



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

Investor Presentation, H1 FY14



***L&T Finance Holdings***

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# Company Overview

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# Company Structure

## L&T Finance Holdings<sup>1</sup>

### Retail Lending

- B2B
  - Construction Equipment Fin (CEF)
  - Transportation Equipment Fin (TEF)
  - SME Finance (SME)
  - Supply Chain Finance (SCF)
  - Capital Market Products (CMP)
  - Construction Finance (CF)
- B2C
  - Rural Products Finance (RPF)
  - Personal Vehicle Finance (PVF)
  - Micro Finance (MFI)
  - Financial Product Distribution (FPD)
  - Home Loans (HL)
  - Loan Against Property (LAP)

**L&T Finance (AFC<sup>3</sup>)**  
**FamilyCredit (Loan Company)**  
**L&T Housing Finance (HFC)**  
**L&T Access (Distribution Co)**

### Wholesale Lending

- Project Finance
- Senior Debt
- Mezzanine Debt
- Corporate Loans<sup>2</sup>
- Infrastructure Debt Fund (IDF)
- Infrastructure Private Equity
- Financial Advisory Services
- Syndication
- Underwriting

**L&T Infra Finance (IFC<sup>3</sup>)**  
**L&T FinCorp (Loan Company)**  
**L&T Infra PE Fund (AMC)**  
**L&T Infra Debt Fund (NBFC-IDF)**

### Investment Management

- Mutual Fund
- Portfolio Management
- Wealth Management
- Advisory Services

**L&T Investment Mgmt (AMC)**  
**L&T Capital Markets**

### Shared Services

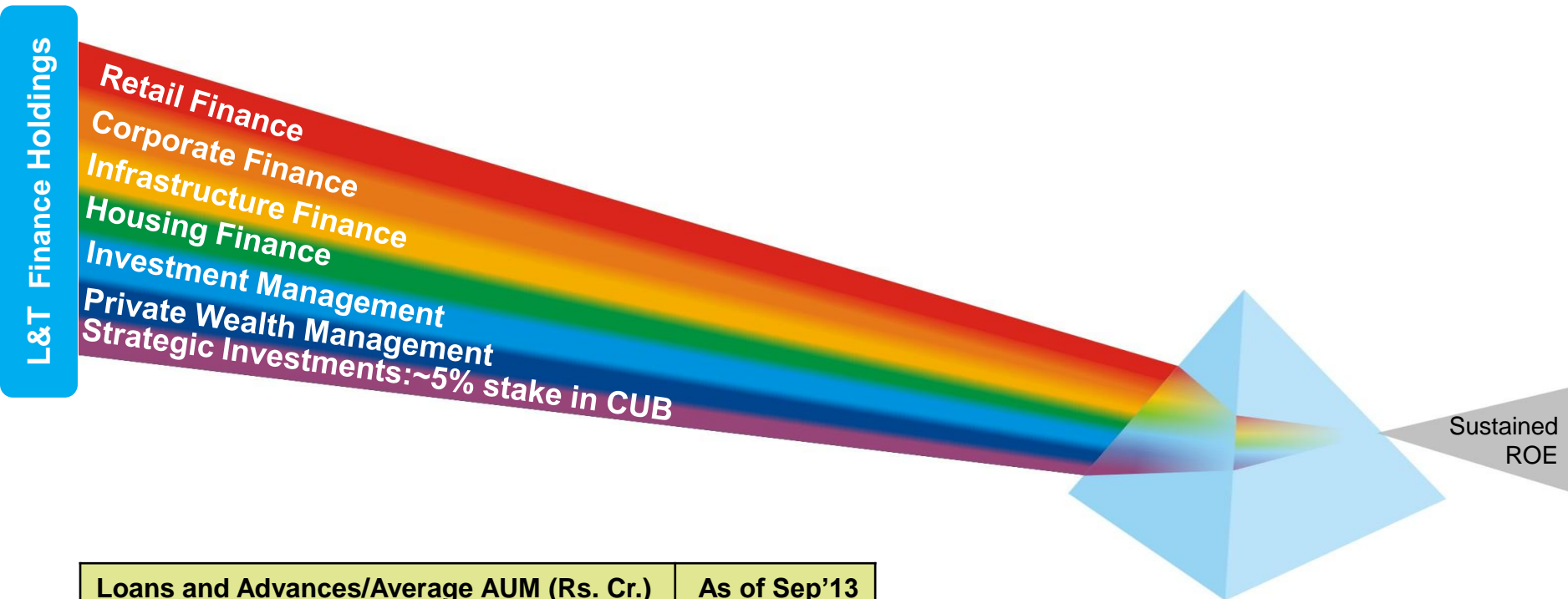
- Common Property Services
- Holds all LTFH Properties

**L&T Unnati Finance**

**Network of 100+ branches across 23 states, with 500+ rural points of presence**  
**Pan India reach to cater to customers across rural, corporate & SME segments**

Notes: <sup>1</sup> All companies are 100% subsidiaries of LTFH either directly or indirectly, <sup>2</sup> Corporate Loans include non-infra loans greater than Rs. 50 Cr, <sup>3</sup> AFC – Asset Finance Co, IFC – Infra Finance Co

# Building to become a comprehensive financial services player with critical size

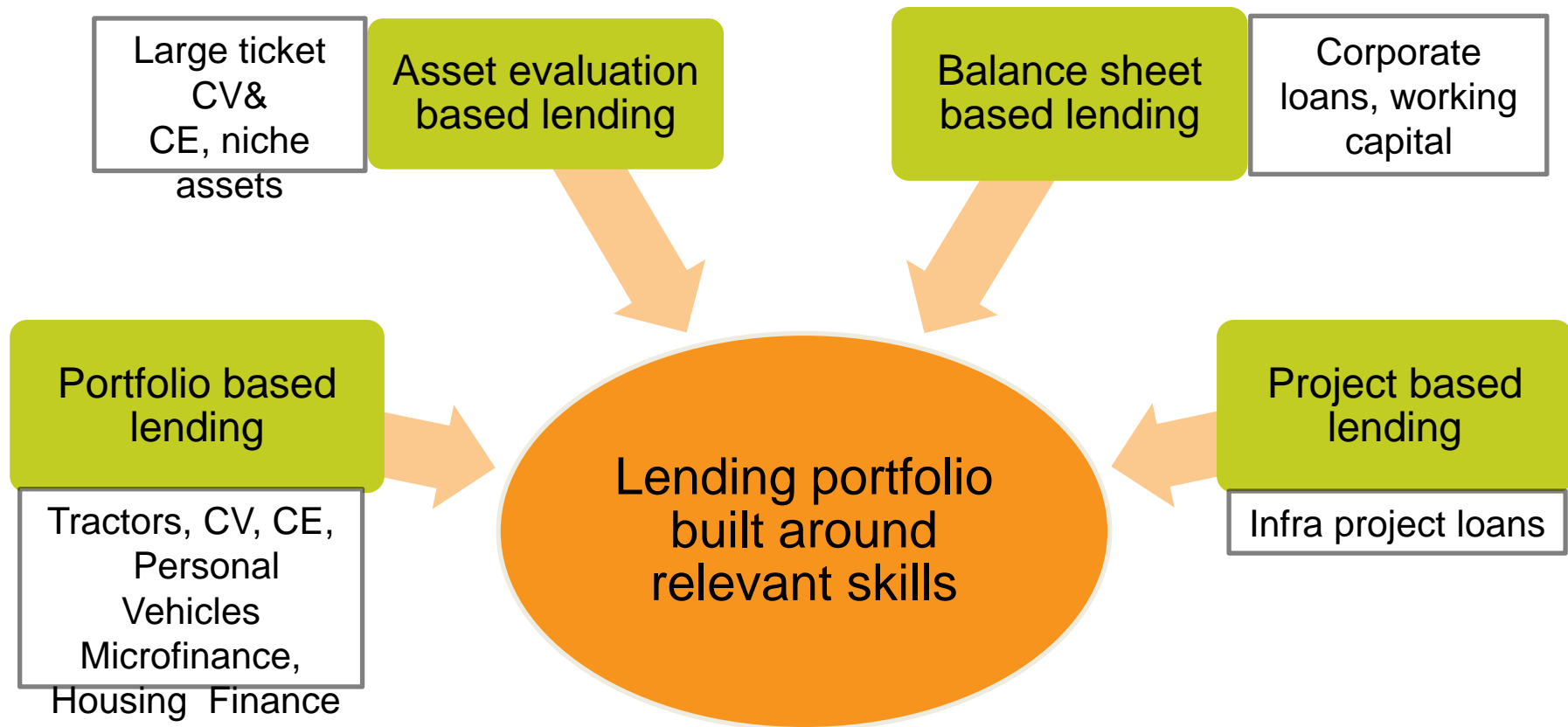


Loans and Advances/Average AUM (Rs. Cr.)	As of Sep'13
Retail Lending	18,392.3
Wholesale Lending	17,066.4
Investment Management <sup>1</sup>	15,078.9
Private Wealth Management <sup>1</sup>	3,569.9

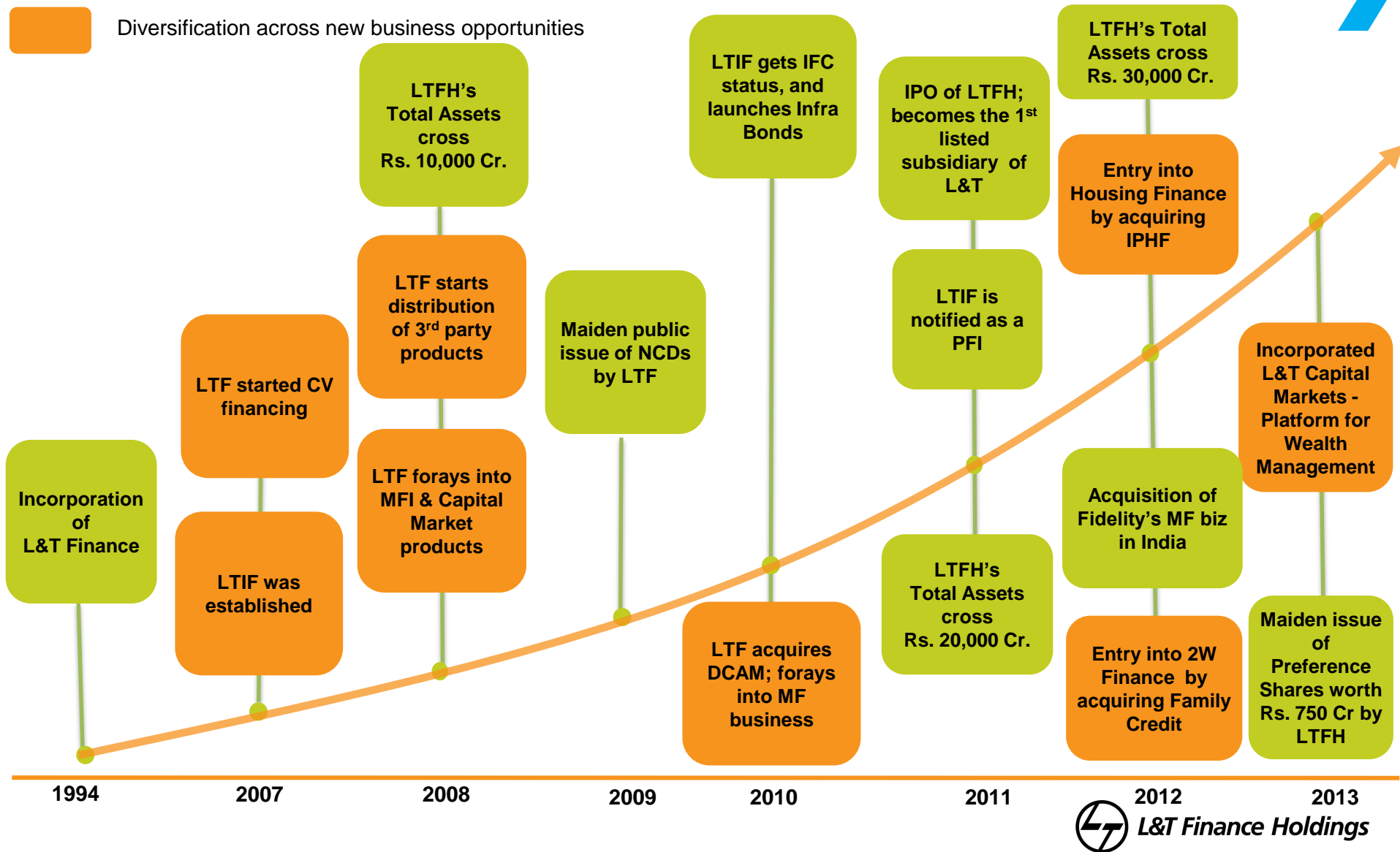
Notes:

<sup>1</sup>AAUM is average for the quarter

# Talent with relevant knowledge and deep experience



# Key Milestones



# Industry Overview



# Industry Overview

## Key Positives

- Improving monetary situation
  - Benign outlook for CAD on the back of strong pick up in exports, surge in remittances aided by depreciating rupee and substantial fall in gold imports
  - Currency volatility expected to reduce with rupee stabilizing; FII inflows return on account of a temporary delay in tapering of QE in the US
  - RBI begins reducing MSF rates gradually; expected to soften short term interest rates and increase liquidity
- Good monsoons at 6% above normal expected to lead to bumper Rabi crop harvest
- CCI attempts to kick start investment cycle by clearing Rs. 1.83 lakh Cr infrastructure projects
- Fuel supply agreements totaling a cumulative capacity of 65,000 MW signed by Coal India a boost to power sector
- Improving outlook for power off take

## Key Challenges

- Inflation continues to be at elevated levels
  - CPI inflation at 9.84%, food inflation remains high at 18.40% while WPI was at 6.46%
- Long term interest rates likely to remain high
  - RBI increases repo rate by 25 bps to 7.5%
- Achieving fiscal deficit target of 4.8% of GDP for FY14 challenging
  - Tax revenues impacted by slow growth
  - Any cut in planned expenditure to contain fiscal deficit could impact economic growth
  - Government moves on populist measures in a poll bound season
- New projects and capex may face delays due to impending national elections

**Uncertain macro environment and stress in the economy expected to continue**

# Performance Summary



***L&T Finance Holdings***

# Highlights – Q2FY14

## Key focus areas

- Retail business – Conscious effort to focus on B2C (rural products and personal vehicle) segments, while being cautious in lending to B2B (corporate, construction equipment and commercial vehicle) segments
- Wholesale business – Focus on asset management continues, along with addition of operational and non-infra assets
- As a key priority, maintained a liquidity pool throughout the quarter, even if it came at a marginal negative carry
- Mutual fund business – Focus on building scale in fixed income while retaining tight cost controls and maintaining margins

## Performance overview

- Healthy 28.2% Y-o-Y growth in loan book with disbursement growth at 28.1% Y-o-Y in a challenging environment
- Y-o-Y growth in PAT:
  - Despite increase in borrowing costs, margins continued to see improvement.
  - Credit costs at elevated levels due to stress in the environment; may improve from Q4FY14
  - TTM ratios demonstrate improving trends on most parameters
- Increase in GNPA's primarily due to slippage of one account in infrastructure segment, while standard restructured cases increase
- Improvement in financial performance of the AMC continues; industry ranking improves to 13<sup>th</sup> (from 16<sup>th</sup>)

# Summary Financial Performance – Key Operating Entities

Q2FY13	H1FY13	FY13	(Amounts in Rs. Cr.)	Q1FY14	Q2FY14	H1FY14	Y-o-Y
<b>Lending Businesses<sup>1</sup> (Retail &amp; Corporate, Wholesale, Housing Finance)</b>							
27,665.8	27,665.8	33,309.9	Loans and Advances	34,337.2	35,458.7	35,458.7	28.2%
4,893.3	8,900.2	22,994.8	Disbursements	5,858.6	5,544.0	11,403.8	28.1%
369.2	711.1	1,539.6	NIM	470.5	487.6	958.1	34.4%
143.5	270.6	612.6	PAT	152.8	174.1	326.9	20.8%
5.49%	5.37%	5.34%	NIM <sup>2</sup> (%)	5.56%	5.58%	5.57%	-
1.54%	1.54%	2.03%	Gross NPA (%)	2.54%	2.89%	2.89%	-
13.17%	12.61%	13.17%	ROE <sup>2</sup> (%)	11.26%	12.15%	11.72%	-
<b>Investment Management<sup>3</sup></b>							
3,883.1	3,883.1	11,169.0	Average AUM <sup>4</sup>	13,781.5	15,078.9	15,078.9	-
(8.4)	(16.1)	(44.9)	PAT before exceptional items	(3.5)	1.7	(1.8)	-

- Robust growth in the book continues despite a challenging environment on account of
  - Rural products, opportunities in operating assets in infrastructure sector
  - Addition of FamilyCredit and Housing Finance during FY13
- Growth in AAUM for the investment management business due to strong net sales performance

Notes: <sup>1</sup> FY13, Q1FY14, Q2FY14 and H1FY14 numbers for lending businesses include Housing Finance and FamilyCredit;

<sup>2</sup> FY13, H1FY14 ratios are based on quarterly averages.

Notes for Investment Management: <sup>3</sup> Numbers for FY13, Q1FY14 and Q2FY14 are post acquisition of Fidelity Mutual Fund

<sup>4</sup> Average AUMs are averages for the quarter. Past performance may or may not be sustained in the future.

Please refer to the website [www.lntmf.com](http://www.lntmf.com) for further details. Please refer to annexure for the asset wise & geography wise AUM disclosures, disclaimers & risk factors.

# Summary Financial Performance – LTFH Consolidated

Q2FY13	H1FY13	FY13	Particulars (Rs. Cr.)	Q1FY14	Q2FY14	H1FY14	Y-o-Y
143.7	264.4	558.8*	PAT	144.9	155.7	300.7	13.7%

Q2FY13	FY13	(Amounts in Rs. Cr.)	Q1FY14	Q2FY14	Y-o-Y
<b>Summary Balance Sheet</b>					
5,015.1	5,485.2	Networth (excluding Preference capital)	5,627.5	5,757.6	14.8%
23,440.5	28,292.3	Borrowings	29,253.5	32,068.5	36.8%

Rs Cr.	Networth
Retail Lending	3,168.5
Wholesale Lending	2,713.7
Investment Management	648.5

## Y-o-Y growth in PAT :

- Improvement in margins despite elevated interest rate environment
- Increased credit costs in the infrastructure and corporate segments due to challenging macro environment
- Improvement in profitability of mutual fund business due to growth in AUM and control over expenses

Notes:

\* PAT before exceptional items

# Business – Outlook and Performance

# Retail & Corporate Finance – Market Scenario & Outlook

Segment	Outlook				
Rural Products	<ul style="list-style-type: none"><li>Tractor sales continued to clock impressive growth of 21% in Q2 due to good monsoons in most of the states</li><li>Tractor industry growth revised upwards to grow at 8%-10% in FY14 as against 2% in FY13 (Source : TMA)</li></ul>				
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>				
Auto & Transportation	<ul style="list-style-type: none"><li>2W sales have picked up, expected to maintain growth momentum in H2FY14</li><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><li>Higher interest rates, fuel cost and ownership costs continue to dampen sales in personal vehicle segment</li></ul>	Segment (SIAM)	FY13 Growth (%)	Q2FY14 Growth (%)	FY14 Projection (%)
		Cars	(6.7)%	2.0%	3.0%-5.0%
		UV	52.0%	(13.0)%	11.0%-13.0%
		LCV	14.0%	(15.0)%	10.0%-12.0%
		MHCV	(23.0)%	(34.0)%	1.0%-3.0%
		CV (Total)	(2.0)%	(22.0)%	7.0%-9.0%
	Microfinance	<ul style="list-style-type: none"><li>Strong demand continues; regions affected by cyclone Phailin may see some dip in asset quality and demand</li></ul>	2W	2.9%	8.0%
Corporate	<ul style="list-style-type: none"><li>Economic slowdown has resulted in longer working capital cycles</li><li>Credit downgrades continue to outpace credit upgrades, largely due to demand slowdown and liquidity issues – CRISIL downgraded 478 companies compared to 417 upgrades</li><li>Credit appetite from mid and large corporates continues to be subdued due to risk aversion, cost and time overruns in existing projects, high leverage and deteriorating cash flows</li><li>Weak investment climate expected to continue due to erosion of asset quality and muted credit confidence</li></ul>				

**Focus on B2C (rural products, personal vehicle); selective lending to B2B (corporate, CE, CV)**

# Wholesale Finance – Market Scenario & Outlook

Segment	Outlook
<b>Thermal Power</b>	<ul style="list-style-type: none"> <li>• Signs of positive relief on account of financial restructuring of select SEBs</li> <li>• Generally SEBs reluctant to sign long term PPAs &amp; bridge demand supply gap</li> <li>• Cost overruns likely in certain under-construction projects because of rupee depreciation and regulatory delays</li> <li>• Cabinet Committee for Economic Affairs (CCEA) approval for coal cost pass-through is a welcome move</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• States which have met their RPO obligations are reluctant to sign PPAs at Feed in Tariffs</li> </ul>
<b>Roads</b>	<ul style="list-style-type: none"> <li>• Negative traffic growth rates and high interest rates impacting road projects cash flows</li> <li>• No green-field projects awarded by NHAI since May this year despite its decision to shift to EPC route</li> <li>• Land acquisition and environmental issues continue to affect implementation of road projects</li> </ul>
<b>Telecom</b>	<ul style="list-style-type: none"> <li>• Data usage which has nearly doubled in the last year is expected to drive incremental growth in the sector</li> <li>• Telecom operators' financial/operational metrics improving with reduced competition and increasing tariff</li> <li>• Positives in regulatory environment –100% FDI allowed; unified licensing guidelines announced.</li> <li>• However clarity still required on M&amp;A, spectrum sharing and auction</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>• Land acquisition bill likely to increase project costs for developers</li> </ul>

**Focus on non-infra and operational assets across sectors**



# Retail & Corporate Finance

DISBURSEMENTS							
Rs. Cr.	Q2FY13	H1FY13	Q1FY14 <sup>2</sup>	Q2FY14 <sup>2</sup>	H1FY14 <sup>2</sup>	FY13 <sup>2</sup>	H1FY14 v/s H1FY13
Construction Equipment Finance	417	705	257	212	469	1,515	-33%
Transportation Equipment Finance	246	452	176	151	327	768	-28%
Rural Products Finance	579	1,210	900	874	1,775	3,011	47%
Supply Chain Finance	1,423	2,815	1,335	1,251	2,586	5,728	-8%
Microfinance	66	115	95	159	254	314	121%
Corporate Loans and Leases	458	1,039	645	330	976	2,343	-6%
Capital Market Products	331	522	425	330	755	1,683	45%
Personal Vehicle Finance <sup>1</sup>	112	201	445	489	935	770	364%
<b>Total</b>	<b>3,632</b>	<b>7,059</b>	<b>4,278</b>	<b>3,798</b>	<b>8,076</b>	<b>16,131</b>	<b>14%</b>

LOANS & ADVANCES					
Rs. Cr.	Q2FY13	FY13	Q1FY14 <sup>2</sup>	Q2FY14 <sup>2</sup>	Y-o-Y
Construction Equipment Finance	3,150	3,019	2,878	2,639	-16%
Transportation Equipment Finance	2,106	1,935	1,836	1,698	-19%
Rural Products Finance	2,786	3,445	3,645	3,977	43%
Supply Chain Finance	993	1,129	1,060	924	-7%
Microfinance	198	217	234	304	53%
Corporate Loans and Leases	4,193	4,624	4,686	4,829	15%
Capital Market Products	1,557	1,708	2,049	2,073	33%
Personal Vehicle Finance <sup>1</sup>	550	2,072	2,199	2,349	327%
<b>Total</b>	<b>15,533</b>	<b>18,148</b>	<b>18,586</b>	<b>18,793</b>	<b>21%</b>

Notes:

<sup>1</sup> Personal Vehicle Finance – includes car and 2 wheeler portfolio

<sup>2</sup> FY13, Q1FY14, Q2FY14, H1FY14 and TTM numbers include FamilyCredit (TTM – Trailing Twelve Months)

# Retail & Corporate Finance – Summary Financials

Q2FY13	H1FY13	Summary P&L (Rs. Cr.)	Q2FY14 <sup>1</sup>	H1FY14 <sup>1</sup>	Y-o-Y	FY13 <sup>1</sup>	TTM <sup>1</sup>	TTM v/s FY13
538.0	1,067.4	Interest Income	704.6	1,362.5	27.6%	2,275.7	2,570.8	13.0%
320.5	645.9	Interest Expense	410.7	782.8	21.2%	1,358.0	1,494.9	10.1%
217.5	421.5	NIM	293.9	579.7	37.6%	917.7	1,075.9	17.2%
7.0	18.0	Fee Income	10.0	19.9	11.0%	46.8	48.8	4.2%
84.8	167.9	Operating Expense	126.1	241.8	44.0%	372.5	446.3	19.8%
139.7	271.5	Contribution before credit cost	177.9	357.9	31.8%	592.0	678.4	14.6%
56.5	111.5	Credit Cost	73.2	153.7	37.8%	247.2	289.4	17.1%
59.9	111.9	PAT	69.4	142.9	27.7%	262.2	293.2	11.8%
3,632.0	7,059.0	Disbursements	3,798.1	8,076.1	14.4%	16,131.5	17,148.6	6.3%

Q2FY13	FY13	Summary BS (Rs. Cr.)	Q1FY14 <sup>1</sup>	Q2FY14 <sup>1</sup>	Y-o-Y
15,532.9	18,148.8	Gross Loans & Advances	18,586.3	18,793.4	21.0%
13,472.9	15,055.7	Borrowings	15,431.5	16,491.2	22.4%
2,415.0	2,824.6	Networth	2,894.2	2,870.4	18.9%
309.9	448.7	Gross NPAs	623.4	633.3	
178.1	237.0	Net NPAs	371.7	370.0	

- Disbursement growth largely contributed by conscious focus on rural products and personal vehicle segments
- Continue to be cautious in lending to construction equipment and commercial vehicle segments
- Increase in opex due to addition of FCL in FY14, remains flat on like-to-like basis
- GNPA's have remained stable despite a challenging macro environment
- As of Sep 2013, provision over RBI norms is Rs 136.2 crs with assets worth Rs 19.5 crs lying in repossessed stock

Notes

<sup>1</sup> Q2FY14, H1FY14, FY13 and TTM numbers include FamilyCredit (TTM – Trailing Twelve Months)

# Retail & Corporate Finance – Key Ratios

Q2FY13	H1FY13	Key Ratios	Q1FY14	Q2FY14	H1FY14	FY13	TTM
14.12%	14.19%	Yield	14.33%	14.55%	14.46%	14.06%	14.35%
9.73%	9.96%	Cost of Funds	9.76%	10.29%	10.00%	9.77%	9.83%
5.71%	5.60%	Net Interest Margin	6.22%	6.27%	6.25%	5.67%	6.06%
5.63%	5.64%	NIM (w/o MTM)	6.23%	6.31%	6.28%	5.69%	6.08%
0.18%	0.24%	Fee Income	0.22%	0.21%	0.22%	0.29%	0.28%
2.23%	2.23%	Operating Expenses	2.52%	2.70%	2.61%	2.30%	2.52%
3.67%	3.61%	Contribution before credit cost	3.92%	3.81%	3.87%	3.66%	3.82%
1.48%	1.48%	Credit Cost	1.75%	1.57%	1.66%	1.53%	1.63%
10.05%	9.48%	Return on Equity	10.29%	9.63%	9.90%	10.39%	10.69%
1.45%	1.38%	Return on Assets	1.53%	1.39%	1.45%	1.50%	1.54%
5.58	5.58	Gearing	5.33	5.75	5.75	5.33	5.75
2.00%	2.00%	Gross NPA %	3.35%	3.37%	3.37%	2.47%	3.37%
1.16%	1.16%	Net NPA %	2.03%	2.00%	2.00%	1.32%	2.00%
14.84%	14.84%	CRAR (Tier 1 )	14.76%	14.31%	14.31%		
0.67%	0.67%	CRAR (Tier 2)	1.96%	1.89%	1.89%		
15.51%	15.51%	CRAR (Total)	16.73%	16.20%	16.20%		

- NIMs continue to show improvement on account of conscious focus on retail assets and personal vehicle finance
- Maintaining stable NPA levels has led to improvement in credit costs in Q2FY14
- TTM ratios indicate that performance has remained stable despite challenging macro environment

Notes:

\* All ratios are based on reported numbers and include FamilyCredit for Q1FY14, Q2FY14, H1FY14, FY13 and TTM numbers

H1FY14 and TTM Ratios are calculated based on quarterly averages (TTM – Trailing Twelve Months)

Credit costs include provisions, write offs, foreclosure losses, interest provisions/reversals

# Housing Finance

- Focus on achieving a balanced product-mix - Current product portfolio includes Home Loans, Loan Against Property (LAP) and Construction Finance (CF) (Residential Construction)
- Operations have stabilized in 9 markets targeted in FY13, 6 new branches have been added in H1 taking the count to 15
- Marginal increase in GNPA in Q2, improvement in GNPA % in Q2 on account of loan book growth
- Momentum in disbursements picking up with ~43% growth in Q2 over Q1
- Will continue to invest to expand the organization and network
- Focus on enhancing customer service through launch of inbound call center

Particulars (Rs. Cr.)	Q4FY13	Q1FY14	Q2FY14
Loan Book	326.4	519.6	786.8
Disbursements	140.5	205.6	294.4
GNPA (%)	0.67%	0.43%	0.32%
NNPA (%)	0.21%	0.12%	0.08%
PAT	(0.9) <sup>1</sup>	1.9	3.2
Networth	143.4	295.3	298.1

Book Composition	Q4FY13	Q1FY14	Q2FY14
Home Loan	65%	56%	53%
LAP	30%	31%	31%
CF	5%	13%	16%

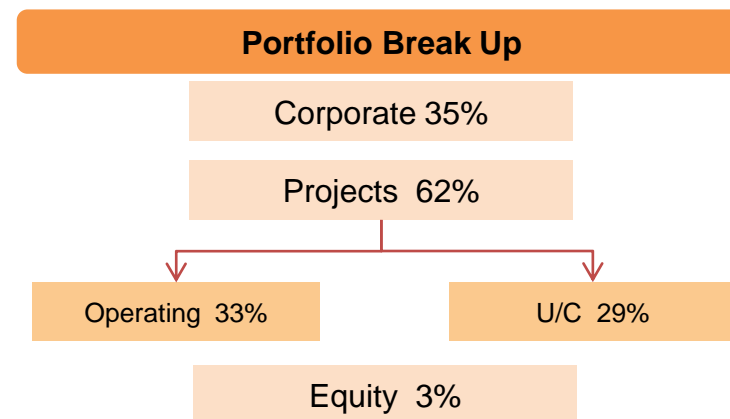
Notes:

<sup>1</sup> PAT includes exceptional expenses amounting to Rs. 3.8 Cr towards bonus paid to IPHF employees

# Wholesale Finance

DISBURSEMENTS							
Rs. Cr.	Q2FY13	H1FY13	Q1FY14	Q2FY14	H1FY14	FY13	H1FY14 v/s H1FY13
Thermal Power	135	204	80	87	167	697	(18)%
Renewable Power	111	466	302	232	534	1,290	15%
Power – Corp <sup>1</sup> + T&D	256	256	495	87	582	960	127%
Transportation	493	580	286	638	923	1,542	59%
Telecom	20	42	6	16	22	987	(48)%
Others <sup>2</sup>	246	293	207	393	600	1,169	105%
<b>Total</b>	<b>1,261</b>	<b>1,841</b>	<b>1,376</b>	<b>1,452</b>	<b>2,828</b>	<b>6,645</b>	<b>54%</b>

LOANS & ADVANCES					
Rs. Cr.	Q2FY13	FY13	Q1FY14	Q2FY14	Y-o-Y
Thermal Power	1,583	2,133	2,015	2,083	32%
Renewable Power	2,525	3,078	3,154	3,183	26%
Power – Corp <sup>1</sup> + T&D	1,387	1,866	2,271	2,215	60%
Transportation	2,051	2,328	2,424	2,966	45%
Telecom	1,271	1,856	1,845	1,816	43%
Others <sup>2</sup>	3,316	3,573	3,521	3,615	9%
<b>Total</b>	<b>12,133</b>	<b>14,834</b>	<b>15,231</b>	<b>15,878</b>	<b>31%</b>



- Top 10 borrowers represent 19% of the outstanding
- Top 10 borrower groups form 25% of outstanding

**Operating assets have improved from 28% as of Q1FY14 to 33% as of Q2FY14**

Notes:

<sup>1</sup> Corporate loans to Power companies

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

TTM – Trailing Twelve Months

# Wholesale Finance – Summary Financials

Q2FY13	H1FY13	Summary P&L (Rs. Cr.)	Q2FY14	H1FY14	Y-o-Y	FY13	TTM	TTM v/s FY13
388.8	756.7	Interest Income	497.0	974.6	29%	1,599.8	1,817.6	14%
237.0	467.1	Interest Expense	313.9	614.9	32%	987.8	1,135.5	15%
151.8	289.6	NIM	183.1	359.7	24%	612.0	682.1	11%
10.4	15.5	Fee Income	5.6	8.4	(46)%	45.0	37.9	(16)%
1.6	2.0	Other Income	33.6	37.2	-	8.2	43.3	-
18.9	36.5	Operating Expense	26.4	49.1	35%	79.4	92.5	17%
145.0	270.7	Contribution before credit cost	196.0	356.2	32%	585.7	670.7	15%
25.2	43.8	Credit Cost	62.7	114.6	162%	110.8	181.5	64%
83.5	158.7	PAT	101.6	178.9	13%	350.2	370.5	6%
1,261.4	1,840.8	Disbursements	1,451.9	2,827.8	54%	6,644.5	7,630.5	15%

Q2FY13	FY13	Summary BS (Rs. Cr.)	Q1FY14	Q2FY14	Y-o-Y
12,132.8	14,834.8	Gross Loans & Advances	15,231.4	15,878.2	31%
10,182.7	12,558.0	Borrowings	13,047.0	14,236.4	40%
2,013.0	2,313.6	Networth	2,393.7	2,713.7	35%
177.7	208.7	Gross NPAs	220.8	357.1	
154.6	168.6	Net NPAs	178.7	284.0	

- Focus on high quality and larger- ticket relationships
- Rise in GNPA owing to slippage of one account
- As of Sept 2013, the provision over RBI norms stands at Rs.121.8 Cr.

# Wholesale Finance – Key Ratios

Q2FY13	H1FY13	Key Ratios	Q1FY14	Q2FY14	H1FY14	FY13	TTM
13.31%	13.20%	Yield	12.71%	12.78%	12.73%	12.78%	12.72%
9.67%	9.79%	Cost of Funds	9.40%	9.86%	9.60%	9.44%	9.44%
5.20%	5.05%	Net Interest Margin	4.70%	4.71%	4.70%	4.89%	4.77%
0.36%	0.27%	Fee Income	0.07%	0.15%	0.11%	0.36%	0.26%
0.06%	0.03%	Other Income	0.09%	0.86%	0.48%	0.07%	0.30%
0.65%	0.64%	Operating Expenses	0.63%	0.68%	0.64%	0.63%	0.65%
4.96%	4.72%	Contribution before credit cost	4.24%	5.04%	4.65%	4.68%	4.69%
0.86%	0.76%	Credit Cost	1.38%	1.61%	1.50%	0.88%	1.27%
16.95%	16.44%	Return on Equity	13.14%	15.91%	14.47%	16.92%	15.86%
2.76%	2.69%	Return on Assets	1.98%	2.43%	2.20%	2.72%	2.46%
5.06	5.06	Gearing	5.45	5.25	5.25	5.43	5.25
1.52%	1.52%	Gross NPA %	1.53%	2.36%	2.36%	1.46%	2.36%
1.33%	1.33%	Net NPA %	1.24%	1.89%	1.89%	1.18%	1.89%
14.25%	14.25%	CRAR (Tier 1 )	14.28%	15.18%	15.18%		
1.77%	1.77%	CRAR (Tier 2)	1.56%	1.47%	1.47%		
16.02%	16.02%	CRAR (Total)	15.85%	16.66%	16.66%		

- Increase in other income owing to profit on sale of Equity investments
- Credit cost at elevated level due to provisions taken on restructured assets; expect to see improvement post Q3

Notes:

Ratios are calculated based on quarterly averages (TTM – Trailing Twelve Months)

Credit costs include provisions, write offs, foreclosure losses, interest provisions/reversals

# Investment Management

## Profile

- Diversified investor base of around 8.5 lakh investors based out of 200+ towns and cities with a branch network spanning 56 cities
- Comprehensive portfolio, with 25+ funds across asset classes, risk profiles and time horizons

## Highlights

- Increased net sales in duration product is main driver of growth in assets.
- Currently ranked 13<sup>th</sup> with AAUM at Rs 15,078 crs
- Improved P&L on account of asset growth and tight cost controls.
  - The business is on track to achieve break-even run-rate
  - Net profit in Q2FY14 is due to certain prior period adjustment of Rs .3.31 crs.

## Key Risk

- In line with the Industry, market volatility and equity outflows continued to be a concern. Recent RBI action has resulted in investor apathy towards duration products.

Q2FY13	H1FY13	Rs Cr	Q1FY14 <sup>1</sup>	Q2FY14 <sup>1</sup>	H1FY14 <sup>1</sup>
2.1	4.4	Operating Revenue	20.9	21.2	42.1
10.5	19.1	Opex	24.4	19.5	43.9
(8.4)	(14.7)	PAT before excep.items	(3.5)	1.7	(1.8)
0.0	1.5	Exceptional items <sup>2</sup>	0.0	0.0	0.0
(8.4)	(16.1)	PAT	(3.5)	1.7	(1.8)
3,883.1	3,883.1	Average AUM <sup>3</sup>	13,781.5	15,078.9	15,078.9
0.20%	0.21%	Management Fees/AUM	0.56%	0.54%	0.52%
-0.87%	-0.83%	Net Margin	-0.10%	0.05%	-0.02%

AAUM (Rs. Cr)	Q1FY14	Q2FY14	%
Industry	8,46,677.0	8,08,054.0	(5)%
L&T MF	13,781.5	15,078.9	9%

AAUM Composition	Q4FY13	Q1FY14	Q2FY14
Equity / Hybrid	47%	36%	31%
Cash / Ultra Short Term	35%	36%	30%
FMP	10%	15%	15%
Other Fixed Income	8%	13%	24%

Notes: <sup>1</sup> FY14 numbers are post acquisition of Fidelity Mutual Fund, FY13 <sup>2</sup> One time integration costs <sup>3</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



# Investment Management – Outlook & Strategy

Segment	Outlook
<b>Industry Update</b>	<ul style="list-style-type: none"> <li>• Industry assets declined by 5% to Rs. 8,08,054 cr from Rs. 8,46,677 cr due to RBI action to address exchange rate volatility (MSF and LAF related)</li> <li>• Fixed income category (excluding FMP) has seen outflows due to high volatility in interest rates as well as money market funds breaking the buck twice during the quarter</li> <li>• Growth in FMPs - being the low risk product of choice</li> <li>• Equity assets continue to face net outflow on account of market movement.</li> </ul>
<b>FY14 Strategy</b>	<ul style="list-style-type: none"> <li>▪ Focus on getting further scale in the money market and short term categories within fixed income</li> <li>▪ Bring back investor interest in equity and hybrid funds through SIP drive</li> <li>▪ Handhold distributors and investors given high market volatility and conduct more training programmes and seminars</li> <li>▪ Launch investor education campaigns with special focus on new to industry investors and B15 cities</li> <li>▪ Opex control through efficient spends and optimal cost structures</li> </ul>

# Wealth Management

- India's wealth management industry has good potential to scale up given the rising affluent class and the HNWI population growing at 20% CAGR
- L&T Finance Holdings ventured into Wealth Management in FY12 to tap this potential and widen the portfolio of services it provides
- Incorporated L&T Capital Markets Ltd (LTCM), fully owned subsidiary of LTFH in Q4FY13 to support the wealth management business
- LTCM has a dedicated set of research professionals along with senior Private Bankers and offers portfolio of comprehensive products and services.
- LTCM is in the process of targeting the mass affluent segment
- As of Sept 2013, the Average Assets Under Service (AUS) has grown to Rs. 3569.9 Cr with the client base crossing 1,000

# Other Updates

## Infrastructure Debt Fund

### Regulatory Updates

- Government making efforts to make IDFs more effective
  - Allowed access to SARFAESI Act
  - Annual guarantee fee to concession authority capped at 0.05% of debt financed for first 3 years
  - Filing of Shelf Prospectus

### Status Update:

- Equity capital of Rs 300 Cr infused by Sponsor (L&T Infra) group
- L&T IDF has received the approval from RBI to function as IDF-NBFC<sup>1</sup> – to be operational in H2FY 14

## Banking License Application

- LTFH has submitted an application for grant of banking license to RBI

Note:

<sup>1</sup> (a) Reserve Bank of India does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for discharge of liability by the company.

(b) Neither is there any provision in law to keep, nor does the company keep any part of the deposits with the Reserve Bank and by issuing the Certificate of Registration to the Company, the Reserve Bank neither accepts any responsibility nor guarantees for the payment of the deposit amount to any depositor

# Annexure

# Management Strength

**CMD , 38 yrs exp, L&T**

**President, 30 yrs exp, L&T**

**MD & CE – LTF**

23 yrs exp, SBI  
Cap, BNP Paribas

**MD & CE – LTIF**

31 yrs exp, ICICI, SREI

**CE – LTIM**

25 yrs exp,  
Fidelity, Citibank

**CE – Capital Markets**

22 yrs exp, Tata Asset  
Mgmt, Cholamandalam

**CE - FCL**

35 yrs exp, Sundaram  
Fin, Royal Sundaram

**CE – LTHF**

28 yrs exp, Reliance,  
Citibank, BOA

**Head - CBG**

22 yrs, ICICI, Reliance

**Chief Biz Officer**

23yrs exp, Kotak  
Mahindra AMC, ICICI,MS

**Head, PWM – LTCM**

22yrs exp, EFG Wealth  
Mgmt, Anand Rathi

**Head Corp (LTF)**

25 yrs exp, IL&FS

**CE – LT Access**

24 yrs  
exp, Metlife, Franklin  
Templeton

**Head IDF & SI**

17 yrs exp, IDFC

**Head Fixed Income**

13yrs  
exp, Fidelity, ING, ICICI

**Head Retail (LTF)**

26 yrs exp, SREI

**Head Prod & Strategy  
(LTHF)**

16yrs exp, Reliance, ICICI

**Head – I&PF**

22 yrs exp, SBI

**Head Equities**

21yrs exp, Canara  
Robeco AMC,

**Head Credit & Risk  
(LTF)**

25 yrs exp, BNP  
Paribas, Burgan Bank

**Head Risk (LTHF)**

22yrs exp, IDBI, Saraswat  
Bank

**Head PE**

21 yrs exp, Q India  
Investment Partners

**Head CRA (Infra)**

36 yrs exp, ADB-  
AFIC, IDBI

**Head - FAS**

22 yrs exp, RPG  
Enterprises, IL&FS, GE

**Head Treasury**

31 yrs exp, Fujitsu ICIM

**Group CFO**

23 yrs exp,  
L&T, SREI, ICICI

**Head - Operations**

27 yrs exp, Edelweiss Tokio  
Life, ICICI Bk, Dhanalakshmi Bk

**Head - Accounts**

20 yrs exp,  
L&T, Escort Securities

**Head IT**

22 yrs exp, AIG SA, Tata  
AIG, IBM Global

**Head Legal**

23 yrs exp, Jain  
Irrigation, Britannia

**Head Marketing**

31 yrs exp, Fidelity Fund  
Mgmt, Times Online Money

**Head Corp Comm**

22 yrs  
exp, Fidelity, Ogilvy  
& Mather

**Head Internal Audit**

21 yrs exp, HSBC  
AMC

**Head– Secretarial &  
Compliance**

30 yrs exp, ACC,L&T

**Head HR**

14 yrs exp, ICICI  
Bank, Novartis, GE

# 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
  - Independent directors are present on the boards of all material subsidiary companies, strengthening the corporate governance process
  - 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

# Board of Directors

<b>Y. M. Deosthalee</b>	Chairman & Managing Director	<ul style="list-style-type: none"> <li>Founding director of L&amp;T Financial Services business and has been associated with L&amp;T group in various positions including CFO and Wholetime Director on board of L&amp;T</li> </ul>
<b>N. Sivaraman</b>	President & Wholetime Director	<ul style="list-style-type: none"> <li>CA by profession with 28 yrs of experience across areas of finance and accounts, mergers and acquisitions, investor relations.</li> </ul>
<b>R. Shankar Raman</b>	Non Executive Director	<ul style="list-style-type: none"> <li>Chief Financial Officer and member of board at L&amp;T with 27 yrs of experience in finance audit, accounts, treasury, capital markets, corporate and project finance</li> </ul>
<b>A. K. Jain</b>	Independent Director	<ul style="list-style-type: none"> <li>Retired IAS officer who has served across departments of Ministry of Finance and Power, nominee of SUUTI on board of L&amp;T Ltd</li> </ul>
<b>S. V. Haribhakti</b>	Independent Director	<ul style="list-style-type: none"> <li>Chartered and Cost Accountant, Certified Internal Auditor, Financial Planner and Fraud Examiner with career spanning over 4 decades</li> </ul>
<b>B. V. Bhargava</b>	Independent Director	<ul style="list-style-type: none"> <li>3 decades of experience in development banking and project finance, currently Chairman of Rating Committee at CRISIL Ltd</li> </ul>
<b>P. V. Bhide</b>	Independent Director	<ul style="list-style-type: none"> <li>Retired IAS officer with degrees in MBA, LLB and B.Sc and served for 4 decades across various departments of Ministry of Finance, Energy and Home Affairs</li> </ul>
<b>Kamakshi Rao</b>	Independent Director	<ul style="list-style-type: none"> <li>Investment professional with over 15 yrs of experience, last assignment was with Capital Group of Companies as Senior VP responsible for managing investments across geographies</li> </ul>

# Risk Management

## Retail & Corporate Finance

### Credit Risk

- Centralized framework for evaluation of loan proposals
- Strong Analytics team to constantly monitor portfolio and improve quality of sourcing and collection, active usage of credit bureaus

## Wholesale Finance

- Proposals evaluated as per internal model & presented to central committee headed by external director to authorize proposals
- Regular portfolio review by risk management committee chaired by independent director

### Provisioning Policy

- Potential foreclosure losses factored for retail loan provisioning
- NPAs up to 540 days - Difference between POS & notional value of asset provided for
- NPAs beyond 540 days – Fully provided for
- 100% provision against unsecured loans

- SAP up to 40 bps
- Voluntary provision of 3% - 8% for identified assets
- New restructured standard assets – 5.0%
- Existing restructured standard assets – to enhance from 2.75% to 5.0% over 3 years
- Restructured standard cases amount to 5.23% of the portfolio

## Operational Risk

- Centralized loan authorization and disbursement
- Quality check for data and process compliance
- Centralized receipting to control frauds and leakages
- Change in payment mode- steady movement towards PDC/ECS
- Fully implemented PML and KYC verifications including negative profile filtering

## ALM Strategy

- Combination of short term and long term borrowings to match yield and maturities
- Good mix of floating and fixed rate loans to manage basis risks
- Pricing matrix in place to price loans, with periodic review to capture interest rate movement



# Rationale for Banking License Application

**The Company has submitted an application to the RBI for grant of bank license**

## Larger Revenue Pool

- Expansion of scope of service offering from transaction banking to term loans
- Ability to raise low cost retail deposits

## Customers

- Enable widening of customer segment
  - Lower capital adequacy requirements for better rated corporates
  - High networth individuals can be serviced
- Ability to retain customers as they experience services multiple times across several products

## Retail Liabilities

- Lowers dependence on wholesale sources of funding

## Better Capital Utilization

- Advantage of higher gearing - can be as high as 11-12x on loan assets for a bank as compared to a maximum of 8-9x for NBFCs
- Scope to generate RoEs in high teens - equivalent or better than that generated by NBFC

## Regulations

- Regulatory framework for NBFCs being brought in line with that of banks

**Having built a comprehensive portfolio, banking would be a logical step in our financial services journey**

# Impact of Conversion into a Bank

## LTFH to be promoter

- NOFHC to be 100% owned by LTFH which in turn will hold the bank
- All lending businesses will need to be merged into the bank

## Regulatory norms

- CRR/SLR norms will have to be met from day one
  - There is scope to effectively manage transition of existing businesses into the bank
  - Lease/hire purchase business, IDF, AMC, PWM, Insurance can remain out of the bank
- PSL norms and 25% of branches in rural areas
  - PSL obligations an opportunity; scope to build upon the existing PSL book in our portfolio
  - Leverage on existing understanding of the rural markets through the 500+ points of presence to set up rural branches

## Impact on Returns

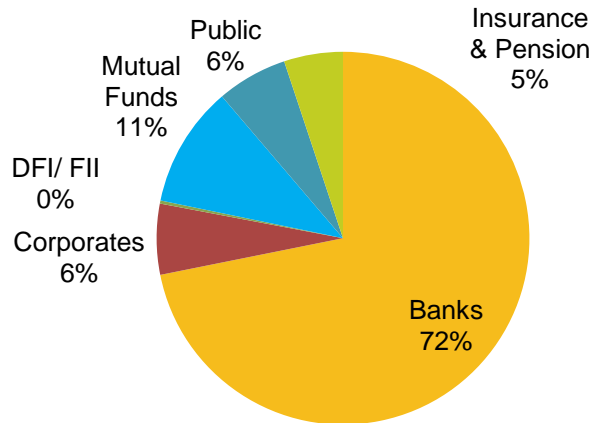
- Initial capital infusion would be low to minimal
  - Investments in setting up of best in class technology platform, systems and risk management processes would be an ongoing process
  - Networth of existing NBFCs would be utilized towards opening capital of the bank
  - 25% rural branches would invite minimal incremental investment
  - Returns would be slightly subdued in the near term
- Initial negative carry on CRR/SLR depending on deposit costs and SLR yields
- Impact of more stringent NPA recognition norms
  - Mitigated to an extent by additional provisions in NBFCs
- Ability to replace borrowings with low cost CASA, making optimum use of increased leverage and reaping benefits of expanded scope of business to determine steady state profitability

**Long term advantages and our vision of being a comprehensive financial player outweigh the short term challenges**

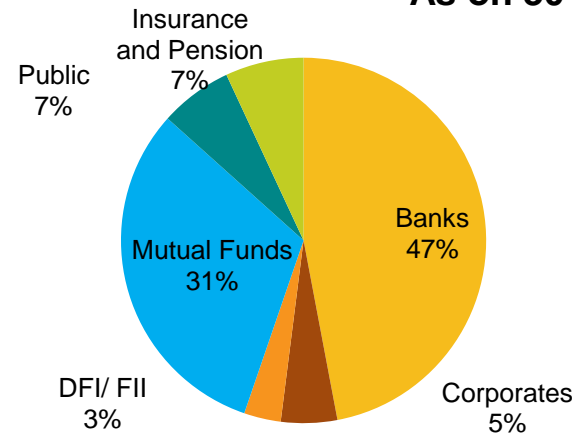
# Debt Composition – Source Wise

## Retail & Corp Finance

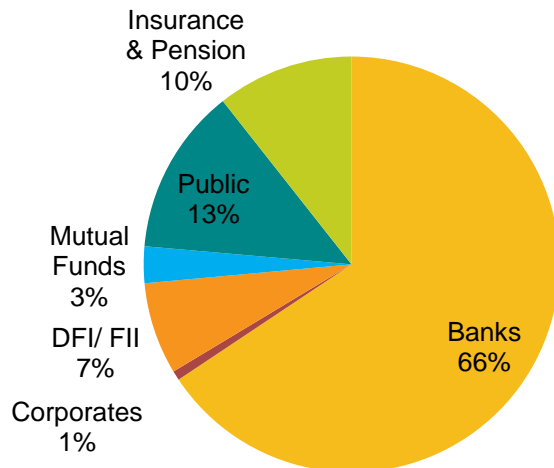
As on 30<sup>th</sup> Sep 2013



As on 30<sup>th</sup> Jun 2013

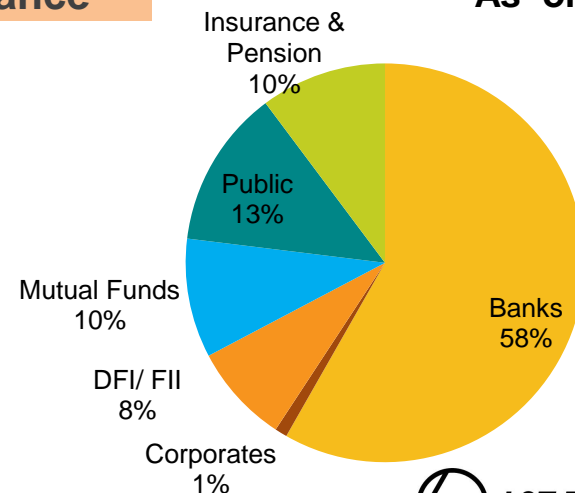


As on 30<sup>th</sup> Sep 2013



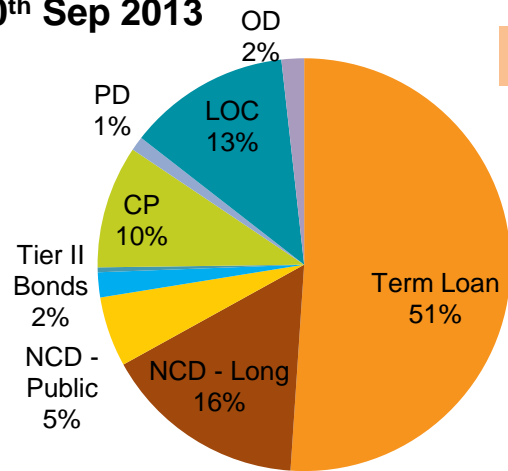
## Wholesale Finance

As on 30<sup>th</sup> Jun 2013



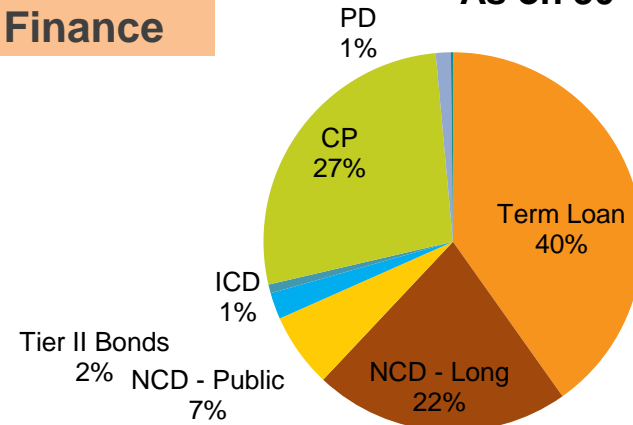
# Debt Composition – Instrument Wise

As on 30<sup>th</sup> Sep 2013

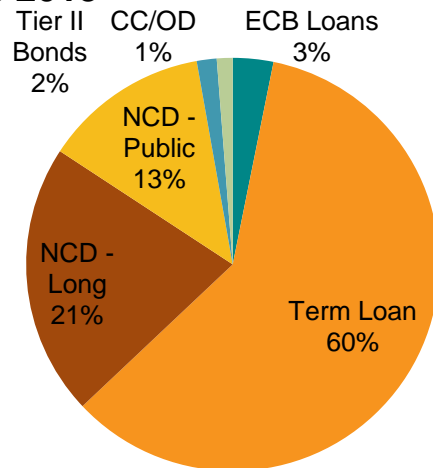


## Retail & Corp Finance

As on 30<sup>th</sup> Jun 2013

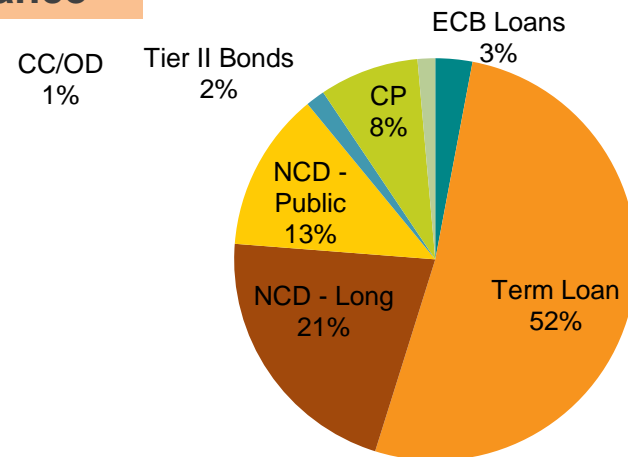


As on 30<sup>th</sup> Sep 2013



## Wholesale Finance

As on 30<sup>th</sup> Jun 2013



# AUM Disclosure for Sep 2012

Table I

AUM REPORT FOR THE QUARTER ENDED (30/09/2012)

Asset class wise disclosure of AUM &amp; AAUM

Rs. in Lakhs

Category	AUM as on the last day of the Quarter	Average AUM for the Quarter
Income	204924	157079
Equity (other than ELSS)	22747	22588
Balanced	0	0
Liquid	278992	205227
Gilt	539	352
Equity - ELSS	3199	3065
GOLD ETF	0	0
Other ETF	0	0
Fund of Fund investing overseas	0	0
<b>Total</b>	<b>510400</b>	<b>388312</b>

Table II

AUM REPORT FOR THE QUARTER ENDED (30/09/2012)

Disclosure of percentage of AUM by geography

Geographical Spread	% of Total AUM as on the last day of the Quarter
Top 5 Cities	91%
Next 10 Cities	6%
Next 20 Cities	2%
Next 75 Cities	1%
Others	0%
<b>Total</b>	<b>100%</b>

# AUM Disclosure for Jun 2013

## ASSETS UNDER MANAGEMENT ("AUM") REPORT FOR THE QUARTER ENDED JUNE, 2013

### Asset class wise disclosure of AUM & AAUM

Category	Rs. in Lakhs	
	AUM as on the last day of the Quarter i.e. June 30, 2013	Average AUM for the Quarter
Income	749,960.06	592,723.26
Equity (other than ELSS)	341,508.67	353,056.30
Balanced	-	-
Liquid	382,443.10	309,452.28
Gilt	3,648.53	3,613.53
Equity - ELSS	110,709.63	113,019.84
GOLD ETF	-	-
Other ETF	-	-
Fund of Fund investing overseas	6,542.46	6,284.66
<b>Total</b>	<b>1,594,812.45</b>	<b>1,378,149.87</b>

### Disclosure of percentage of AUM by geography

Geographical Spread	% of Total AUM as on the last day of the Quarter
Top 5 Cities	77%
Next 10 Cities	13%
Next 20 Cities	4%
Next 75 Cities	3%
Others	3%
<b>Total</b>	<b>100%</b>

# AUM Disclosure for Sep 2013

## ASSETS UNDER MANAGEMENT ("AUM") REPORT FOR THE QUARTER ENDED SEPTEMBER 2013

### Asset class wise disclosure of AUM & AAUM

Category	Rs. in Lakhs	
	AUM as on the last day of the quarter i.e September 30, 2013	Average AUM for the quarter
Income	633,499.81	710,544.60
Equity (other than ELSS)	324,929.55	329,967.95
Balanced	0.00	0.00
Liquid	524,698.08	346,831.45
Gilt	4,281.63	4,430.92
Equity - ELSS	107,886.50	108,752.71
GOLD ETF	0.00	0.00
Other ETF	0.00	0.00
Fund of Fund investing overseas	8,076.00	7,359.62
<b>Total</b>	<b>1,603,371.57</b>	<b>1,507,887.25</b>

### Disclosure of percentage of AUM by geography

Geographical Spread	% of Total AUM as on the last day of the quarter
Top 5 Cities	74%
Next 10 Cities	15%
Next 20 Cities	4%
Next 75 Cities	3%
Others	3%
<b>Total</b>	<b>100%</b>

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

**L&T Finance Holdings**  
8th Floor, City 2, Plot No 177,  
Vidyanagari Marg, C.S.T Road, Kalina,  
Santacruz (E), Mumbai 400 098

