19**	**38,081.71**	**22,230.97**	**64,853.90**	**42,387.63**	**82,488.07**
	Capital employed (Segment assets less segment liabilities)*						
a	Retail and Mid Market Finance	341,465.17	335,362.49	301,560.88	341,465.17	301,560.88	323,939.69
b	Wholesale finance	264,720.12	260,505.21	240,007.36	264,720.12	240,007.36	246,280.09
c	Investment Management	70,718.29	70,567.90	71,909.24	70,718.29	71,909.24	71,443.37
d	Others	88,090.77	70,338.03	35,777.96	88,090.77	35,777.96	40,902.14
	Total capital employed	**764,994.35**	**736,773.63**	**649,255.44**	**764,994.35**	**649,255.44**	**682,565.29**
	# Includes exceptional income of ₹ 14,389.42 lakh for the quarter ended June 30, 2014.						
	* Includes Cumulative Compulsorily Redeemable Preference Share Capital of ₹ 136,340.00 lakh as on Sep 30, 2014						

(i) Segments have been identified in accordance with Accounting Standard (AS) 17 on Segment Reporting, considering the risk/return profiles of the businesses, their organisational structures and the internal reporting systems. The smaller business segments not separately reportable have been grouped under "Others" segment.

(ii) Segment composition :
Retail and Mid Market Finance comprises of Rural Products Finance, Personal Vehicle Finance, Microfinance, Housing Finance, Commercial Vehicle Finance, Construction Equipment Finance, Loans & Leases, Loan Against Shares and Supply Chain Finance,
Wholesale Finance comprises of project finance and non-project corporate finance to infra and non-infra segments across Power – Thermal and Renewable; Transportation – Roads, Ports and Airports; Telecom and Other non-infra segments,
Investment Management comprises of Assets Management of Mutual Fund and Private Equity Fund,
Others comprises of Wealth Management, Financial Product Distribution etc.

For and on behalf of the Board of Directors
L&T Finance Holdings Limited

Y. M. Deosthalee
Chairman & Managing Director

Place : Mumbai
Date : October 22, 2014

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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