Press Release

Saturday, 24th October 2015, Mumbai

Financial Performance for the quarter and half year ended 30th September, 2015

Consolidated Profit (before exceptional items) for the quarter grows by 19%

Healthy Growth in Loans & Advances by 19%

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

Highlights:

- **Growth in assets:** Loans & Advances as on 30th September 2015 grew by 19% y-o-y to Rs. 50,986 Cr. as compared to Rs. 42,762 Cr as on 30th September 2014. This has been led by steady disbursement growth of 18% 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 17% to Rs 24,280 Cr as compared to Rs 20,673 Cr for the same period last year. The share of equity assets increased to 40% of the total AAUM, reaching Rs 9,817 Cr representing a 53% increase on a y-o-y basis.

- **Profit after Taxes (PAT):** The Consolidated PAT for the quarter grew by 19% y-o-y to Rs. 215 Cr compared to Rs 182 Cr in the same period last year. The operating performance has continued to remain steady with healthy margins, strong fee income and stable opex. The asset management business continues to contribute positively.

- **Asset Quality:** Gross NPA% remains stable on a sequential quarter basis and accounts for a marginal movement from restructured asset category to NPA category. On a y-o-y basis Gross NPA% shows an increase on back of NPA recognition moving to 150 days past due and an above normal delinquency in the farm portfolio.

Rs Cr	Q2FY15 @ 180 days	Q1FY16 @ 150 days	Q2FY16	
			@ 180 days	@ 150 days
Gross NPA	1,228	1,473	1,362	1,542
Net NPA	821	958	816	993
Gross NPA %	2.96%	3.05%	2.72%	3.08%
Net NPA %	2.00%	2.00%	1.65%	2.00%
Provision Coverage %	33%	35%	40%	36%

In line with a conservative provisioning policy, the Company carries ~Rs 265 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 happy to report a healthy 19% growth in loans and advances along with a 19% growth in profits for the quarter on a y-o-y basis accompanied by a stable asset quality. We are confident of maintaining this trend of consistent growth in assets and profitability on the back of lending opportunities around our focus areas of B2C products in the retail business and operational assets in wholesale business. While we expect certain amount of slippage of restructured assets

into NPA, farm NPLs that have shown a slight moderation on a sequential quarter basis may experience some volatility before settling to normal levels. With incremental slippage from standard assets expected to be minimal, we expect overall asset quality to remain stable. The return metrics are expected to continue to show an improving trajectory aided by stable operating metrics and optimization of leverage."

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 in the lending business and positive contribution by the asset management business. Net Interest Margins (NIMs) for the lending business has shown a 16% growth y-o-y to Rs 734 Cr (5.86%) from Rs 631 Cr (6.04%) 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 (Rs Cr)			
	Q2FY15	Q1FY16	Q2FY16	Growth %
Retail Finance	96	89	107	12%
Wholesale Finance	89	89	100	11%
Investment Management	0	2	5	-
Others	(3)	12	3	-
Total	182	192	215	19%

Assets

B2C products constitute 61% of the total loan outstanding in the retail business while operating projects account for 58% of the total loan outstanding in the wholesale business.

Business	Disbursements (Rs Cr)			Loans & Advances (Rs Cr)		
	Q2FY15	Q2FY16	Growth %	Q2FY15	Q2FY16	Growth %
Retail Finance	4,465	5,842	31%	23,102	26,187	13%
Wholesale Finance	3,220	3,254	1%	19,660	24,799	26%
Total	7,685	9,096	18%	42,762	50,986	19%

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. We expect overall asset growth for the year to be around 25%.

The gradual improvement in returns is expected to continue aided by the key operating metrics remaining stable and optimization of operating and financial leverage.

While there are early signs of revival seen in the recent macroeconomic numbers including IIP growth being at a three year high and liquidity position of borrowers beginning to ease, we expect a more gradual and sustained recovery to play out over the next 12 months. In the interim, certain restructured assets could move into the NPA category due to temporary cash flow issues. The liquidity of farmers has been impacted by deficient rainfall and occurrence of three consecutive cash negative crop cycles. Consequently the improvement in farm delinquencies is expected to be gradual.

Reporting of NPAs at 150 days overdue beginning this fiscal and migrating towards 90 days overdue over the next two years will result in the reported Gross NPAs (especially in the retail segment) being elevated compared to previous time periods. Our assessment shows that our current provisioning norms will adequately take care of actual loss experienced on the ground and would cover the 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.

For Details, Contact: Arijit Sengupta, L&TFH
(9820340485,Arijit.Sengupta@ltfinanceholdings.com)