



Building to become  
**a comprehensive financial services player**

Investor Presentation, FY14

# Disclaimer

This presentation does not constitute or form part of any offer or invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities of L&T Finance Holdings Limited (the “Company”), nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment there for.

No representation, warranty, guarantee or undertaking, express or implied, is or will be made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of such information, estimates, projections or opinions contained here in. Potential investors must make their own assessment of the relevance, accuracy and adequacy of the information contained in this presentation and must make such independent investigation as they may consider necessary or appropriate for such purpose. Any opinions expressed in this presentation are subject to change without notice. Neither the Company nor any of its respective affiliates, advisers or representatives, including Lead Managers and their affiliates, or any other persons that may participate in the offering of any securities of the Company, shall have any responsibility or liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation.

The Company may alter, modify or otherwise change in any manner the contents of this presentation, without obligation to notify any person of such revision or changes. Certain statements made in this presentation may be “forward looking statements” for purposes of laws and regulations other than laws and regulations of India. These statements include descriptions regarding the intent, belief or current expectations of the Company or its directors and officers with respect to the results of operations and financial condition, general business plans and strategy and the competitive and regulatory environment of the Company. These statements can be recognized by the use of words such as “expects,” “plans,” “will,” “estimates,” “projects,” or other words of similar meaning. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors and assumptions, including future changes or developments in the Company’s business, its competitive environment, information technology and political, economic, legal and social conditions in India, which the Company believes to be reasonable in light of its operating experience in recent years. The Company does not undertake to revise any forward-looking statement that may be made from time to time by or on behalf of the Company.

This presentation is not for publication or distribution or release, directly or indirectly, in or into the United States (including its territories and possessions, any state of the United States and the District of Columbia), Australia, Canada or Japan or in any other country where such distribution may lead to a breach of any law or regulatory requirement. The information contained herein does not constitute or form part of an offer or solicitation of an offer to purchase or subscribe for securities for sale in the United States, Australia, Canada or Japan or any other jurisdiction. The securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States, except pursuant to an applicable exemption from registration.

**Risk Factors and Disclaimers pertaining to L&T Mutual Fund:** Mutual Fund Investments are subject to market risks, read all scheme related documents carefully.

# Agenda

## **L&T Finance Holdings**

Key performance highlights

Performance and outlook, by business

# A leading player in the Indian financial services sector

- 1 INR 40,080 Crores asset book that has steadily grown over last five years, and a mutual fund business ranked #13 in the investment management industry

---
- 2 Consistent trajectory of expansion towards a comprehensive offering across product, customer and asset base spanning retail, mid-market and wholesale segments
  - Extensive coverage of 700+ points of presence

---
- 3 Strong leadership with industry-leading governance standards, strong presence of independent directors on the board and highly experienced management team

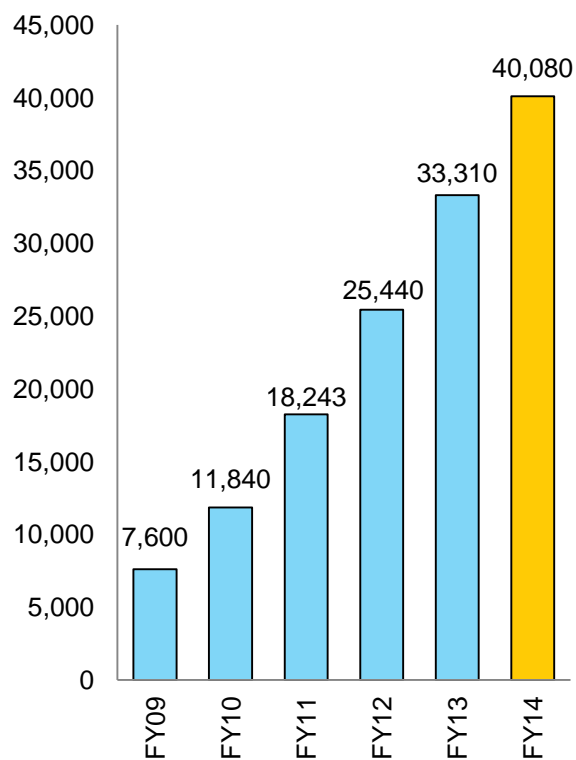
---
- 4 Constant high-impact innovation, such as distribution with mobile vans, mobile sales force for door-step banking, multi-format branches

---
- 5 Rationale for banking proposition remains, while we retain and build our abilities to service customers

# Consistent and robust growth trajectory

## Loan advances

INR Crores

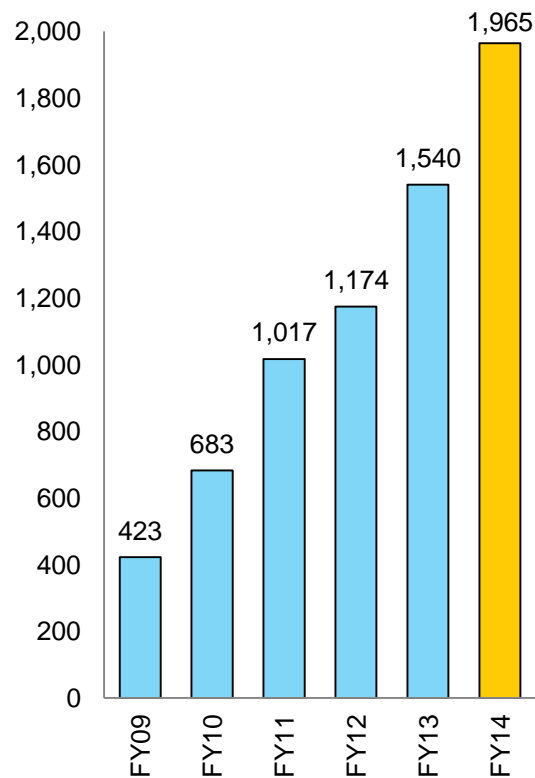


CAGR

39%

## Net interest margin

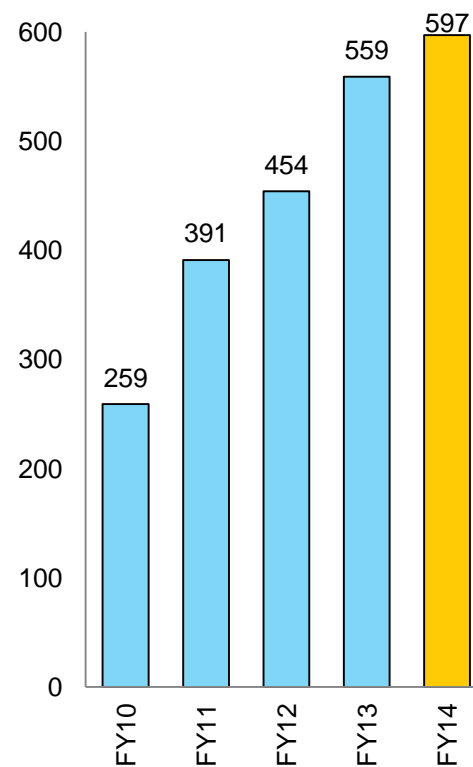
INR Crores



36%

## PAT

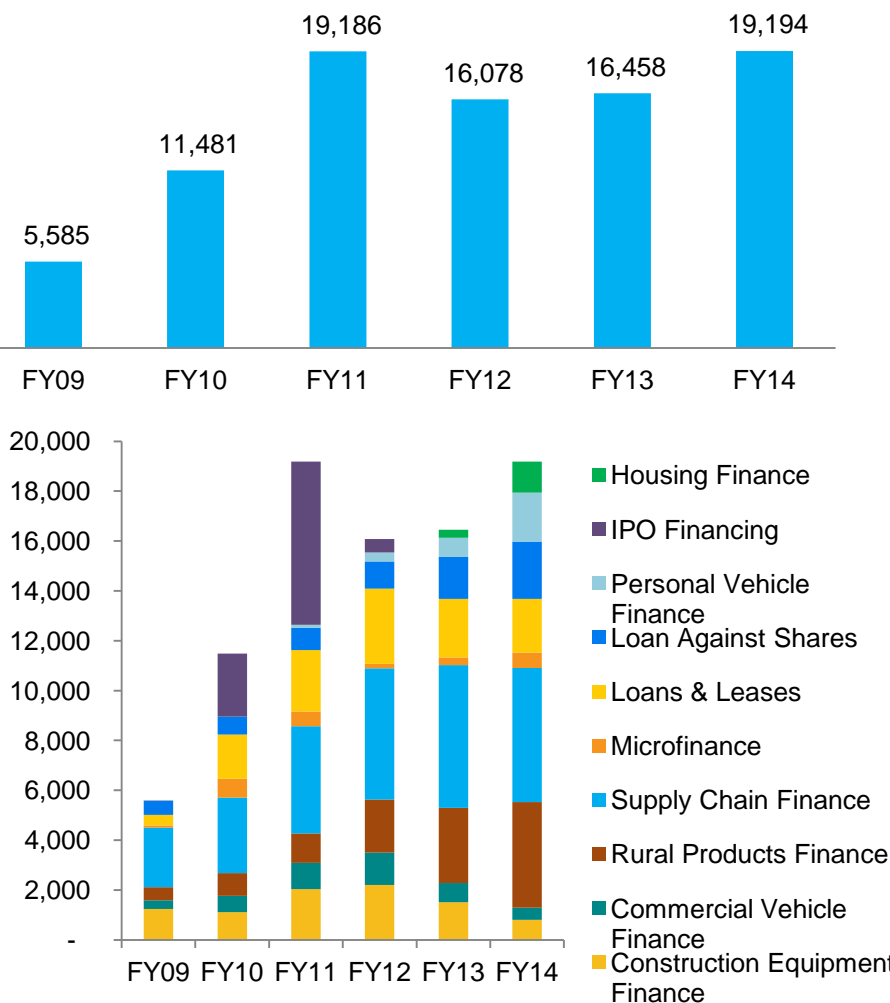
INR Crores



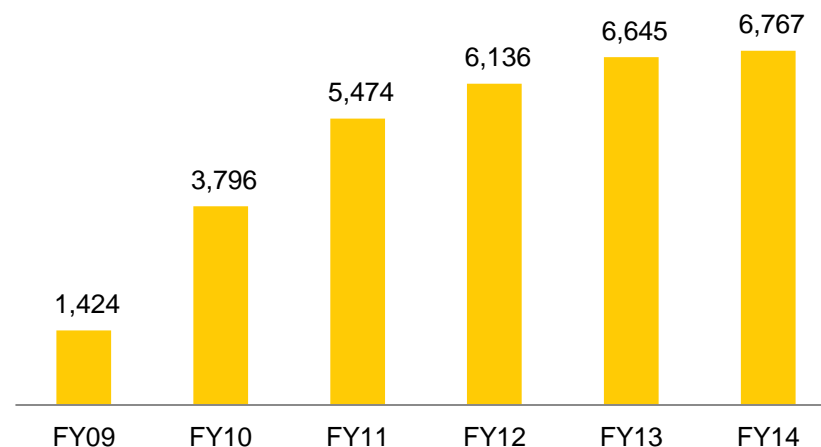
23%

# Calibrated disbursement strategy

## Retail & Mid-Market Business – Disbursement (Rs Cr) (including Housing)

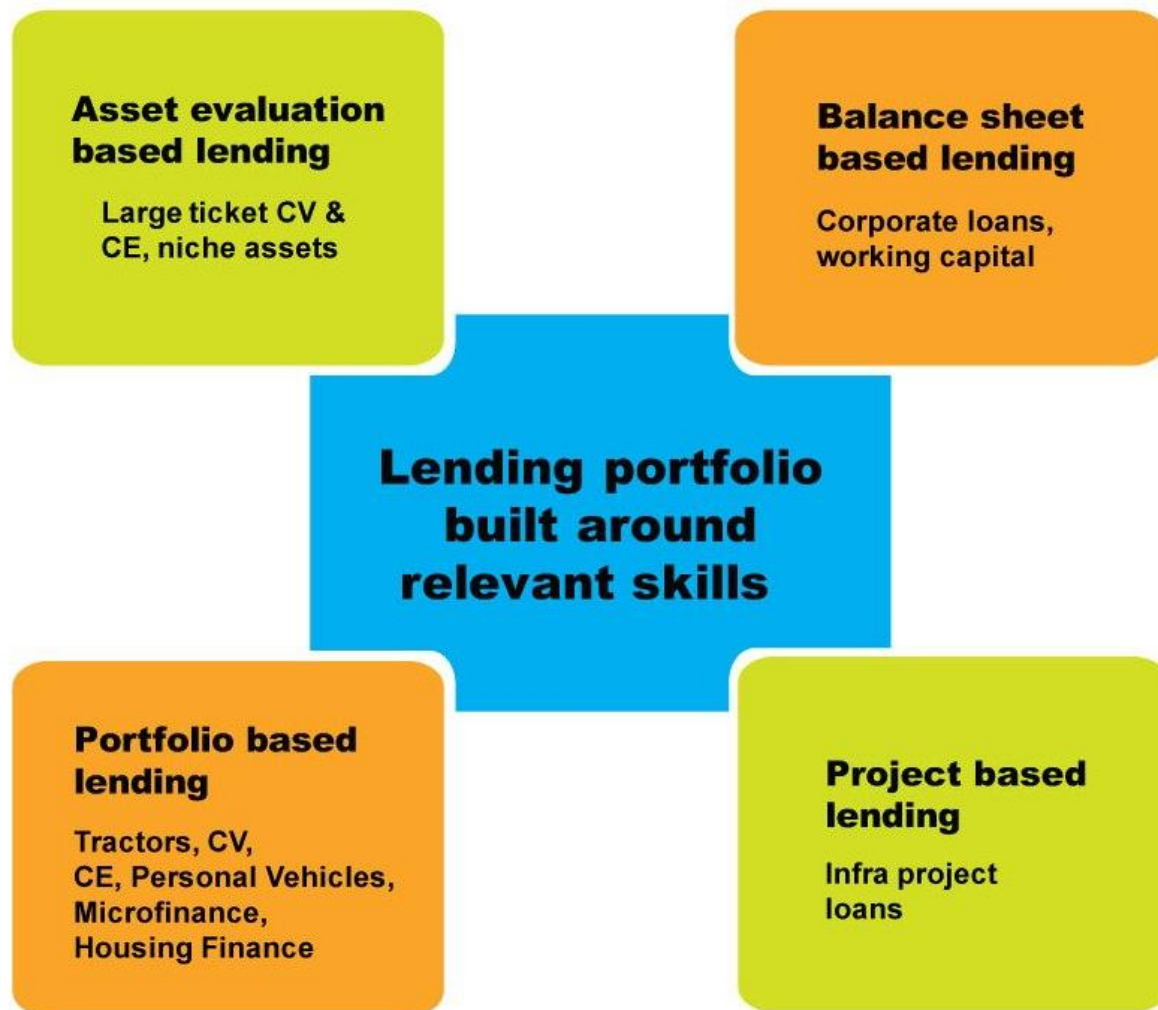


## Wholesale Business – Disbursement (Rs Cr)

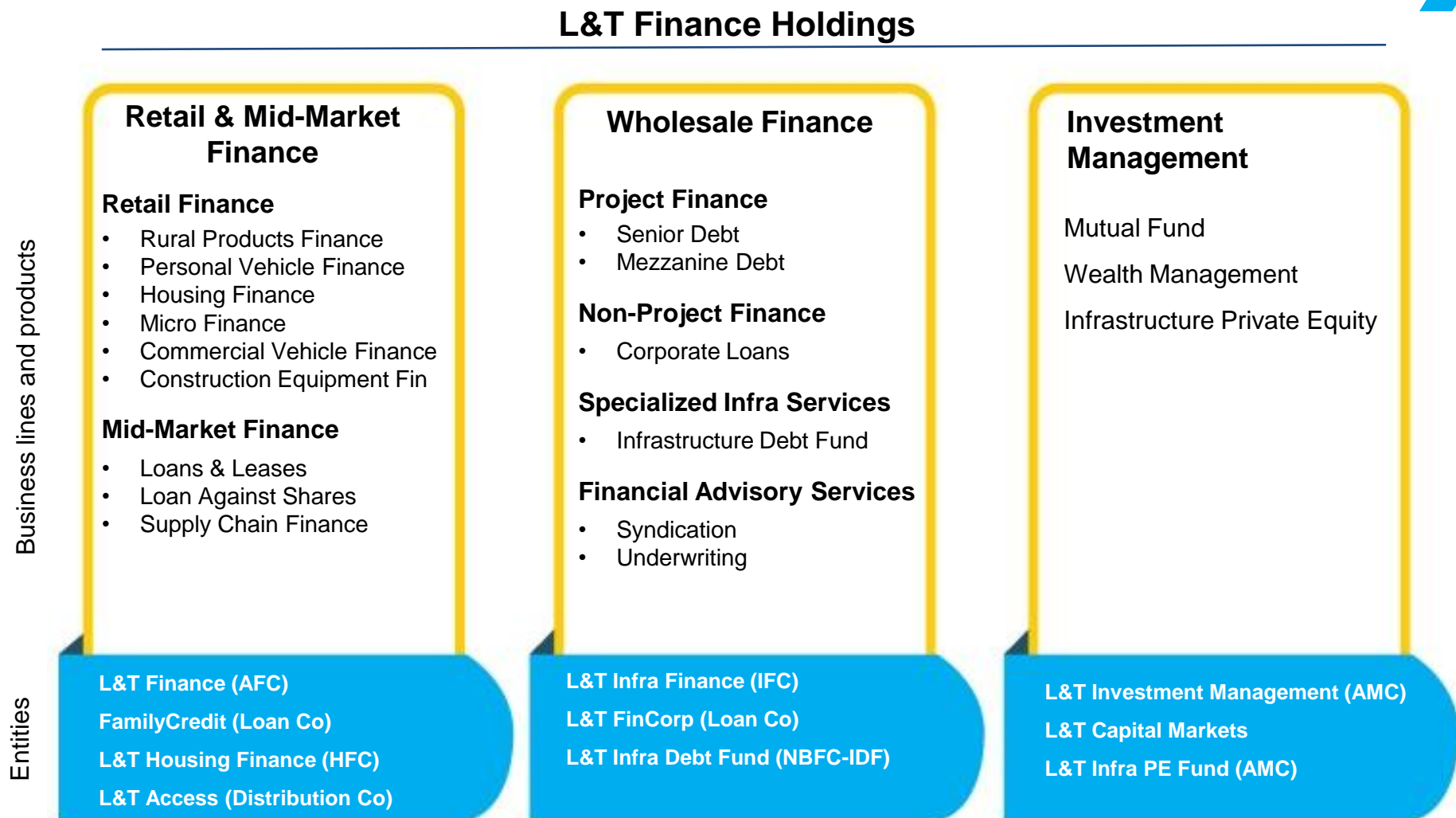


- Disbursements in the Wholesale business have tapered down in the period FY12-FY14
- Disbursements in the Retail and Mid-Market business has also shown flat growth over FY12 –FY14
  - Increase in FY14 largely contributed by start of new lines of business – housing finance and two wheeler finance
  - Commercial vehicle and construction equipment segments have been consciously de-grown from FY12

## Lending business based on four key themes...

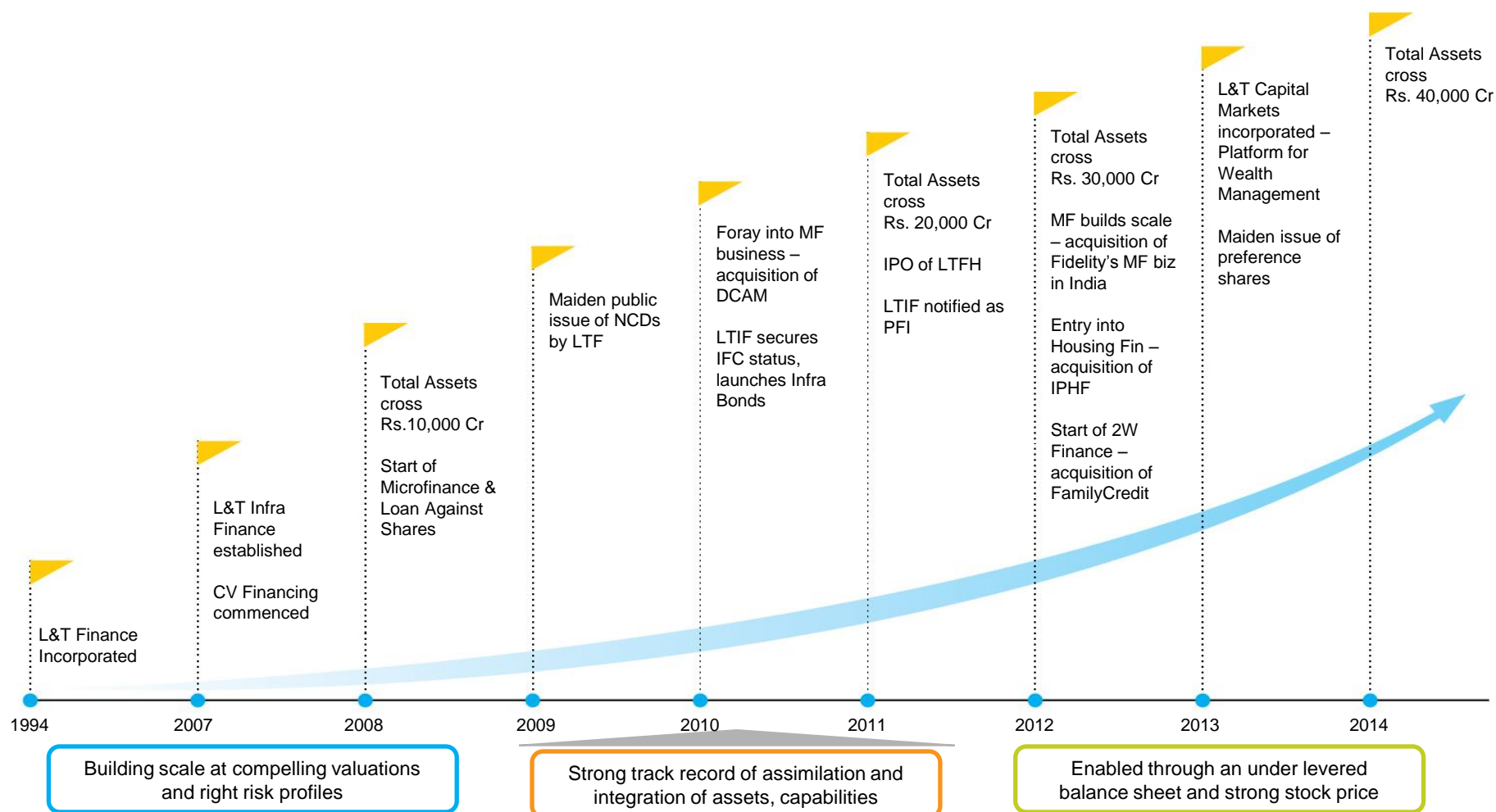


# Collectively, a comprehensive product suite across three lines of business



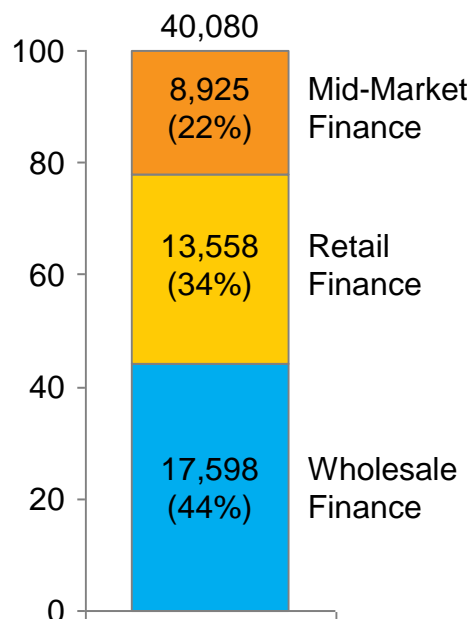
# Building scale and a comprehensive financial services offer

## Key Milestones

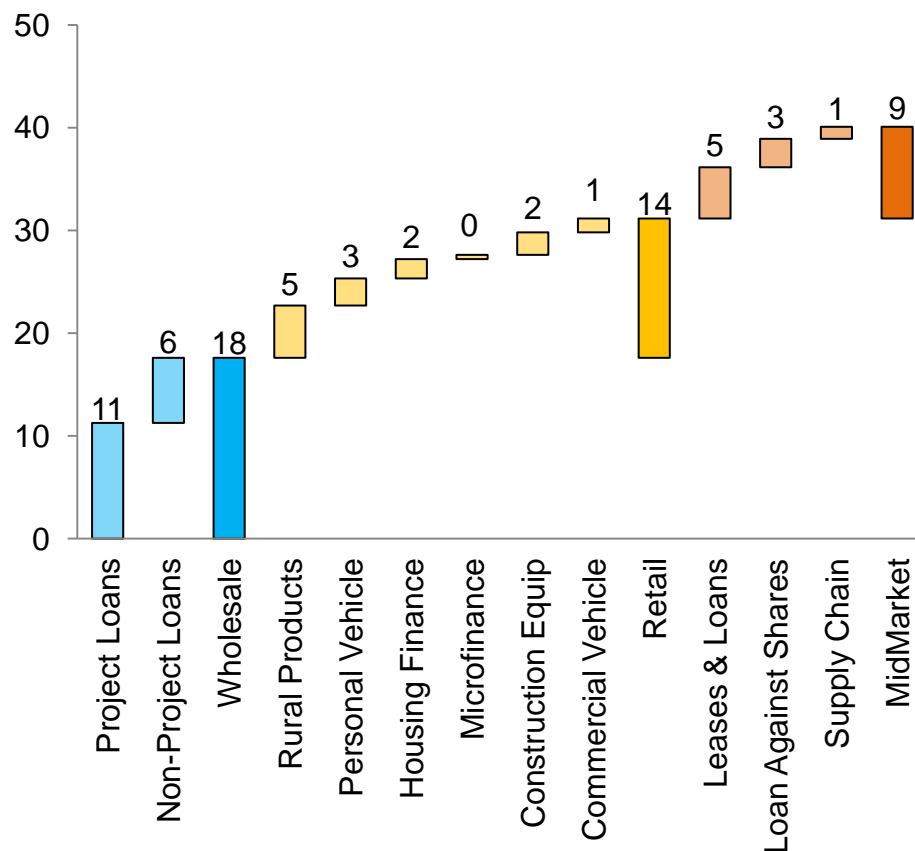


## Assets across customer segments, product families...

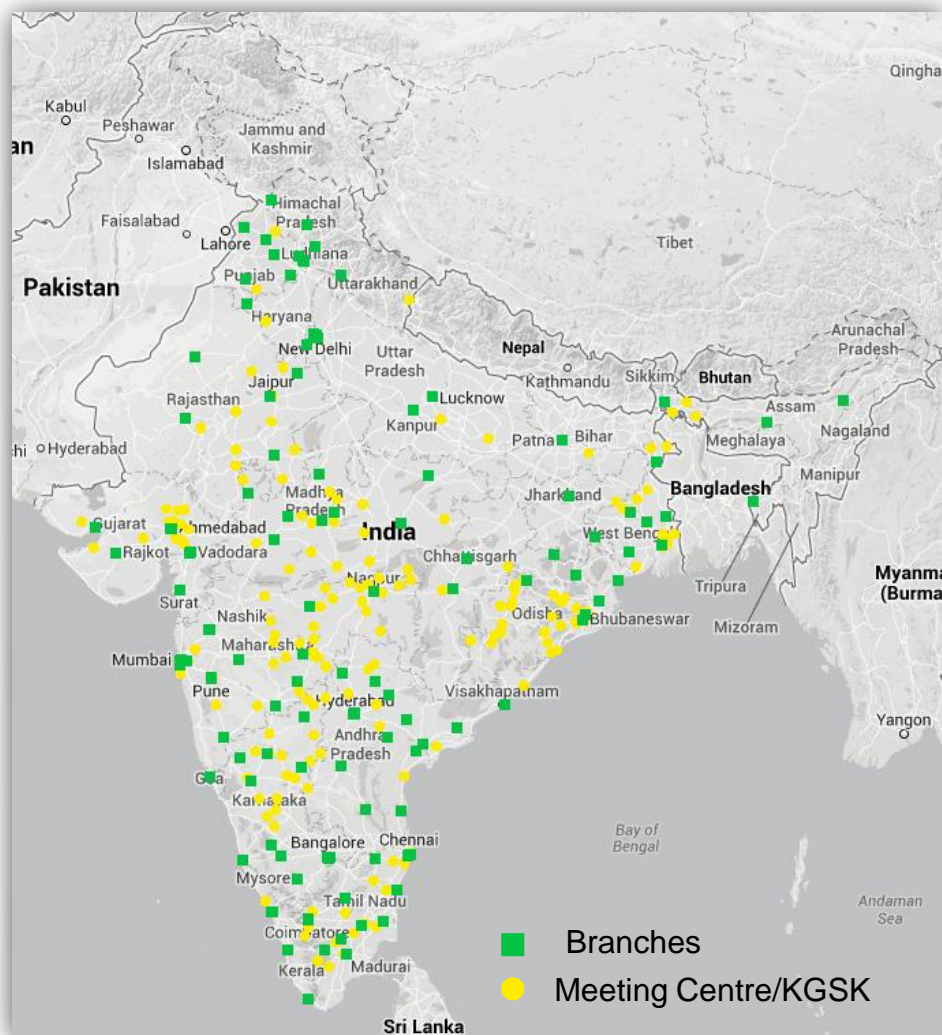
Asset book by business  
(INR Crores and %)



Asset book, by product  
(INR '000s Crores)



# Extensive footprint of 700+ points of presence across India



Mobile branches not shown

**700+ touch points including 150+ branches, 190+ meeting centres, and 60+ KGSKs for LTFH NBFCs**

- Presence in **23 out of 28 states**
- 3 branches in North Eastern states
- Rural areas covered extensively by Meeting Centres and *Kisan Gaurav Seva Kendras* (KGSK)

**Extensive branch presence complemented with *Gram Sampark* operations (mobile branches)**



# Leadership comprises a seasoned board of directors ...



**Y.M. Deosthalee**, *Chairman and Managing Director*

- Chartered Accountant and Law graduate
- 38+ years at L&T Group
- Member of the Advisory Committee for Liquidity Management set by the Ministry of Finance



**N. Sivaraman**, *President & Whole-time Director*

- CA; B.Com graduate from Madras University
- 30+ years at L&T Group
- Deep experience in finance, including accounts, M&A, and investor relations



**R. Shankar Raman**, *Non-Executive Director*

- CA; B.Com graduate from Madras University
- Current CFO of L&T Group
- 30+ years of experience in finance, including audit and capital markets



**A. K. Jain**, *Non-Executive Director*

- B.Com graduate from Delhi University
- Masters in Public Admin. from IIPM
- Joint Secretary in Banking Division of Ministry of Finance
- Board of Director for Canara Bank



**S. V. Haribhakti**, *Independent Director*  
*Chairman, Audit Committee, LTFH*  
*Chairman, Nomination & Remuneration Committee, LTFH*

- CA; Cost Accountant, and a Certified Internal Auditor
- Masters in Management Studies from Uni. of Mumbai
- Chairman of Future Retail (formerly Pantaloon Retail)



**Harsh C. Mariwala**, *Independent Director*

- Chairman & MD of Marico Limited
- 30+ years of experience in building some of the leading Consumer brands in India
- President of FICCI 2010 – 2011.



**B. V. Bhargava**, *Independent Director*

- Post graduate in commerce and Law graduate from the University of Bombay
- Chairman of the Rating Committee of CRISIL Limited
- Former Vice Chairman and MD of ICICI



**P. V. Bhide**, *Independent Director*

- Hold MBA, L.L.B and B.Sc degrees
- Retired IAS officer
- Former Finance Secretary; 40+ years experience across various positions in the Ministry of Finance

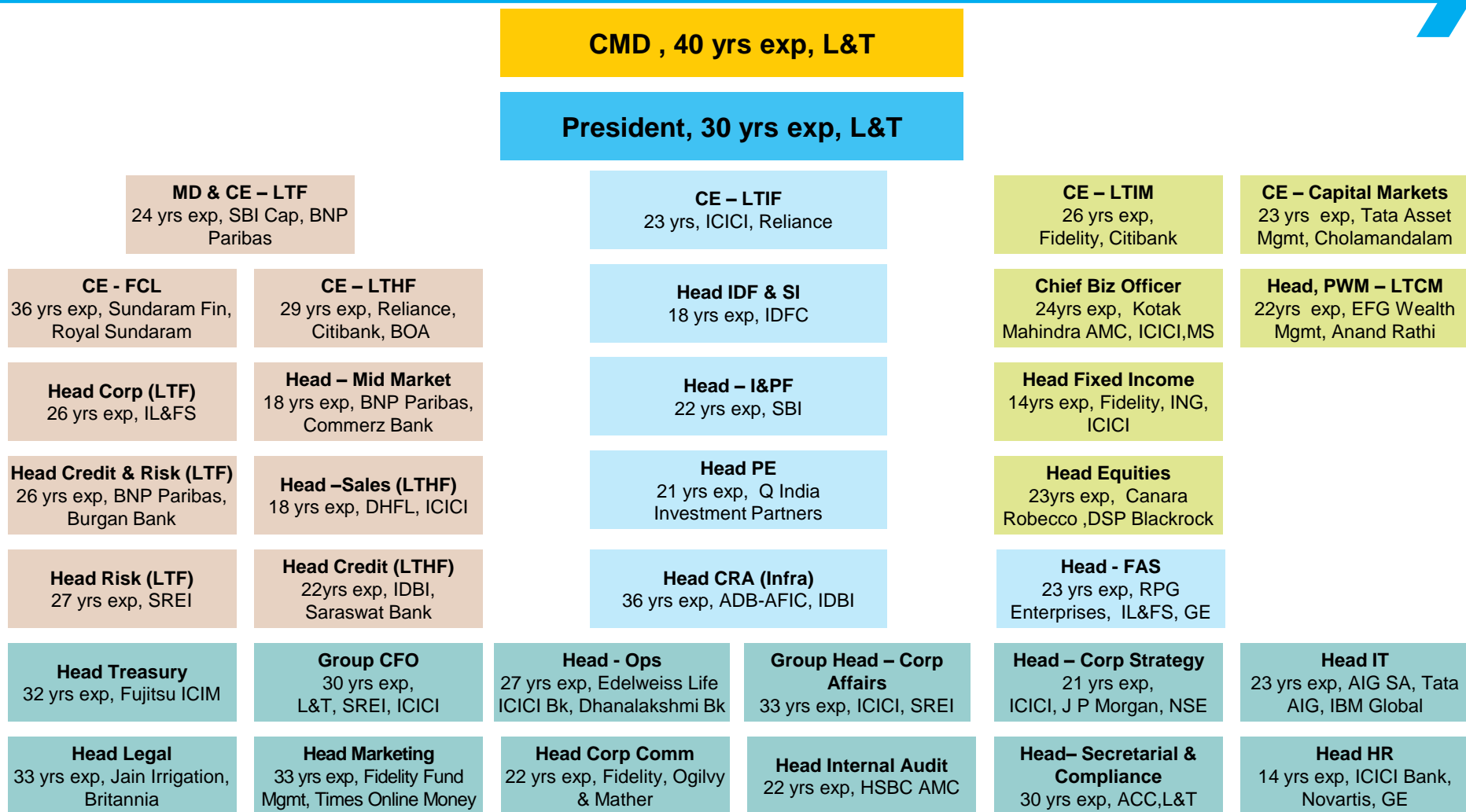


**K. Rao**, *Independent Director*

- B.A. from Harvard and MBA from UPenn
- Chartered Financial Analyst (CFA)
- 15+ years of experience as an investment professional

■ : Independent directors

## ... And an experienced management team



# Continuous, market-leading innovations for efficiency and effectiveness

## "My Branch" to provide doorstep access



Advanced sales force extends footprint beyond branches

Sales force equipped with tablets and handheld scanners to increase operational efficiency and faster turn around time

## Mobile vans as branch extensions in rural areas



500+ "Gram Sampark" programs conducted per year

Customer education - key focus area

Each van covers 5 -10 villages

Route schedule based on repayment cycles

## Retain and sharpen ability to service customers

- Continued focus on growing existing business, gain higher market share and improve returns
- Efforts on to improve services and reduce operating costs
- Explore avenues to diversify sources of funding
- Evaluate banking proposition when the differentiated / on-tap licensing process is introduced

Rationale for the banking proposition remains even as we retain and sharpen our ability to service customers

# Agenda

Introduction to L&T Finance Holdings

**Key performance highlights**

Performance and outlook, by business

# Industry Outlook – notable trends

## Key challenges

Inflation trajectory to determine regulator's stance on interest rate

- Concerns on food production and momentum in the rural economy being impacted by vagaries in weather

Lead indicators yet to establish sustained revival in economic growth

- Contraction in IIP by 1.9% in Feb'14
- Export contraction leads to a 5 month high in trade deficit of \$ 10.5bn
- Investment climate remains muted with dip in FDI

Fiscal deficit target achieved through deferral of bill payments and capital expenditure

- Expected hike in gas prices may result in increased fuel or food subsidy

## Positive trends

Inflation expected to gradually stabilize largely led by food inflation softening

- CPI based inflation at 8.10%, food inflation at 9.90% while WPI is at 5.70%

FY14 CAD expected to be \$ 35bn v/s \$ 88bn in FY13

- Aided by moderate pick-up in exports and substantial fall in gold imports

Revival of stalled projects by clearances from the CCI and environment ministry expected to kick start recovery in infra sector

Liquidity expected to ease in FY15 due to expected FII inflows and maturity of oil swaps

Expectations of growth revival in the global economy led by the US to have a positive impact on exports

**Formation of a stable government key to continue reforms process and improve investment climate**

# Highlights of LTFH performance

## Growth Momentum Continues...

Loan assets cross the Rs 40,000 Cr mark with healthy growth of 20% Y-o-Y in a challenging environment

Disbursement growth of 13% Y-o-Y, largely driven by

- Retail - rural products, personal vehicle and housing finance
- Operational projects in infrastructure

IDF –NBFC is ready to begin operations in FY15

AMC achieves AAUM of Rs. 18,000+ Cr, while Wealth Management AAUS is at Rs. 5,000+ Cr

## ...While Maintaining Pre-Provision Profitability

- Focus on high yielding products in retail business, backed by optimal management of borrowing costs
- Focus on improvement in the quality of book through operational assets and large ticket relationships
- With completion of integration of acquired entities, opex reduction in retail business continues to be a key focus area

AMC business achieves break even for the full year

## ...Impacted by stress in Asset Quality...

Asset quality under pressure due to slowdown in the economy

- Slippages in CE/CV segment contained effectively
- Increase in net restructured assets-resolution through coordination with co-lenders and promoters

Credit costs at elevated levels; gradual improvement expected from H1FY15

# Summary Financial Performance – Key Operating Entities

Q4FY13	FY13	Rs. Crores	Q3FY14	Q4FY14	FY14	FY14 v/s FY13
<b>Lending Businesses (Retail and Mid-Market, Housing, Wholesale)</b>						
33,310	33,310	Loans and Advances	37,820	40,080	40,080	20%
7,439	22,995	Disbursements	6,422	8,134	25,959	13%
453	1,540	NIM	487	536	1,965	28%
370	1,216	Earnings before credit cost	330	423	1,471	21%
205	612	PAT	129	195	656	7%
5.61%	5.34%	NIM (%)	5.32%	5.61%	5.47%	-
2.03%	2.03%	Gross NPA (%)	2.93%	3.18%	3.18%	-
16.23%	13.31%	ROE (%)	8.55%	12.65%	11.23%	-
<b>Investment Management</b>						
11,169	11,169	Average AUM	17,003	18,255	18,255	63%
(27.4)	(58.5)	PAT before amortization	1.3	0.9	0.5	-

- Growth in loan assets continues - focus on retail segments and opportunities in operating assets in infra sector
- Improvement in NIMs with change in portfolio mix towards higher yielding assets in retail
- Earnings before credit costs in line with asset growth, while RoE is impacted by increased credit costs
- Growth in AAUM for the investment management business due to strong net sales performance

# Summary Financial Performance – LTFH Consolidated

Q4FY13	FY13	Particulars (Rs. Crores)	Q3FY14	Q4FY14	FY14	FY14 v/s FY13
171	558*	PAT (before exceptional items)	110	187	597	7%

\* Excludes exceptional items of Rs 172 Cr

FY13	Summary BS (Rs. Crores)	Q3FY14	FY14	Y-o-Y (%)
5,485	Net worth (excluding preference capital)	5,859	5,843	7%
2,825	-- Retail & Mid-Market Lending	2,874	2,969	10%
143	-- Housing Finance	296	303	-
2,314	-- Wholesale Lending	2,902	2,993	29%
652	-- Others	644	650	-
750	-- Preference Capital	1,000	1,000	-
28,247	Borrowings	32,416	35,854	27%

# Agenda

Introduction to L&T Finance Holdings

Key performance highlights

**Performance and outlook, by business**

# Retail and Mid-Market Finance – Market scenario and outlook

Segment	Outlook				
Rural Products	<ul style="list-style-type: none"><li>Tractor sales clocked impressive growth of 20% during FY14 due to good monsoons in most of the states</li><li>Tractor industry expected to grow by 4%-6% in FY15 (Source: ICRA)</li></ul>				
Personal Vehicle	<ul style="list-style-type: none"><li>2W sales growth positive, expected to maintain growth momentum in FY15</li><li>Higher interest rates, fuel cost and ownership costs continue to dampen sales in personal vehicle segment</li></ul>				
Microfinance	<ul style="list-style-type: none"><li>Strong demand continues in microfinance</li></ul>	Segment (SIAM)	FY13 Growth (%)	FY14 Growth (%)	FY15 Projection (%)
Construction Equipment	<ul style="list-style-type: none"><li>CE sales continue to de-grow in excess of 20 % due to pending policy decisions, non-release of funds in approved projects, land acquisition/environmental clearance issues and relatively higher interest rates.</li></ul>	Cars	(6.7)%	(4.6)%	(1.0)%- 2.0%
		UV	52.0%	(5.0)%	(3.0%-5.0)%
		LCV	14.0%	(17.6)%	(7.0%-8.0)%
Commercial Vehicle	<ul style="list-style-type: none"><li>Big drop in CV segment mainly due to slowdown in economic activity and stagnant freight rates; negative impact being seen in LCV segment also</li></ul>	MHCV	(23.0)%	(25.3)%	(22.0%-25.0)%
		CV (Total)	(2.0)%	(20.2)%	(15.0%-19.0)%
		2W	2.9%	3.5%	6.0%-8.0%
Mid-Market	<ul style="list-style-type: none"><li>CRISIL downgraded 1165 firms compared to 921 upgrades in FY14</li><li>Around 90% of downgrades were on account of slowing demand, tight liquidity and stretched WC cycles</li><li>No perceptible sign of a pick-up in the manufacturing sector. This is one area where new government would have to focus on, to accelerate the domestic growth and to make the recovery broad-based</li><li>Overall credit quality will be far from buoyant in near term. As per CRISIL, significant improvement in credit ratio is possible only if there is strong and sustainable recovery in investment &amp; consumption demand</li><li>Most rating firms seeing a turn around in the credit environment, indicated by the upgrade / downgrade ratios</li></ul>				

Growth driven by B2C (Rural Products, Personal Vehicle) with selective lending to B2B (Corporate, CE, CV)

# Retail and Mid-Market Finance – Performance by product

## DISBURSEMENTS

Q4FY13	FY13	Rs. Crores	Q3FY14	Q4FY14	FY14	FY14 v/s FY13
867	3,011	Rural Products Finance	1,367	1,102	4,243	41%
423	770	Personal Vehicle Finance	526	506	1,966	155%
119	314	Microfinance	140	212	606	93%
370	1,515	Construction Equipment Finance	213	126	808	(47%)
145	768	Commercial Vehicle Finance	84	69	480	(37%)
664	2,343	Loans and Leases	591	596	2,162	(8%)
667	1,683	Loan Against Shares	541	1,003	2,299	37%
<b>3,255</b>	<b>10,404</b>	<b>Sub-Total</b>	<b>3,462</b>	<b>3,614</b>	<b>12,564</b>	<b>21%</b>
1,463	5,728	Supply Chain Finance	1,290	1,506	5,381	(6%)
<b>4,719</b>	<b>16,132</b>	<b>Total</b>	<b>4,752</b>	<b>5,121</b>	<b>17,949</b>	<b>11%</b>

## LOANS & ADVANCES

FY13	FY13 (%)	Rs. Crores	Q3FY14	FY14	FY14 (%)	FY14 v/s FY13
3,445	19%	Rural Products Finance	4,616	5,088	25%	48%
2,072	11%	Personal Vehicle Finance	2,540	2,638	13%	27%
217	1%	Microfinance	332	414	2%	91%
3,019	17%	Construction Equipment Finance	2,751	2,189	11%	(27%)
1,935	11%	Commercial Vehicle Finance	1,539	1,349	7%	(30%)
4,624	25%	Loans and Leases	4,633	4,985	24%	8%
1,708	9%	Loan Against Shares	2,229	2,768	13%	62%
1,129	6%	Supply Chain Finance	968	1,172	6%	4%
<b>18,148</b>	<b>100%</b>	<b>Total</b>	<b>19,609</b>	<b>20,603</b>	<b>100%</b>	<b>14%</b>

B2C products constitute ~40% of the FY14 book as compared to ~31% of the FY13 book

# Retail and Mid-Market Finance – Summary Financials

Q4FY13	FY13	Summary P&L (Rs. Crores)	Q3FY14	Q4FY14	FY14	FY14 v/s FY13
635	2,264	Interest Income	727	749	2,814	24%
367	1,355	Interest Expense	424	425	1,631	20%
267	910	NIM	303	324	1,206	31%
17	47	Fee Income	9	22	51	8%
109	365	Operating Expense	140	137	518	39%
175	592	Earnings before credit cost	172	209	739	25%
61	247	Credit Cost	91	91	336	36%
99	262	PAT	63	94	300	14%
4,719	16,132	Disbursements	4,752	5,121	17,949	11%

FY13	Summary BS (Rs. Crores)	Q3FY14	FY14	Y-o-Y (%)
18,148	Gross Loans & Advances	19,608	20,603	14%
15,056	Borrowings	16,696	17,737	18%
2,825	Networth	2,874	2,969	5%
449	Gross NPAs	685	696	-
237	Net NPAs	446	447	-

- PAT growth in line with asset growth
- Consistent improvement in NIMs during FY14 as a result of changing product mix
- Opex increase on account of integration of FamilyCredit
  - One time expenses of Rs.7 Cr for the quarter and Rs. 19 Cr for FY14
  - Acquired FamilyCredit in Q3FY13 – all four quarters in FY14 compared to one quarter impact in FY13
- As of March 2014, provision over RBI norms is Rs. 117 Cr with assets of Rs. 39 Cr lying in repossessed stock

# Retail and Mid-Market Finance – Key ratios

Q4FY13	FY13	Key Ratios	Q3FY14	Q4FY14	FY14
14.19%	13.99%	Yield	15.14%	14.90%	14.70%
9.60%	9.74%	Cost of Funds	10.21%	9.88%	10.02%
5.98%	5.62%	Net Interest Margin	6.32%	6.45%	6.30%
0.38%	0.29%	Fee Income	0.19%	0.43%	0.26%
2.44%	2.25%	Operating Expenses	2.91%	2.72%	2.71%
3.91%	3.66%	Earnings before credit cost	3.59%	4.16%	3.86%
1.36%	1.53%	Credit Cost	1.89%	1.81%	1.75%
14.26%	10.38%	Return on Equity	8.89%	12.83%	10.50%
2.05%	1.50%	Return on Assets	1.23%	1.77%	1.48%
5.33	5.33	Gearing	5.81	5.97	5.97
2.50%	2.50%	Gross NPA %	3.54%	3.42%	3.42%
1.34%	1.34%	Net NPA %	2.34%	2.22%	2.22%
15.49%	15.49%	CRAR (Tier 1 )	14.04%	14.28%	14.28%
2.01%	2.01%	CRAR (Tier 2)	1.90%	2.28%	2.28%
17.50%	17.50%	CRAR (Total)	15.93%	16.56%	16.56%

- Improvement in RoE in Q4 ;
  - NIMs continue to show improvement even with an increase in gearing as a result of focus on higher yielding B2C assets
  - Stabilization in opex to Q2 levels as expected
- Outlook for FY15
  - Higher NIMs contingent on favorable interest rate environment
  - Stable opex ,lower credit costs and higher gearing expected to result in improved RoEs

# Housing Finance

- Stabilization of sourcing model in the 16 operational markets, while being able to service customers in 68 cities
- Product portfolio diversification continues to be a key focus area
  - Acquired portfolio complements the organic growth momentum
- Focus on enhancing customer service through the inbound call center and online loan approvals

Q4FY13	FY13	Particulars(Rs. Cr.)	Q3FY14	Q4FY14	FY14
326	326	Loan Book	1,567	1,880	1,880
140	171	Disbursements	334	411	1,245
0.67%	0.67%	GNPA (%)	0.56%	1.22%	1.22%
0.21%	0.21%	NNPA (%)	0.38%	0.96%	0.96%
(0.9) <sup>2</sup>	0.2	PAT	(3)	8	10
143	143	Networth	296	303	303
1.3	1.3	Gearing	4.2	5.5	5.5

Q4'13	Book Split	Q3'14	Q4'14
65%	Home Loans	46%	48%
30%	LAP	44%	44%
5%	CF	10%	8%

- Loan book grows by 5.7 times compared to FY13, with organic growth being 4.4 times FY13 book
- Momentum in disbursements continues with 23% growth Q-o-Q basis
- Increase in GNPA due to recognition of GNPA's in the acquired portfolio post the 90 day cool off period post acquisition - these GNPA's were appropriately factored in the valuation

# Wholesale Finance – Market scenario and outlook

Segment	Outlook
<b>Thermal Power</b>	<ul style="list-style-type: none"> <li>• Declining trend in private sector PLFs indicative of continuing sector issues, including fall in demand</li> <li>• Invitation of long term bids for ~2,500 MW by Karnataka and Kerala is a welcome move, ~7,000 MW of PPAs earlier signed under Case 1 bid by TN, UP &amp; Rajasthan</li> <li>• Renewed interest of foreign players through acquisitions is a welcome change</li> <li>• Compensatory tariff for certain projects is a balanced move in the long term</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Upward revision of RPO limits and stricter enforcement is required to attract investment</li> <li>• JNNSM Phase 2 is a positive while uncertainty remains on domestic content requirement (DCR)</li> </ul>
<b>Roads</b>	<ul style="list-style-type: none"> <li>• Muted interest in new BOT projects due to leveraged balance sheet of developers – EPC route may resume</li> <li>• Negative traffic growth rates and high interest rates impacting road projects</li> <li>• Approval of premium rescheduling as per Rangarajan Committee , decision on sector regulator pending</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>• Delay in payment of dues and slower arbitration process with government agencies continue to exert pressure on liquidity situation of contractors</li> <li>• Lack of new order release from government agencies in a move to cut back/postpone fiscal spend is negatively affecting capex cycle</li> <li>• Land acquisition bill likely to increase project costs for developers</li> </ul>

**Operational assets and non-infra projects to be growth drivers**

# Wholesale Finance – Asset volumes, by product

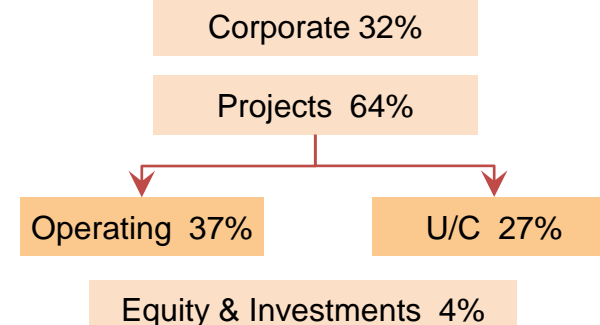
## DISBURSEMENTS

Q4FY13	FY13	Rs. Crores	Q3FY14	Q4FY14	FY14	FY14 v/s FY13
286	697	Thermal Power	382	250	799	15%
575	1,290	Renewable Power	101	438	1,073	(17%)
652	960	Power – Corp <sup>1</sup> + T&D	66	229	877	(9%)
671	1,542	Transportation	231	449	1,604	4%
-	987	Telecom	21	527	570	(42%)
395	1,216	Others <sup>2</sup>	535	719	1,840	51%
<b>2,579</b>	<b>6,692</b>	<b>Total</b>	<b>1,336</b>	<b>2,602</b>	<b>6,767</b>	<b>1%</b>

## LOANS & ADVANCES

FY13	Rs. Crores	Q3FY14	FY14	% Composition
2,133	Thermal Power	2,435	2,586	15%
3,078	Renewable Power	3,079	3,009	17%
1,866	Power – Corp <sup>1</sup> + T&D	2,118	2,261	13%
2,328	Transportation	3,204	3,549	20%
1,856	Telecom	1,768	2,289	13%
3,573	Others <sup>2</sup>	4,041	3,904	22%
<b>14,834</b>	<b>Total</b>	<b>16,645</b>	<b>17,598</b>	<b>100%</b>

## Portfolio Break Up



- Top 10 borrowers represent 25% of the outstanding
- Top 10 borrower groups form 31% of outstanding

Focus continues to be on operational projects and high quality, larger-ticket relationships

Notes:

1. Corporate loans to Power companies;

2. Others includes IT parks/SEZs, infra project implementers, captive mining for power projects, healthcare, solid waste management, water treatment, select hotels, etc.;

# Wholesale Finance – Summary Financials

Q4FY13	FY13	Summary P&L (Rs. Crores)	Q3FY14	Q4FY14	FY14	FY14 v/s FY13
437	1,598	Interest Income	498	526	1,984	24%
270	988	Interest Expense	329	339	1,282	30%
167	611	NIM	171	188	703	15%
20	45	Fee Income	2	25	36	(21%)
3	8	Other Income	6	13	69	-
20	77	Operating Expense	22	26	101	31%
169	586	Earnings before credit cost	156	200	706	21%
36	111	Credit Cost	66	66	232	109%
107	350	PAT	68	94	347	(1%)
2,579	6,692	Disbursements	1,336	2,602	6,767	1%

FY13	Summary BS (Rs. Crores)	Q3FY14	FY14	Y-o-Y (%)
14,835	Gross Loans & Advances	16,645	17,598	19%
12,558	Borrowings	14,072	15,703	25%
2,314	Networth	2,902	2,993	29%
209	Gross NPAs	373	524	-
169	Net NPAs	289	425	-

- Growth in earnings before credit cost in line with asset growth
- Rise in GNPA due to additional slippages, offset by recoveries on existing accounts
  - Value of assets sold to asset reconstruction company is Rs. 128 Cr
  - Net restructured assets stands at 6.8% of the wholesale loans and advances
- Fee income increase in Q4 due to advisory opportunities in certain large ticket transactions
- As of March 2014, the provision over RBI norms stands at Rs. 78 Cr

# Wholesale Finance – Key ratios

Q4FY13	FY13	Key Ratios	Q3FY14	Q4FY14	FY14
12.37%	12.77%	Yield	12.25%	12.30%	12.37%
9.11%	9.44%	Cost of Funds	9.56%	9.36%	9.51%
4.72%	4.88%	Net Interest Margin	4.17%	4.40%	4.38%
0.57%	0.36%	Fee Income	0.05%	0.58%	0.22%
0.09%	0.07%	Other Income	0.15%	0.29%	0.43%
0.57%	0.62%	Operating Expenses	0.54%	0.60%	0.63%
4.79%	4.68%	Earnings before credit cost	3.84%	4.68%	4.40%
1.02%	0.89%	Credit Cost	1.62%	1.55%	1.45%
18.82%	16.92%	Return on Equity	9.45%	12.72%	12.72%
2.95%	2.72%	Return on Assets	1.54%	2.02%	2.01%
5.43	5.43	Gearing	4.85	5.25	5.25
1.46%	1.46%	Gross NPA %	2.40%	3.10%	3.10%
1.18%	1.18%	Net NPA %	1.87%	2.53%	2.53%
14.17%	14.17%	CRAR (Tier 1 )	16.22%	15.83%	15.83%
1.60%	1.60%	CRAR (Tier 2)	1.50%	1.97%	1.97%
15.77%	15.77%	CRAR (Total)	17.72%	17.80%	17.80%

- Drop in FY14 NIM in on account of non-accrual of interest on NPAs
- Increase in other income in Q4 on account of redemption of certain non-equity investments (preference shares, NCDs/CCDs)
- Credit cost for the quarter remains flat
- Improvement in asset quality contingent on expected recovery in the economy during FY15

# Investment Management – Outlook and strategy

## Industry update

- AAUM for the industry increased by 11% to Rs 9,04,538 Cr in Q4FY14 from Rs 8,16,657 Cr in Q4FY13 and by 3% on sequential quarter basis
- Equity assets increased with market movement and improved gross sales, however net sales still remain negative for this quarter
- ELSS funds and FMP with tax benefit (double indexation benefit) were the flavour of the quarter with positive flows

## Q1FY15 strategy

- Launch of L&T Emerging Businesses Fund
- Focus on getting scale in short term and accrual oriented fixed income products
- Hosting investor education events and seminars in main cities and select B15 cities
- Improving brand presence in equity funds

## Key Risks

- Outcome of the general election results
- Market volatility and continued equity outflows

# Investment Management – Performance overview

## Highlights

- Ranked 13<sup>th</sup> by AAUM with portfolio of 25+ funds and branch network of 50+ cities, catering to around 8 lakh investors
- Business has achieved break-even for FY14 led by asset growth and tight cost control
  - AAUM growth of 63% for FY14 as compared to 11% for the industry
- LTMF had net inflows for FY14 v/s industry's negative flows in Fixed Income category
- Good fund performance across categories

Q4FY13	FY13	Rs. Crores	Q3FY14	Q4FY14	FY14
20.6	34.7	Operating Revenue	22.5	26.3	91.0
35.7	79.4	Opex	21.2	25.4	90.5
(15.1)	(44.7)	PAT before excep.items	1.3	0.9	0.5
12.3	13.8	Exceptional items <sup>1</sup>	-	-	-
(27.4)	(58.5)	PAT(before amortization)	1.3	0.9	0.5
11,169.0	11,169.0	Average AUM <sup>2</sup>	17,002.5	18,255.2	18,255.2
0.70%	0.51%	Management Fees/AUM	0.52%	0.53%	0.54%
(0.97)%	(0.90)%	Net Margin (before amortization)	0.03%	0.02%	0.00%

Q4FY13	AAUM Composition	Q3FY14	Q4FY14
47%	Equity/Hybrid	28%	27%
35%	Cash/Ultra Short Term	38%	43%
10%	FMP	18%	22%
8%	Other Fixed Income	16%	14%

AAUM (Rs Crores)	Q3FY14	Q4FY14	%
Industry	8,76,546	9,04,538	3%
L&T MF	17,003	18,255	7%

Notes: <sup>1</sup> One time integration costs <sup>2</sup>AUM is quarterly average

Please refer to annexure at the end of this presentation for the asset wise & geography wise AUM disclosures, disclaimers & risk factors

# Wealth Management – Set to grow further

## Profile

- L&T Capital Markets Ltd (LTCM) offers wealth advisory services to high net worth individuals (HNI) through Private Wealth business
- During FY14, Premier Wealth business catering to the mass affluent segment was launched
- LTCM has a dedicated set of research professionals along with senior Private Bankers and offers a portfolio of comprehensive products and services (Equity, Mutual Funds, Real Estate and Fixed Income)
- LTCM has a strong team of 44 advisors spread over 7 cities in India.

	FY13	FY14
AAUS (Rs Cr)	2,418	5,012
No of clients	~650	~1,850

- Q1FY15 Strategy
  - Launch of Dubai operations with a representative license
  - Focus on NRI Clientele in UAE / Muscat

# Focus Areas for FY15

## Key Focus Areas

### Retail & Mid market finance

- Continue thrust on retail – rural products, personal vehicle, housing and microfinance
- Build SME finance business and pursue high quality large ticket corporate relationship
- Efforts to improve customer service and reduce operating costs
- Constant monitoring of credit quality

### Wholesale finance

- Thrust on operational assets through the IDF – NBFC and non-infra book
- Close monitoring of asset quality , focus on building incremental book of higher quality
- Optimize leverage to sustain stable RoEs

### Investment Management business

- Target to further build scale with a desirable asset-mix
  - Focus on increasing the proportion of equity AUM through SIP and retail
  - Target new product launches and increase institutional sales
- Continue to ensure tight cost controls to improve profitability

## Appendix

# Notable risk management enhancements made

	Retail and Corporate Finance	Wholesale Finance
Credit risk	<ul style="list-style-type: none"> <li>Centralized framework for evaluation of loan proposals</li> <li>Strong Analytics team to constantly monitor portfolio and improve quality of sourcing and collection, active usage of credit bureaus</li> </ul>	<ul style="list-style-type: none"> <li>Proposals evaluated per internal model &amp; presented to central committee headed by external director to authorize proposals</li> <li>Regular portfolio review by risk management committee chaired by independent director</li> </ul>
Provisioning policy	<ul style="list-style-type: none"> <li>Potential foreclosure losses factored for retail loan provisioning</li> <li>NPAs up to 540 days - Difference between POS &amp; notional value of asset provided for</li> <li>NPAs beyond 540 days – Fully provided for</li> <li>100% provision against unsecured loans</li> </ul>	<ul style="list-style-type: none"> <li>SAP up to 40 bps</li> <li>Voluntary provision of 3% - 8% for identified assets</li> <li>New restructured standard assets – 5.0%</li> <li>Existing restructured standard assets – to enhance from 2.75% to 5.0% over 3 years</li> </ul>
	Operational risk	ALM strategy
	<ul style="list-style-type: none"> <li>Centralized loan authorization and disbursement</li> <li>Quality check for data and process compliance</li> <li>Centralized receipting to control frauds and leakages</li> <li>Change in payment mode- steady movement towards PDC/ECS</li> <li>Fully implemented PML and KYC verifications including negative profile filtering</li> </ul>	<ul style="list-style-type: none"> <li>Combination of short term and long term borrowings to match yield and maturities</li> <li>Good mix of floating and fixed rate loans to manage basis risks</li> <li>Pricing matrix in place to price loans, with periodic review to capture interest rate movement</li> </ul>

# Robust corporate governance

## Corporate Governance

Corporate Governance viewed as an ongoing process at LTFH

- Over and above regulatory requirements, corporate governance has a fundamental link with the organization's business, corporate responsibility and shareholder wealth maximization

## Board of Directors

Board of Directors is broad based at LTFH level and at the material subsidiary level

- LTFH board has 5 independent directors, more than that mandated by law
- Presence of independent directors on the boards of all material subsidiary companies much before regulation made it mandatory
- Directors on the boards come with rich experience in their respective fields

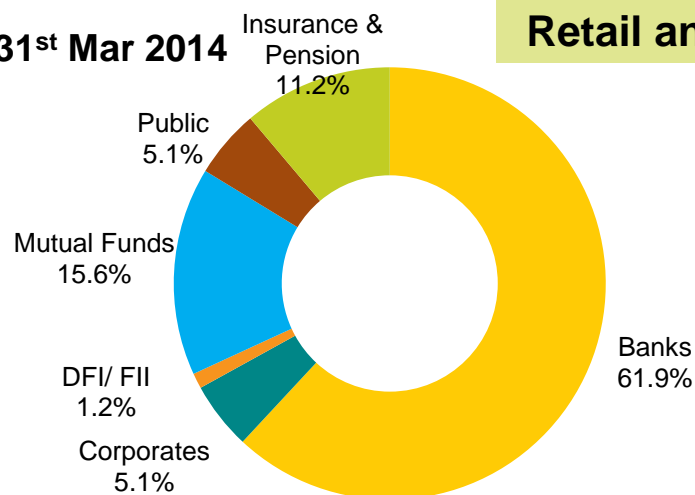
## Committees

The boards at LTFH level and at the material subsidiary level have constituted the following committees to oversee specific areas:

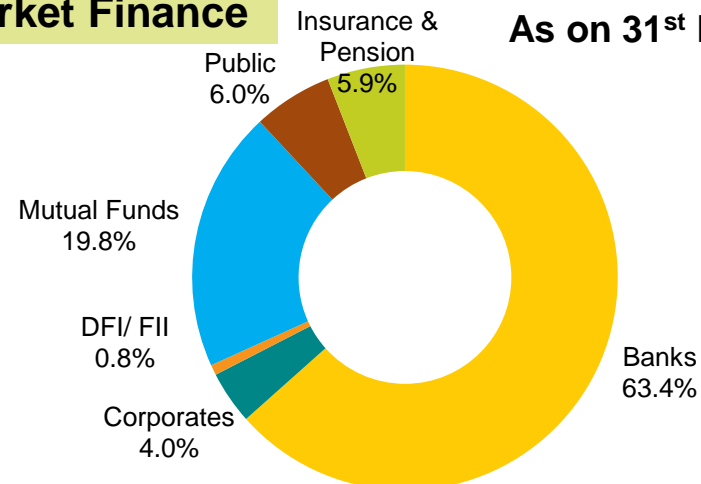
- Audit Committee, Shareholders' Grievance Committee, Nomination & Remuneration Committee, IPO Committee, Committee of Directors, Asset Liability Committee and Risk Management Committee
- Most of these committees are headed by independent directors

# Debt Composition – Source Wise

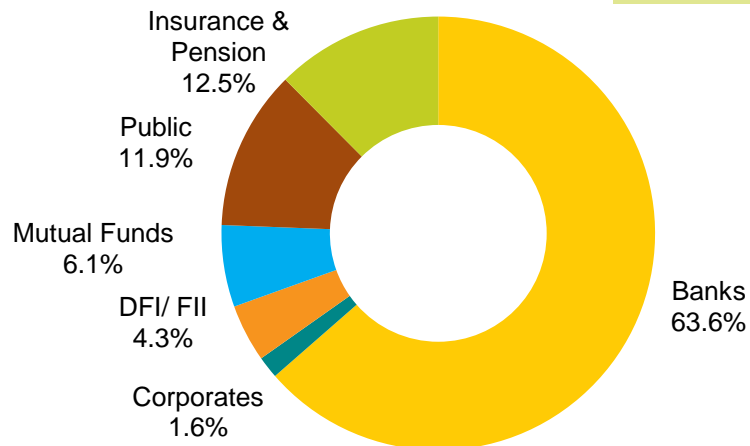
As on 31<sup>st</sup> Mar 2014



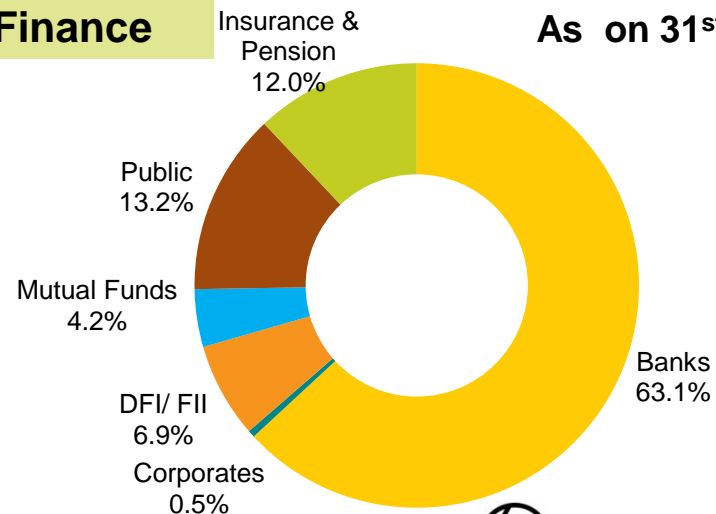
As on 31<sup>st</sup> Dec 2013



As on 31<sup>st</sup> Mar 2014



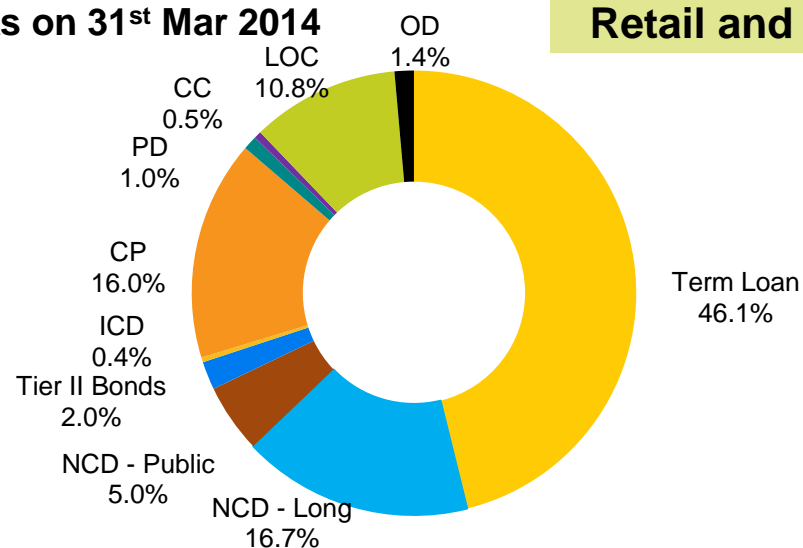
As on 31<sup>st</sup> Dec 2013



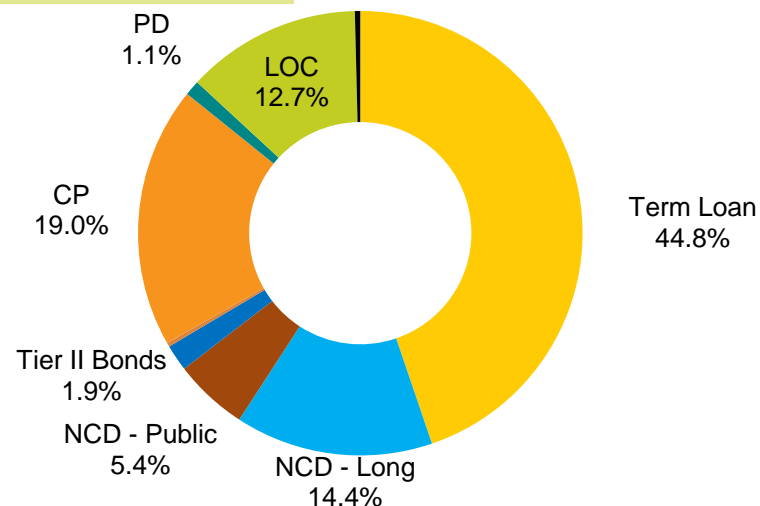
# Debt Composition – Instrument Wise

## Retail and Mid-Market Finance

As on 31<sup>st</sup> Mar 2014

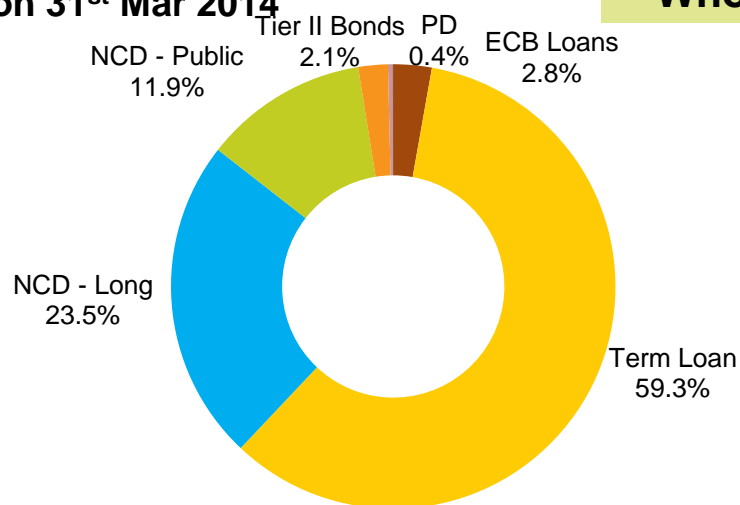


As on 31<sup>st</sup> Dec 2013

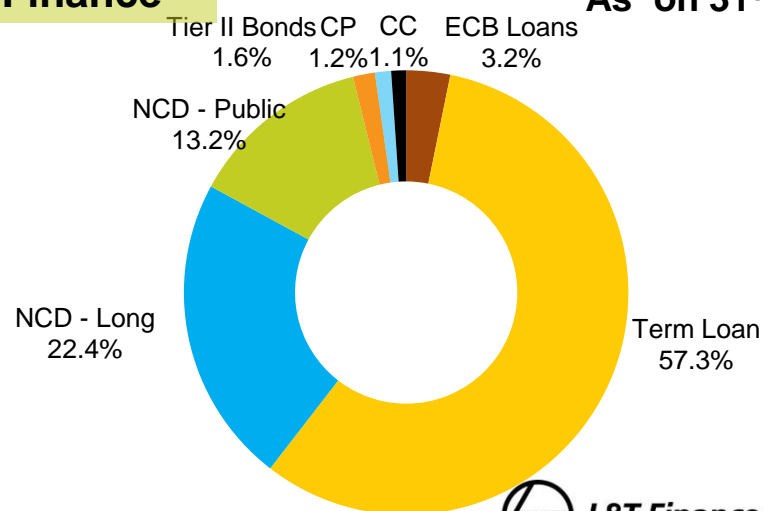


## Wholesale Finance

As on 31<sup>st</sup> Mar 2014



As on 31<sup>st</sup> Dec 2013



# AUM Disclosure for March 2013

## ASSETS UNDER MANAGEMENT (“AUM”) REPORT FOR THE QUARTER ENDED MARCH 2013

Table I

Asset class wise disclosure of AUM & Average AUM		
	AUM as on the last day of the Quarter	Average AUM for the quarter (Rs. in Lakhs)
Income	357,087.80	294,388.49
Equity (other than ELSS)	354,819.60	384,523.07
Balanced	0.00	0.00
Liquid	305,343.25	308,037.47
Gilt	3,982.78	3,957.56
Equity - ELSS	111,863.34	119,859.81
Gold ETF	0.00	0.00
Other ETF	0.00	0.00
Fund of Fund Overseas	5,752.90	6,171.43
<b>Total</b>	<b>1,138,849.67</b>	<b>1,116,937.84</b>

Table II

Disclosure of percentage of AUM by geography	
Geographical Spread	% of Total AUM as on the last day of the Quarter
Top 5 cities	71%
Next 10 cities	14%
Next 20 cities	5%
Next 75 cities	4%
Others	6%
<b>Total</b>	<b>100%</b>

# AUM Disclosure for December 2013

## ASSETS UNDER MANAGEMENT (“AUM”) REPORT FOR THE QUARTER ENDED DECEMBER 2013

Table I

Asset class wise disclosure of AUM & Average AUM		
	AUM as on the last day of the Quarter	Average AUM for the quarter (Rs. in Lakhs)
Income	707,618.41	676,283.65
Equity (other than ELSS)	338,394.67	335,375.56
Balanced	0.00	0.00
Liquid	654,142.85	557,410.05
Gilt	11,482.54	7,937.65
Equity - ELSS	117,028.25	114,123.66
Gold ETF	0.00	0.00
Other ETF	0.00	0.00
Fund of Fund Overseas	9,986.92	9,120.07
<b>Total</b>	<b>1,838,653.64</b>	<b>1,700,260.64</b>

Table II

Disclosure of percentage of AUM by geography	
Geographical Spread	% of Total AUM as on the last day of the Quarter
Top 5 cities	71%
Next 10 cities	17%
Next 20 cities	5%
Next 75 cities	3%
Others	3%
<b>Total</b>	<b>100%</b>

# AUM Disclosure for March 2014

## ASSETS UNDER MANAGEMENT (“AUM”) REPORT FOR THE QUARTER ENDED MARCH 2014

Table I

Asset class wise disclosure of AUM & Average AUM		
	AUM as on the last day of the Quarter	Average AUM for the quarter (Rs. in Lakhs)
Income	841,568.29	752,000.99
Equity (other than ELSS)	348,356.97	330,673.85
Balanced	0.00	0.00
Liquid	509,786.97	608,170.58
Gilt	8,632.62	9,939.64
Equity - ELSS	124,169.66	115,148.40
Gold ETF	0.00	0.00
Other ETF	0.00	0.00
Fund of Fund Overseas	9,392.58	9,585.19
<b>Total</b>	<b>1,841,907.09</b>	<b>1,825,518.65</b>

Table II

Disclosure of percentage of AUM by geography	
Geographical Spread	% of Total AUM as on the last day of the Quarter
Top 5 cities	73%
Next 10 cities	17%
Next 20 cities	4%
Next 75 cities	3%
Others	3%
<b>Total</b>	<b>100%</b>

# Our parent company, L&T, is India's largest engineering and construction company in the private sector

**L&T Group has a long and illustrious history in India...**

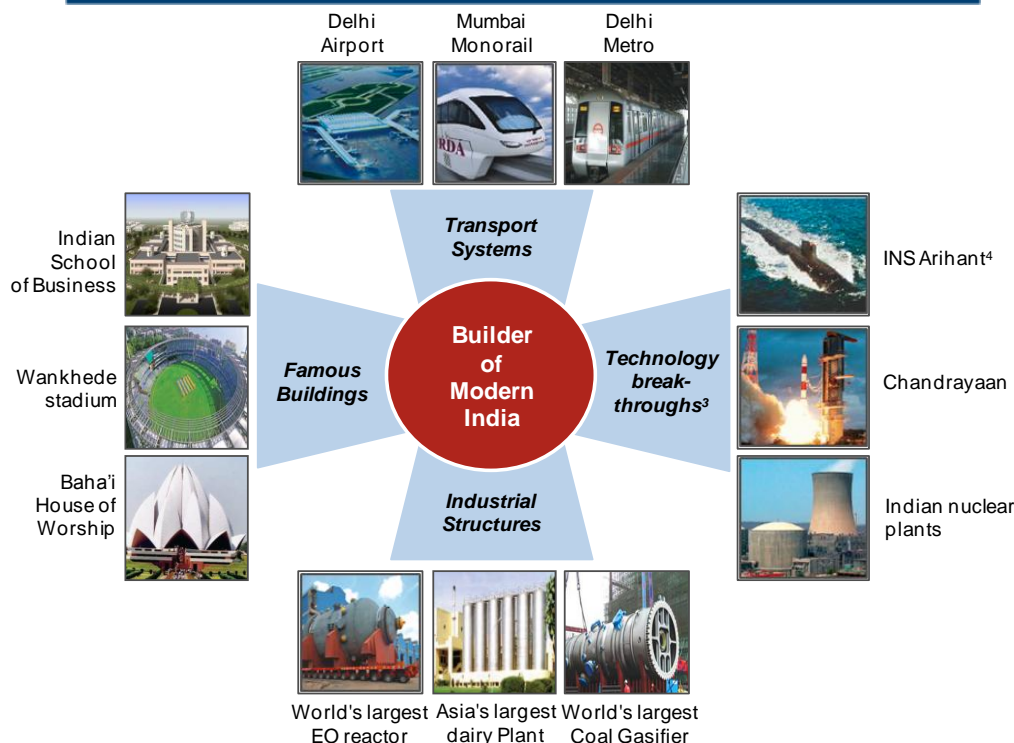
**L&T was founded in 1938 by two Danish Engineers**



**Today, L&T Group is India's largest engineering and construction company in the private sector**

- Revenue: ~Rs.75,000 crores<sup>1</sup>
- Market capitalisation: ~Rs.100,180 crores<sup>2</sup>

**... and has been involved in India's hallmark projects**



*"L&T does not belong either to the private sector or the public sector. It belongs to the national sector"*

**- Hon'ble Union Finance Minister Mr. P. Chidambaram**

1. For fiscal 2013 2. Market capitalisation as of 5th December, 2013 3. Technological support provided 4. Image used is for representational purposes only

**“L&T Finance Holdings will be an admired and inspirational financial institution,  
creating sustainable value for all its stakeholders.”**

**L&T Finance Holdings Ltd**

8th Floor, City 2, Plot No 177  
Vidyanagari Marg, CST Road, Kalina  
Santacruz (E), Mumbai 400 098

**Registered Office**

L&T House, NM Marg  
Ballard Estate, Mumbai 400 001  
CIN: L67120MH2008PLC181833

**T** +91 22 6621 7300/400

**F** +91 22 6621 7509

**E** [igrc@ltfinanceholdings.com](mailto:igrc@ltfinanceholdings.com)  
[www.ltfinanceholdings.com](http://www.ltfinanceholdings.com)



***L&T Finance Holdings***