



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

Investor Presentation, Q2FY15

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# Agenda

## **L&T Finance Holdings**

Key performance highlights

Performance and outlook, by business

# A leading player in the Indian financial services sector

- 1 INR 42,760 Crores asset book that has steadily grown over last five years, and a mutual fund business ranked #14 in the investment management industry

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- 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

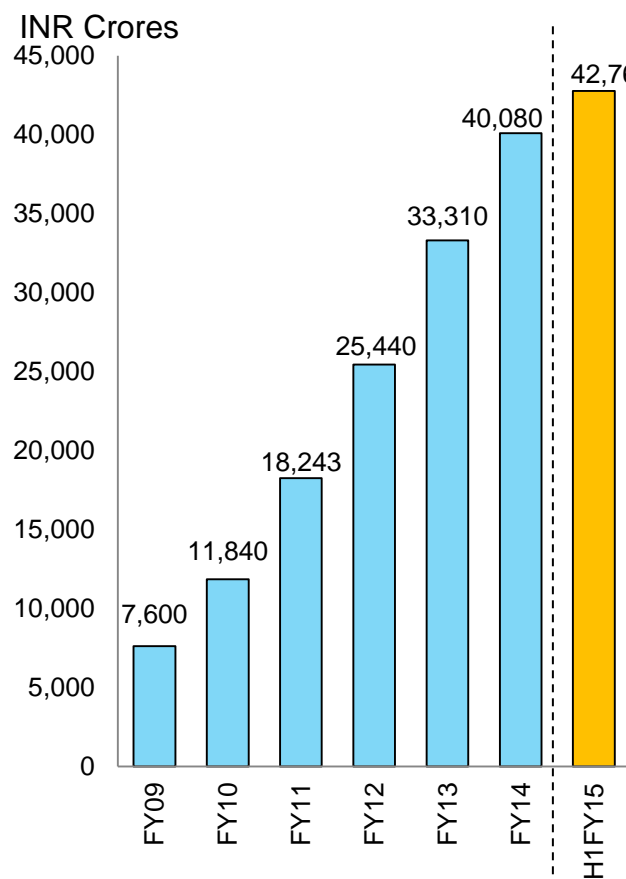
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- 3 Strong leadership with industry-leading governance standards, strong presence of independent directors on the board and highly experienced management team

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

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

# Consistent and robust growth trajectory

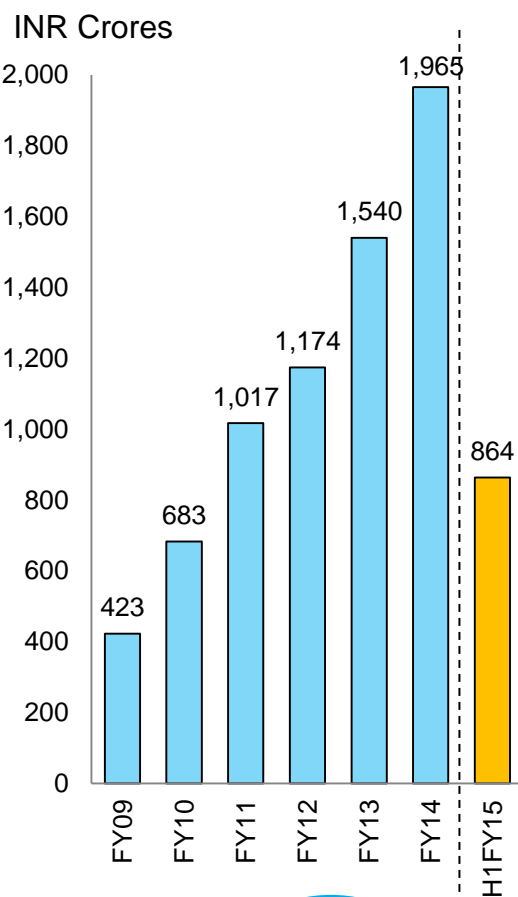
## Loan advances



CAGR  
as of  
FY14

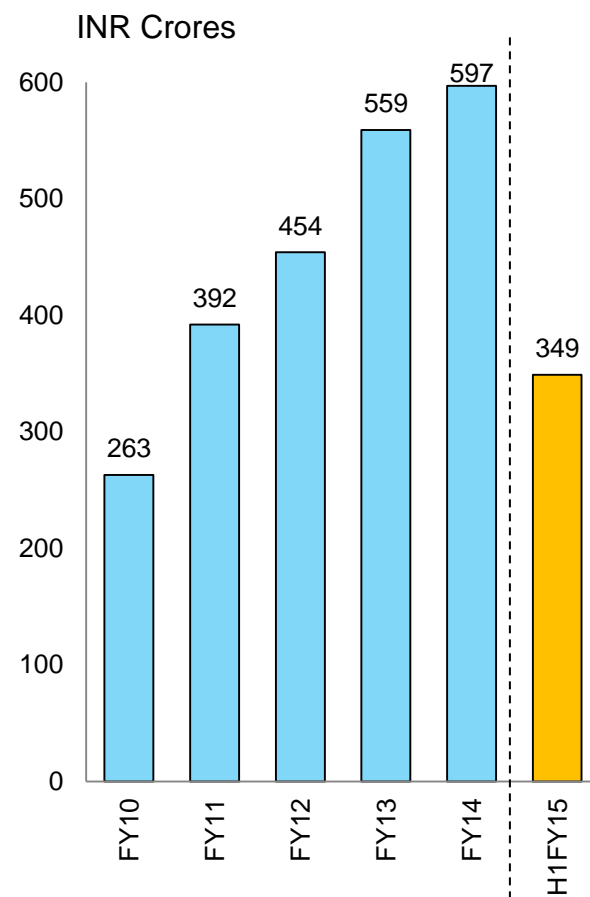
39%

## Net interest margin



36%

## PAT

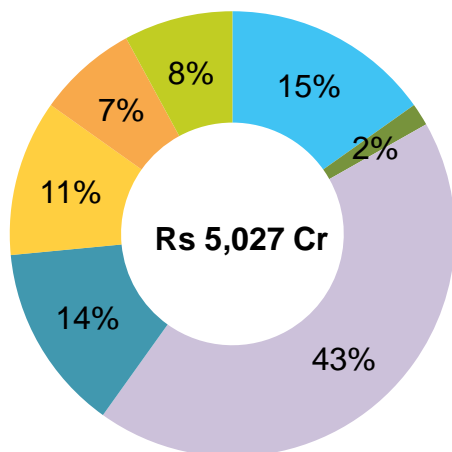


23%

# Balanced loan book

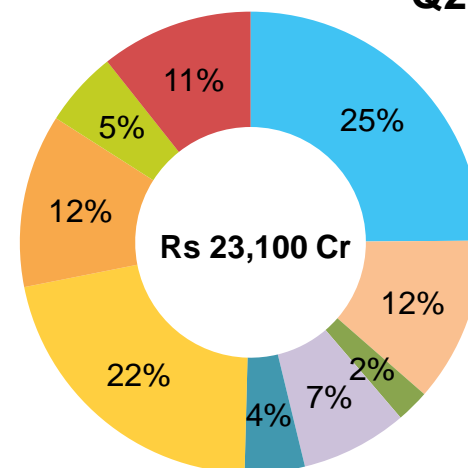
## Retail & Mid-Market

FY09

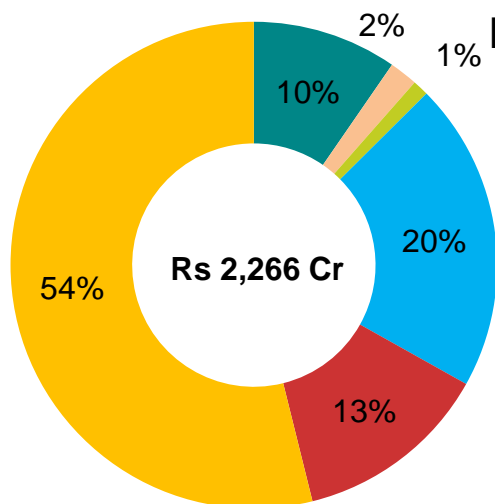


- Rural Products
- Personal Vehicle
- Microfinance
- Construction Equipment
- Commercial Vehicle
- Loans and Leases
- Loan Against Shares
- Supply Chain
- Housing

Q2FY15

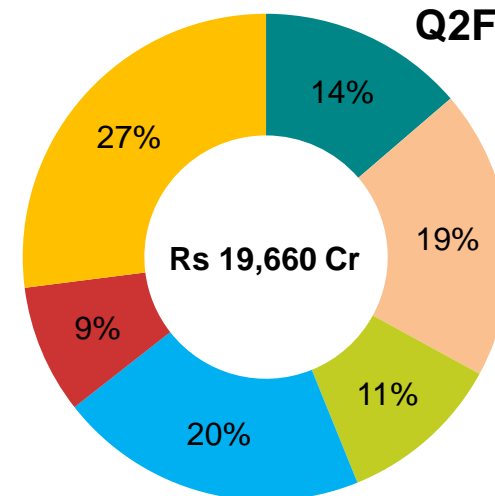


FY09



- Thermal Power
- Renewable Power
- Power – Corp + T&D
- Transportation
- Telecom
- Others

Q2FY15

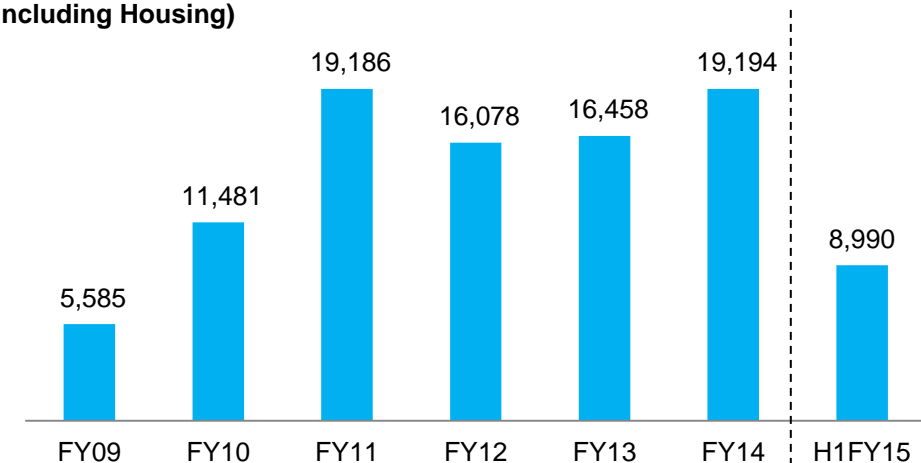


## Wholesale

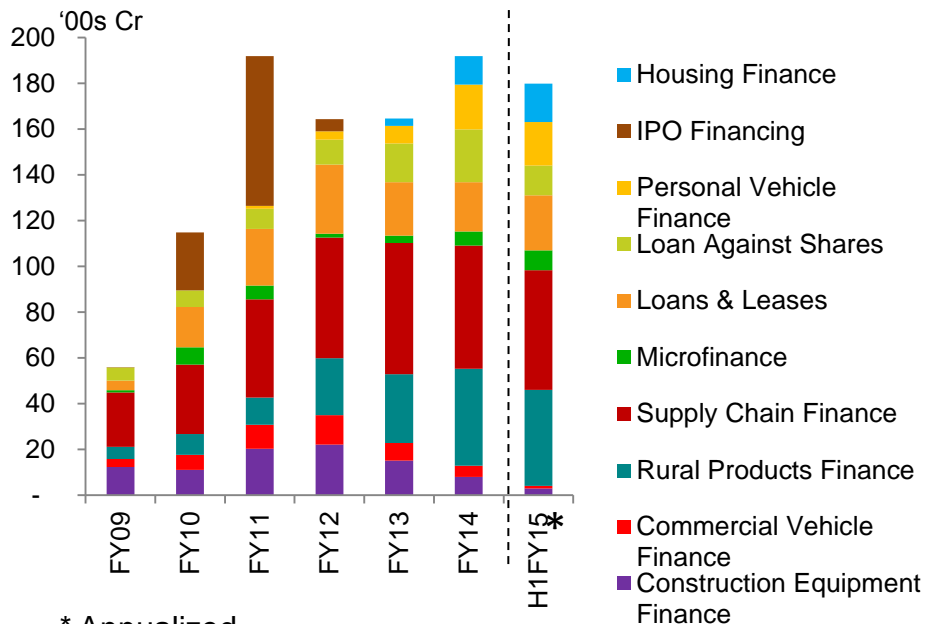
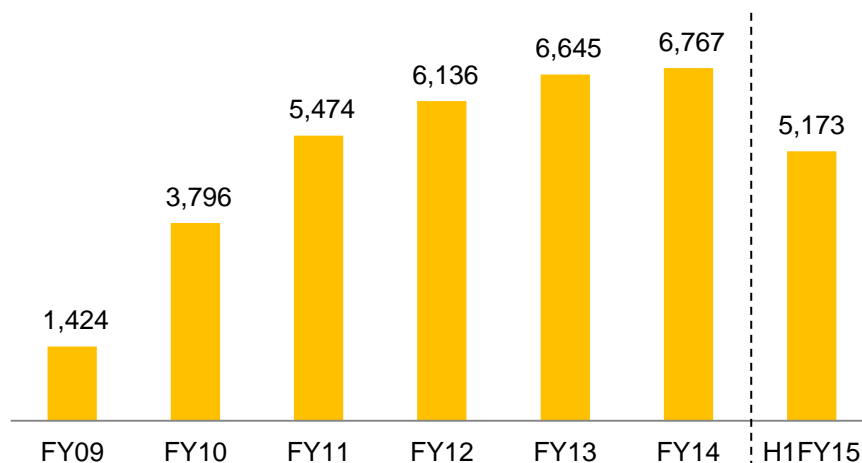


# Supported by calibrated disbursement strategy

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



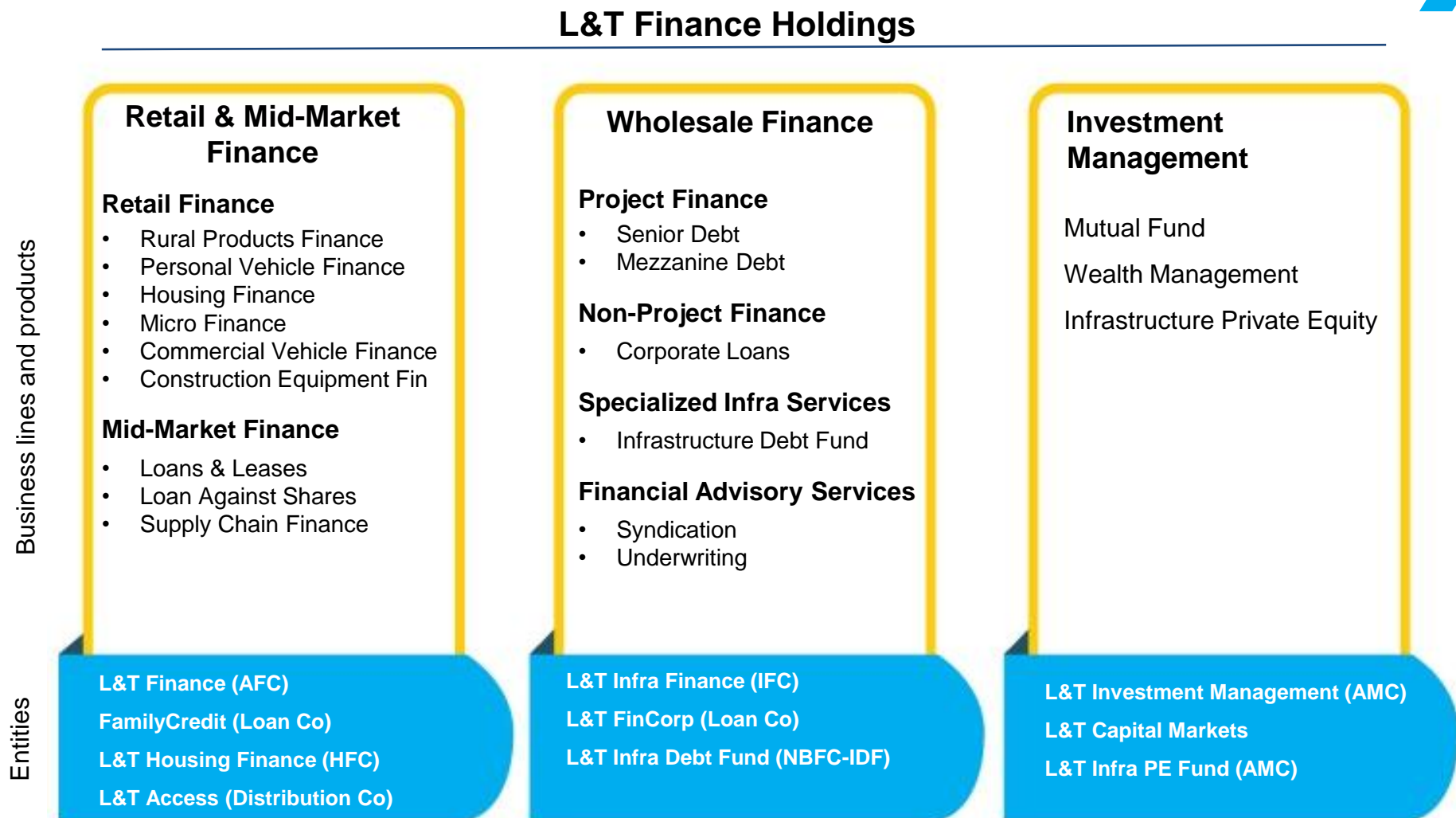
## Wholesale Business – Disbursement (Rs Cr)



\* Annualized

- Disbursements in the Wholesale business have tapered down in the period FY12-FY14
  - Thrust on operating projects
- Disbursements in the Retail and Mid-Market business has also shown flat growth over FY12 –FY14
  - B2C segments of rural products, microfinance, housing and personal vehicles driving growth
  - Commercial vehicle and construction equipment segments have been consciously de-grown from FY12

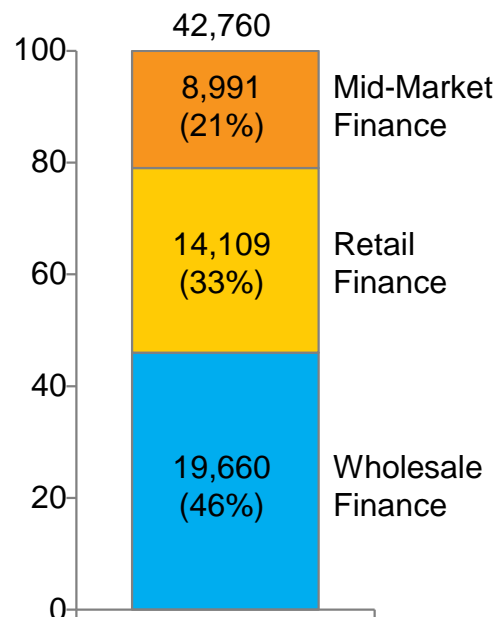
# Collectively, a comprehensive product suite across three lines of business



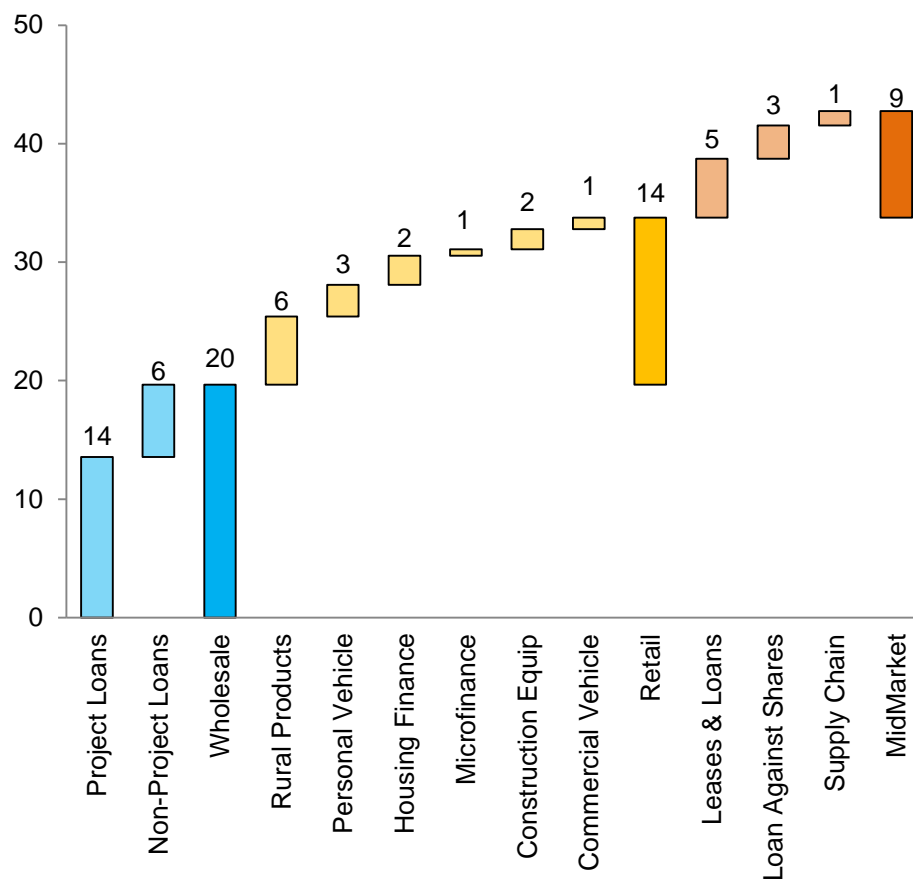


# Assets across customer segments, product families...

Asset book by business  
(INR Crores and %)

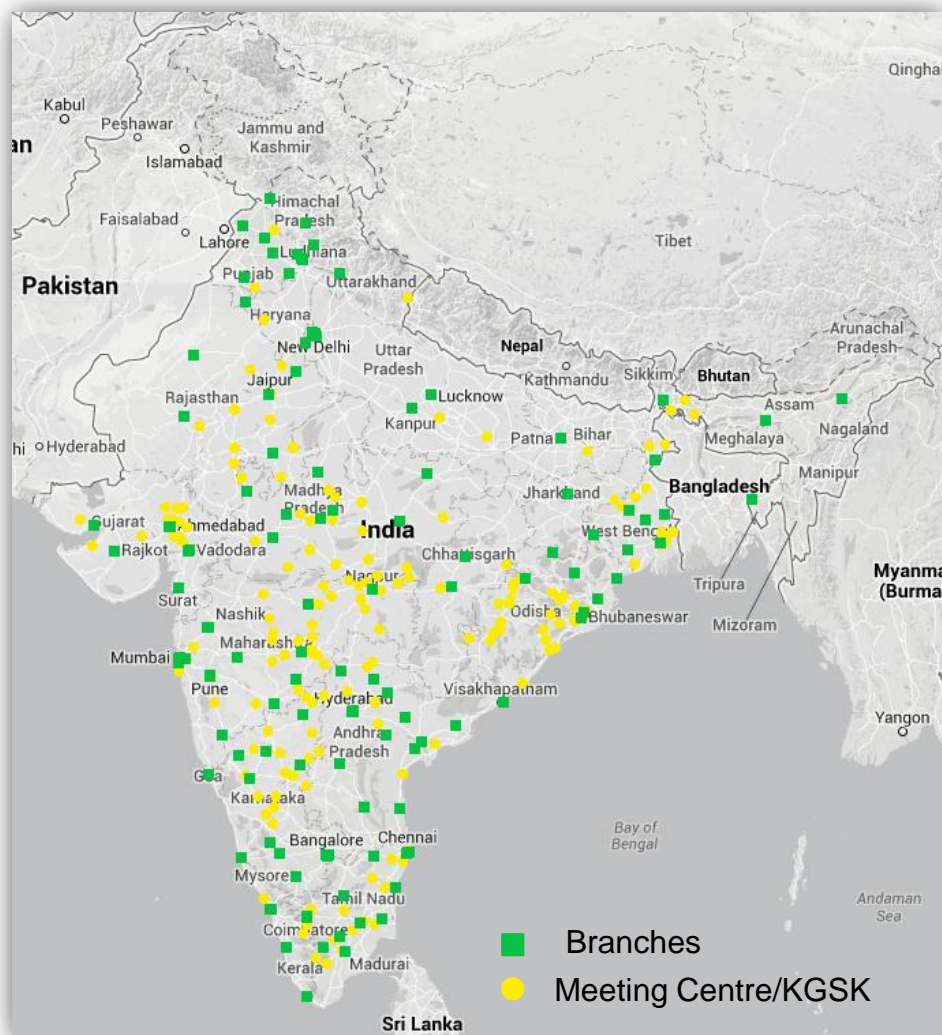


Asset book, by product  
(INR '000s Crores)



Serving 16 lakh plus customers across Retail, Corporate, and HNI segments

# Extensive footprint of 700+ points of presence across India



Mobile branches not shown

**700+ touch points including 200+ branches, 190+ meeting centres, and 60+ KGSKs for LTFH NBFCs**

- Presence in **24 out of 29 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



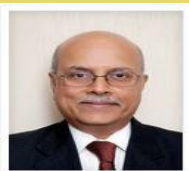
**R. Shankar Raman**, *Non-Executive Director*

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



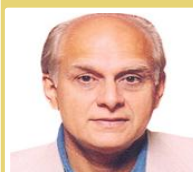
**A. K. Jain**, *Non-Executive Director*

- B.Com graduate from Delhi University
- Masters in Public Admin. from IIPM
- Joint Secretary - Banking Division of Finance Ministry
- 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
- Managing Partner, Haribhakti & Co



**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

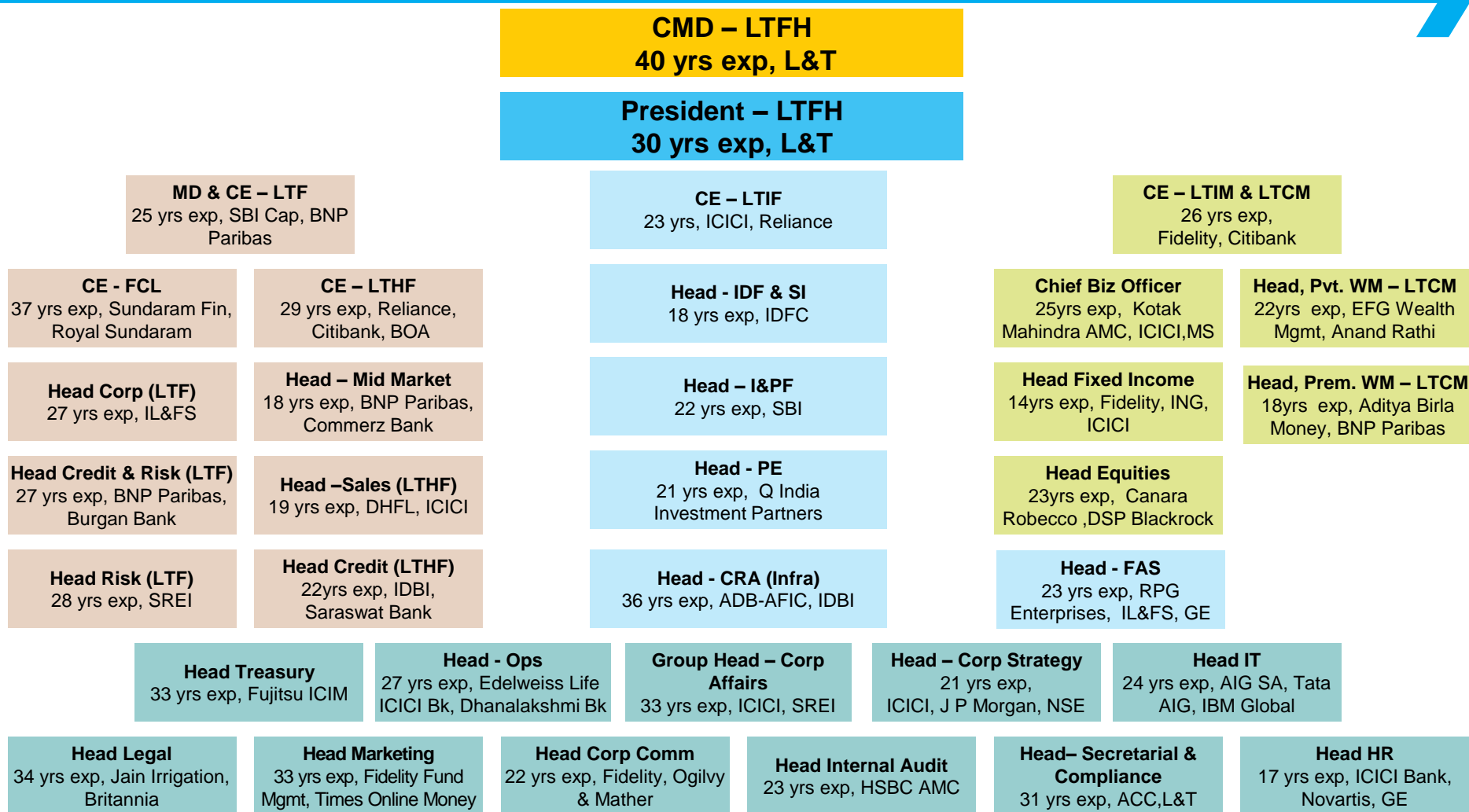


**K. Rao**, *Independent Director*

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

■ : 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



# Highlights of LTFH performance

## Healthy Growth in Assets ...

Loan assets at Rs. 42,760 Cr registering a growth of 21% Y-o-Y

Disbursement growth of 24% Y-o-Y led by robust disbursements to -

- B2C products of microfinance, rural products, personal vehicle and housing finance
- Thrust on operating projects in infrastructure

AMC achieves AAUM of Rs. 20,000+ Cr with composition of equity assets increasing to 32% from 27% in Q1FY15

## ...Leading to Growth in Profits...

Profit (before exceptional items) grows by 16% Y-o-Y

- Retail NIMs continue to improve with change in product mix towards high yielding assets; Wholesale NIMs remain stable
- Supported by effective management of borrowings
- Provision coverage ratio has been increased to 33% from 26% in Q1FY15

## ...While Asset Quality begins to stabilize...

Asset quality begins to show signs of softening

- Marked improvement in collections on overdue assets in the CV portfolio and rollbacks in rural products portfolio
- Judicious sale of certain NPAs in the wholesale business to ARCs

# Summary Financial Performance – Key Operating Entities

Q2FY14	H1FY14	FY14	Rs. Crores	Q1FY15	Q2FY15	H1FY15	Y-o-Y
<b>Lending Businesses (Retail and Mid-Market, Housing, Wholesale)</b>							
35,459	35,459	40,080	Loans and Advances	40,764	42,760	42,760	21%
5,544	11,405	25,959	Disbursements	6,478	7,685	14,163	24%
464	937	1,965	NIM	558	632	1,190	27%
371	718	1,471	Earnings before credit cost	409	455	864	20%
121	255	578	Credit cost	159	183	342	34%
178	333	656	PAT	178	185	364	9%
5.49%	5.45%	5.47%	NIM (%)	5.53%	6.05%	5.78%	-
2.89%	2.89%	3.18%	Gross NPA (%)	3.57%	2.96%	2.96%	-
12.29%	11.72%	11.23%	ROE (%)	11.26%	11.35%	11.29%	-
<b>Investment Management</b>							
15,079	15,079	18,255	Average AUM	19,895	20,673	20,673	37%
4,674	4,674	4,929	- Average Equity / Hybrid AUM	5,309	6,644	6,644	42%
1.7	(1.8)	0.5	PAT before amortization	(0.4)	0.0	(0.4)	-

- Growth in loan assets driven by disbursements in retail segment and to operating assets in infrastructure sector
- Higher NIMs due to increase in high yielding retail assets and substantial collection of overdue charges
- GNPA's begin to soften on back of recoveries in rural products and commercial vehicle segments

# Summary Financial Performance – LTFH Consolidated

Q2FY14	H1FY14	FY14	Summary P&L (Rs. Crores)	Q1FY15	Q2FY15	H1FY15	Y-o-Y
156	301	597	PAT before Exceptional Item	167	182	349	16%
69	143	300	- Retail & Mid-Market Finance	82	88	169	18%
3	5	10	- Housing Finance	9	8	17	-
106	185	347	- Wholesale Finance	88	90	178	(4%)
(22)	(32)	(60)	- Others	(12)	3	(9)	-
-	-	-	Exceptional Item*	119	-	119	-
156	301	597	PAT	286	182	468	56%

Q2FY14	FY14	Summary BS (Rs. Crores)	Q1FY15	Q2FY15	Y-o-Y (%)
5,743	5,826	Net worth (excluding preference capital)	6,105	6,287	9%
2,803	2,969	- Retail & Mid-Market Finance	3,043	3,112	11%
298	303	- Housing Finance	312	320	7%
2,858	2,993	- Wholesale Finance	3,084	3,187	12%
644	650	- Others	770	762	-
750	1,000	Preference Capital	1,263	1,363	-
32,069	35,854	Borrowings	36,276	38,273	19%

\* Exceptional item due to sale of 4.5% stake in City Union Bank

# 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
<b>Rural Products</b>	<ul style="list-style-type: none"> <li>Tractor sales de-grew by 1% during the half year</li> <li>Tractor industry expected to grow by ~4% in FY15 (Source: ICRA)</li> </ul>
<b>Personal Vehicle</b>	<ul style="list-style-type: none"> <li>2W sales growth positive, Y-o-Y growth of 16% in H1FY15</li> <li>Launch of new variants and dealer schemes provides boost to sales of personal vehicles</li> </ul>
<b>Microfinance</b>	<ul style="list-style-type: none"> <li>Strong demand continues in microfinance</li> </ul>
<b>Construction Equipment</b>	<ul style="list-style-type: none"> <li>CE sales continue to de-grow in excess of 12 % due to pending policy decisions, non-release of funds in approved projects, land acquisition/environmental clearance issues and relatively higher interest rates.</li> </ul>
<b>Commercial Vehicle</b>	<ul style="list-style-type: none"> <li>MHCV sales seems to have bottomed out. Speedier implementation of stalled project and gradual easing of mining ban will aid revival; negative impact being seen in LCV segment</li> </ul>
<b>Mid-Market</b>	<ul style="list-style-type: none"> <li>Gross fixed capital formation grew by 7.00% in Q1FY15 (-2.8% in Q1FY14) indicating signs of new capex</li> <li>EBIDTA growth rate of 14.1% for BSE 500 corporates exceeds growth rate of balance sheet debt (13.8%)</li> <li>Gradual resumption of stalled projects, improvement in economic growth and a stable government augur well for the mid-market segment</li> <li>High leverage, subdued consumption growth and regulatory hurdles indicate start of meaningful capex only in 2015-16</li> </ul>

Segment (SIAM)	H1FY14 Growth (%)	H1FY15 Growth (%)	FY15 Projection (%)
Cars	(4.6)%	4.1%	2.0%- 5.0%
UV	(4.7)%	12.1%	8.0%-9.0%
LCV	(9.6)%	(14.3)%	(8.0%-10.0%)
MHCV	(25.2)%	(1.2)%	(10.0%-15.0%)
CV (Total)	(15.3)%	(10.1)%	(15.0%-19.0%)
2W	3.5%	16.4%	9.0%-10.0%

Growth continues to be driven by B2C segment while pick up in B2B segments is still awaited

# Retail and Mid-Market Finance – Performance by product

## DISBURSEMENTS

Q2FY14	H1FY14	FY14	Rs. Crores	Q1FY15	Q2FY15	H1FY15	H1'15 v/s H1'14
874	1,775	4,243	Rural Products Finance	1,149	947	2,096	18%
489	935	1,966	Personal Vehicle Finance	477	475	952	2%
159	254	606	Microfinance	171	266	437	72%
212	469	808	Construction Equipment Finance	91	60	151	(68%)
151	327	480	Commercial Vehicle Finance	27	28	55	(83%)
330	976	2,162	Loans and Leases	462	739	1,201	23%
330	755	2,299	Loan Against Shares	565	80	645	(15%)
1,251	2,586	5,381	Supply Chain Finance	1,232	1,382	2,614	1%
<b>3,796</b>	<b>8,077</b>	<b>17,949</b>	<b>Total</b>	<b>4,172</b>	<b>3,977</b>	<b>8,151</b>	<b>1%</b>

Disbursements to B2C segment grows by 18% while B2B segment sees de-growth of 19% on Y-o-Y basis

## LOANS & ADVANCES

H1FY14	H1FY14 (%)	Rs. Crores	Q1FY15	H1FY15	H1FY15 (%)	Y-o-Y Growth
3,977	21%	Rural Products Finance	5,443	5,655	27%	42%
2,349	12%	Personal Vehicle Finance	2,585	2,760	13%	18%
304	2%	Microfinance	436	532	3%	75%
2,639	14%	Construction Equipment Finance	1,954	1,727	8%	(35%)
1,698	9%	Commercial Vehicle Finance	1,172	971	5%	(43%)
4,829	26%	Loans and Leases	4,860	4,962	24%	3%
2,073	11%	Loan Against Shares	3,124	2,806	14%	35%
924	5%	Supply Chain Finance	995	1,223	6%	32%
<b>18,793</b>	<b>100%</b>	<b>Total</b>	<b>20,568</b>	<b>20,636</b>	<b>100%</b>	<b>10%</b>

Loans to B2C segment grows by 35% while B2B segment sees de-growth of 4% on Y-o-Y basis

# Retail and Mid-Market Finance – Summary Financials

Q2FY14	H1FY14	Summary P&L (Rs. Crores)	Q1FY15	Q2FY15	H1FY15	Y-o-Y	FY14	TTM	TTM v/s FY14
703	1,357	Interest Income	777	829	1,606	18%	2,838	3,087	9%
411	781	Interest Expense	438	430	868	11%	1,631	1,718	5%
292	576	NIM	339	399	738	28%	1,207	1,369	13%
10	20	Fee Income	15	8	24	18%	51	54	7%
125	238	Operating Expense	142	157	300	26%	519	580	12%
178	358	Earnings before credit cost	212	249	462	29%	739	843	14%
73	154	Credit Cost	98	119	217	41%	335	398	19%
69	143	PAT	82	88	169	18%	300	326	9%
3,796	8,077	Disbursements	4,172	3,977	8,151	1%	17,949	18,019	0%

Q2FY14	Q4FY14	Summary BS (Rs. Crores)	Q1FY15	Q2FY15	Y-o-Y (%)
18,794	20,602	Gross Loans & Advances	20,568	20,636	10%
16,491	17,737	Borrowings	17,845	17,767	8%
2,803	2,969	Networth	3,043	3,112	11%
633	696	Gross NPAs	770	714	13%
370	447	Net NPAs	538	425	15%

- Stable growth in PAT with moderate growth in assets
- GNPA's decrease due to recoveries in rural products and commercial vehicle segments
  - Credit costs higher on account of increasing the provision coverage ratio to 40% from 30% in Q1FY15
- As of September 2014, provision over RBI norms is Rs. 91 Cr with assets of Rs. 36 Cr lying in repossessed stock



## Retail and Mid-Market Finance – Key ratios

Q2FY14	H1FY14	Key Ratios	Q1FY15	Q2FY15	H1FY15	FY14	TTM
14.52%	14.39%	Yield	15.10%	16.09%	15.59%	14.70%	15.40%
10.29%	9.97%	Cost of Funds	9.83%	9.66%	9.76%	10.02%	9.93%
6.24%	6.21%	Net Interest Margin	6.59%	7.74%	7.16%	6.30%	6.83%
0.21%	0.22%	Fee Income	0.30%	0.16%	0.23%	0.26%	0.27%
2.67%	2.57%	Operating Expenses	2.76%	3.06%	2.91%	2.71%	2.90%
3.81%	3.87%	Earnings before credit cost	4.13%	4.84%	4.48%	3.86%	4.21%
1.57%	1.66%	Credit Cost	1.90%	2.31%	2.10%	1.75%	1.99%
9.88%	10.16%	Return on Equity	10.84%	11.37%	11.11%	10.50%	11.00%
1.39%	1.46%	Return on Assets	1.49%	1.59%	1.54%	1.48%	1.52%
5.88	5.88	Gearing	5.86	5.70	5.70	5.97	5.70
3.42%	3.42%	Gross NPA %	3.79%	3.50%	3.50%	3.42%	3.50%
2.03%	2.03%	Net NPA %	2.67%	2.11%	2.11%	2.22%	2.11%
14.23%	14.23%	CRAR (Tier 1 )	14.19%	14.33%	14.33%		
1.90%	1.90%	CRAR (Tier 2)	2.48%	2.46%	2.46%		
16.13%	16.13%	CRAR (Total)	16.67%	16.79%	16.79%		

- NIMs continue to show improvement due to increasing proportion of higher yielding assets
  - Q2FY15 NIMs impacted by higher overdue charges and one time retrospective interest rate resets
- Lower fee income in Q2 due to subdued disbursements to mid-corporate segment
- Increase in opex a reflection of change in portfolio mix and recognition of CSR expenses
- TTM ratios indicate improving operating performance

# Housing Finance

- Expansion of sourcing to 29 operational markets by addition of 9 new branches, while serving customers in 68 cities
- Product portfolio diversification continues to be a key focus area
  - Traction in small ticket loans of less than Rs 25 lakhs due to focus on expanding into Tier-2 / Tier-3 markets and sourcing of PSL business
- Credit rating of L&T Housing Finance upgraded to AA+ by ICRA

Q2FY14	H1FY14	FY14	Particulars (Rs. Cr.)	Q1FY15	Q2FY15	H1FY15
787	787	1,882	Loan Book	2,110	2,464	2,464
294	500	1,245	Disbursements	353	486	839
0.3%	0.3%	1.22%	GNPA (%)	2.0%	1.6%	1.6%
0.1%	0.1%	0.96%	NNPA (%)	1.5%	1.2%	1.2%
3	5	10	PAT	9	8	17
298	298	303	Networth	312	320	320
2.0	2.0	5.5	Gearing	5.5	6.9	6.9

H1'14	Book Split	Q1'15	H1'15
53%	Home Loans	51%	53%
31%	LAP	43%	41%
16%	CF	6%	6%

- Disbursement growth remains high at 68% Y-o-Y while loan book grows by 3.0 times Y-o-Y
- Decrease in GNPA due to recoveries in the acquired portfolio, expected to improve further with the resolution of certain home loan accounts through litigation

# Wholesale Finance – Market scenario and outlook

Segment	Outlook
<b>Thermal Power</b>	<ul style="list-style-type: none"> <li>• Supreme Court cancels allocated captive coal blocks and imposes penalties – Government ordinance to sort out issues, the impact of which needs to be seen</li> <li>• Uncertainty on fuel availability and Case I bids affecting project viability</li> <li>• Low interest in bids for UMPPs, financial strain for power generators to continue</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Accelerated depreciation for wind projects restored, draft guidelines for 3000 MW solar power under NSM announced</li> <li>• Grid upgrade programme announced to address weak infrastructure that hindered growth of renewables</li> <li>• Private equity interest in renewables continued to be high in H1FY15; new capex opportunities expected in H2 FY15</li> </ul>
<b>Roads</b>	<ul style="list-style-type: none"> <li>• PPP road projects approved by NHAI under the premium deferment scheme while concession agreement clauses are being modified</li> <li>• Measures to revive stalled projects and indexation of total project cost under consideration</li> <li>• While refinance opportunities could continue to exist, new projects could take 1-2 quarters to pick up</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>• Availability of spectrum for further expansion remains a key challenge for Telecom sector</li> <li>• Financing opportunities in H2FY15 subject to timely completion of spectrum auction process</li> <li>• Core industries could be under stress in the non infra segment owing to softening steel prices, negation of deemed mining licenses and coal block de-allocation</li> </ul>

**Policy initiatives and their implementation key to revival of new investments**

# Wholesale Finance – Asset volumes, by product

## DISBURSEMENTS

Q2FY14	H1FY14	FY14	Rs. Crores	Q1FY15	Q2FY15	H1FY15	TTM	TTM v/s FY14
87	167	799	Thermal Power	269	97	366	998	25%
232	534	1,073	Renewable Power	684	876	1,560	2,099	96%
87	582	877	Power – Corp <sup>1</sup> + T&D	2	457	459	754	(14%)
638	923	1,604	Transportation	687	40	727	1,408	(12%)
16	22	570	Telecom	258	0	258	806	41%
393	600	1,840	Others <sup>2</sup>	53	1,750	1,803	3,043	65%
<b>1,452</b>	<b>2,828</b>	<b>6,767</b>	<b>Total</b>	<b>1,953</b>	<b>3,220</b>	<b>5,173</b>	<b>9,112</b>	<b>35%</b>

## LOANS & ADVANCES

Q2FY14	Rs. Crores	Q1FY15	Q2FY15	Q2FY15 (%)	Y-o-Y (%)
2,083	Thermal Power	2,625	2,694	14%	29%
3,183	Renewable Power	3,424	3,787	19%	19%
2,215	Power – Corp <sup>1</sup> + T&D	2,174	2,144	11%	(3%)
2,966	Transportation	4,035	4,041	21%	36%
1,816	Telecom	2,285	1,683	9%	(7%)
3,615	Others <sup>2</sup>	3,543	5,311	27%	47%
<b>15,878</b>	<b>Total</b>	<b>18,086</b>	<b>19,660</b>	<b>100%</b>	<b>24%</b>

## Portfolio Break Up

Corporate 27%

Projects 69%

Operating 43%

U/C 26%

Equity & Investments 4%

- Top 10 borrowers represent 22% of the outstanding
- Top 10 borrower groups form 30% of outstanding

**65% of disbursements in H1FY15 to operating projects , proportion in book increased to 43% from 33% on Y-o-Y basis**

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

Q2FY14	H1FY14	Summary P&L (Rs. Crores)	Q1FY15	Q2FY15	H1FY15	Y-o-Y	FY14	TTM	TTM v/s FY14
482	960	Interest Income	545	587	1,132	18%	1,987	2,159	9%
318	615	Interest Expense	358	381	739	20%	1,282	1,406	10%
164	345	NIM	187	206	393	14%	705	753	7%
6	8	Fee Income	6	10	16	89%	33	41	22%
44	50	Other Income	4	3	8	(85%)	69	27	(61%)
26	52	Operating Expense	23	29	52	(2%)	101	100	(1%)
187	351	Earnings before credit cost	175	191	365	4%	706	720	2%
47	100	Credit Cost	53	62	115	15%	232	247	6%
106	185	PAT	88	90	178	(4%)	347	340	(2%)
1,453	2,828	Disbursements	1,953	3,220	5,173	83%	6,767	9,112	35%

Q2FY14	Q4FY14	Summary BS (Rs. Crores)	Q1FY15	Q2FY15	Y-o-Y (%)
15,878	17,598	Gross Loans & Advances	18,086	19,660	24%
14,236	15,703	Borrowings	16,042	17,980	26%
2,858	2,993	Networth	3,084	3,187	12%
357	524	Gross NPAs	609	474	33%
284	425	Net NPAs	513	367	29%

- 3 assets of net book value Rs. 193 Cr. sold at Rs. 100 Cr. in Q2, loss to be amortized equally over 8 quarters
  - Net restructured standard assets stands at 5.5% as compared to 6.3% in Q1FY15
- Marginal increase in credit cost on account of increasing the provision coverage ratio to ~23% from ~16% in Q1FY15
- As of September 2014, the provision over RBI norms stands at Rs. 69 Cr

# Wholesale Finance – Key ratios

Q2FY14	H1FY14	Key Ratios	Q1FY15	Q2FY15	H1FY15	FY14	TTM
12.40%	12.54%	Yield	12.23%	12.44%	12.34%	12.39%	12.31%
9.86%	9.60%	Cost of Funds	9.32%	9.41%	9.37%	9.51%	9.53%
4.22%	4.50%	Net Interest Margin	4.20%	4.36%	4.28%	4.40%	4.26%
0.15%	0.11%	Fee Income	0.13%	0.22%	0.17%	0.21%	0.22%
1.13%	0.65%	Other Income	0.10%	0.07%	0.08%	0.43%	0.39%
0.68%	0.68%	Operating Expenses	0.51%	0.61%	0.56%	0.63%	0.59%
4.82%	4.58%	Earnings before credit cost	3.91%	4.04%	3.98%	4.40%	4.30%
1.21%	1.31%	Credit Cost	1.20%	1.31%	1.25%	1.45%	1.39%
15.67%	14.35%	Return on Equity	11.60%	11.46%	11.53%	12.72%	12.37%
2.51%	2.26%	Return on Assets	1.79%	1.71%	1.75%	2.01%	1.96%
4.98	4.98	Gearing	5.20	5.64	5.64	5.25	5.64
2.36%	2.36%	Gross NPA %	3.49%	2.53%	2.53%	3.10%	2.53%
1.89%	1.89%	Net NPA %	2.79%	1.97%	1.97%	2.53%	2.09%
16.12%	16.12%	CRAR (Tier 1 )	16.09%	14.46%	14.46%		
1.49%	1.49%	CRAR (Tier 2)	1.90%	2.19%	2.19%		
17.61%	17.61%	CRAR (Total)	17.99%	16.65%	16.65%		

- NIMs higher due to income on prepayments and redemption premium on certain non-equity investments
- Fee income improves in Q2 due to closure of certain large ticket transactions
- Marginal increase in opex in Q2 on recognition of CSR expenses, opex ratio improves on a Y-o-Y basis

# Investment Management – Outlook and strategy

## Industry update

- Industry average assets increased by 7% from Rs 9,87,078 Cr in Q1FY15 to Rs 1,059,738 Cr in Q2FY15 based on the quarterly AAUM
- Equity assets increased with market movement and improved gross and net sales
- Growth in fixed income schemes likely to be impacted by the recent budget announcements on capital gains and dividend distribution tax

## Q3FY15 strategy

- Continue to focus on building the equity book
- Re-positioning fixed income funds' range - enable investors to stay invested for 3+ yrs
- Launch a national investor education drive in partnership with Zee Business
- Opex control through efficient spends and optimal cost structures

## Key Risks

- Significant market corrections and regulatory announcements



# Investment Management – Performance overview

## Profile

- Comprehensive portfolio, with 25+ funds across asset classes, risk profiles and time horizons
- Diversified investor base of ~8 lakh accounts based out of 300+ towns & cities with a branch network spanning 50+ cities
- Overall ranking maintained while ranking on basis of equity AAUM is up a few notches

## Quarterly Highlights

- Launch of a unique equity fund – L&T Business Cycles Fund; collected over Rs 500 Cr with 37,000+ applications across 1600+ distributors from 400 districts
- Improved equity mix from 27% to 32% with higher net inflows and positive market movement
- Muted overall growth due to maturity and redemption of FMPs, owing to change in tax rules resulting in net outflows

Q2FY14	H1FY14	Rs. Crores	Q1FY15	Q2FY15	H1FY15	Y-o-Y
21.3	42.2	Operating Revenue	24.1	31.3	55.4	31%
19.5	43.9	Opex	24.5	31.3	55.8	27%
1.7	(1.8)	PAT(before amortization)	(0.4)	0.0	(0.4)	-
15,079	15,079	Average AUM <sup>1</sup>	19,894	20,673	20,673	38%
0.53%	0.28%	Management Fees/AUM	0.47%	0.59%	0.53%	-
0.05%	(0.02%)	Net Margin (before amortization)	(0.01%)	0.00%	0.00%	-

Q2FY14	AAUM Composition	Q1FY15	Q2FY15	AAUM (Rs Cr)	AAUM (Rs Crores)	Q4FY14	Q1FY15	%
31%	Equity/Hybrid	27%	32%	6,644	Industry	9.87,078	1,059,738	7%
30%	Cash/Ultra Short Term	42%	40%	8,305	L&T MF	19,894	20,673	4%
15%	FMP	20%	17%	3,530				
24%	Other Fixed Income	12%	11%	2,284				

Notes: <sup>1</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 – On the growth path

## Profile

- L&T Capital Markets Ltd (LTCM) offers wealth advisory services through two channels

Business	Customer Segment
Private Wealth	High Net Worth Individuals (HNI)
Premier Wealth	Mass affluent

- 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)
  - Offer ancillary services like Estate Planning and Lending Solutions
  - Strong team of 67 advisors spread over 9 major locations in India and a Representative office in Dubai
- Voted among the top 5 overall best Private Banks in India in the US\$ 1M to 5M category by **Asia Money Private Banking Poll 2014 (Jun'14)**

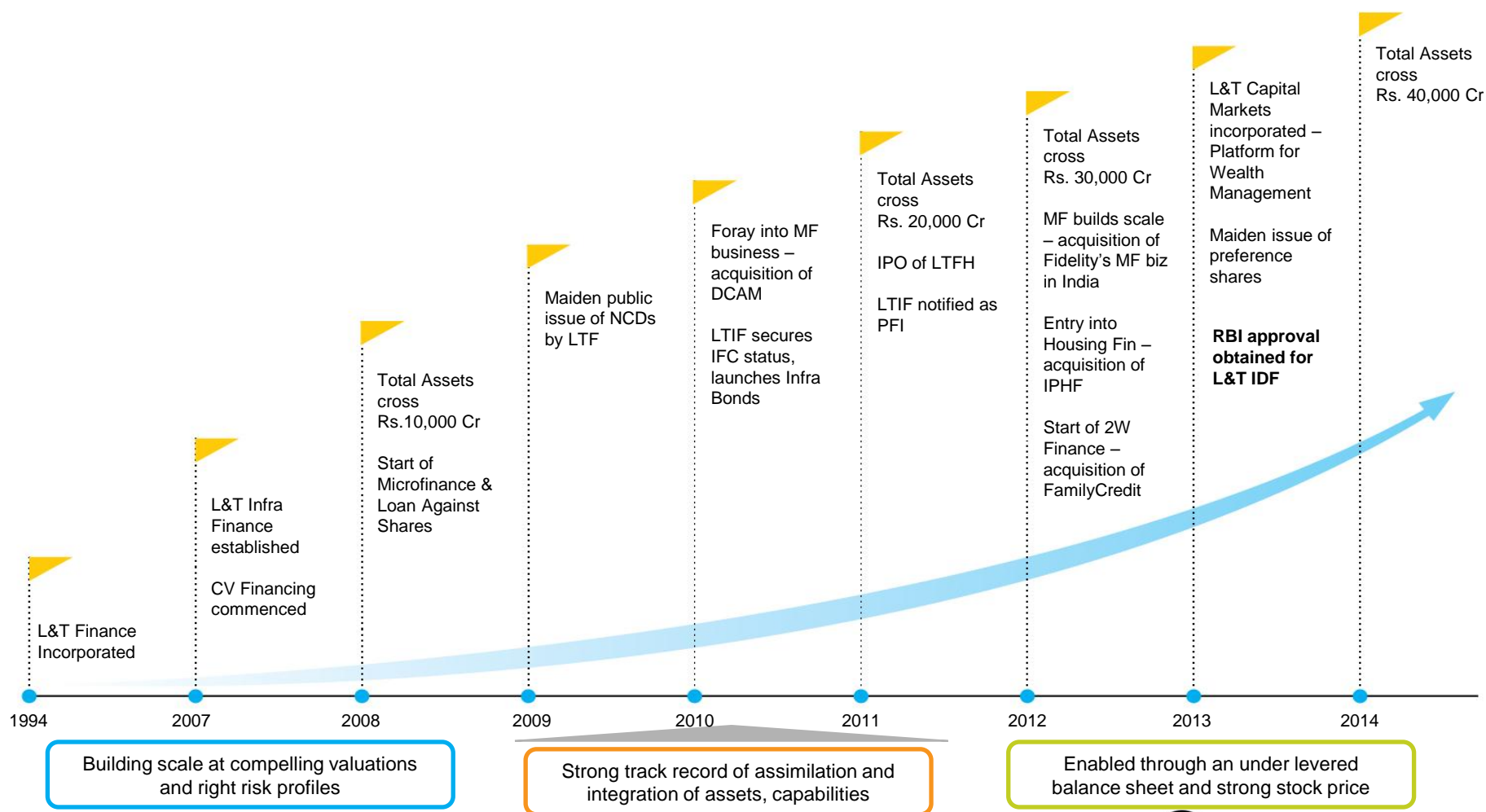
	Q2FY14	Q1FY15	Q2FY15
AAUS (Rs Cr) *	3,570	5,709	6,117
No of clients	~1,014	~2,196	~2,451

- Q3FY15 Strategy
  - Continue to focus on domestic clients by offering customized investment solutions
  - Grow real estate advisory business
  - Improve product mix with a focus towards equity and equity related products
  - Continuous focus on cost management

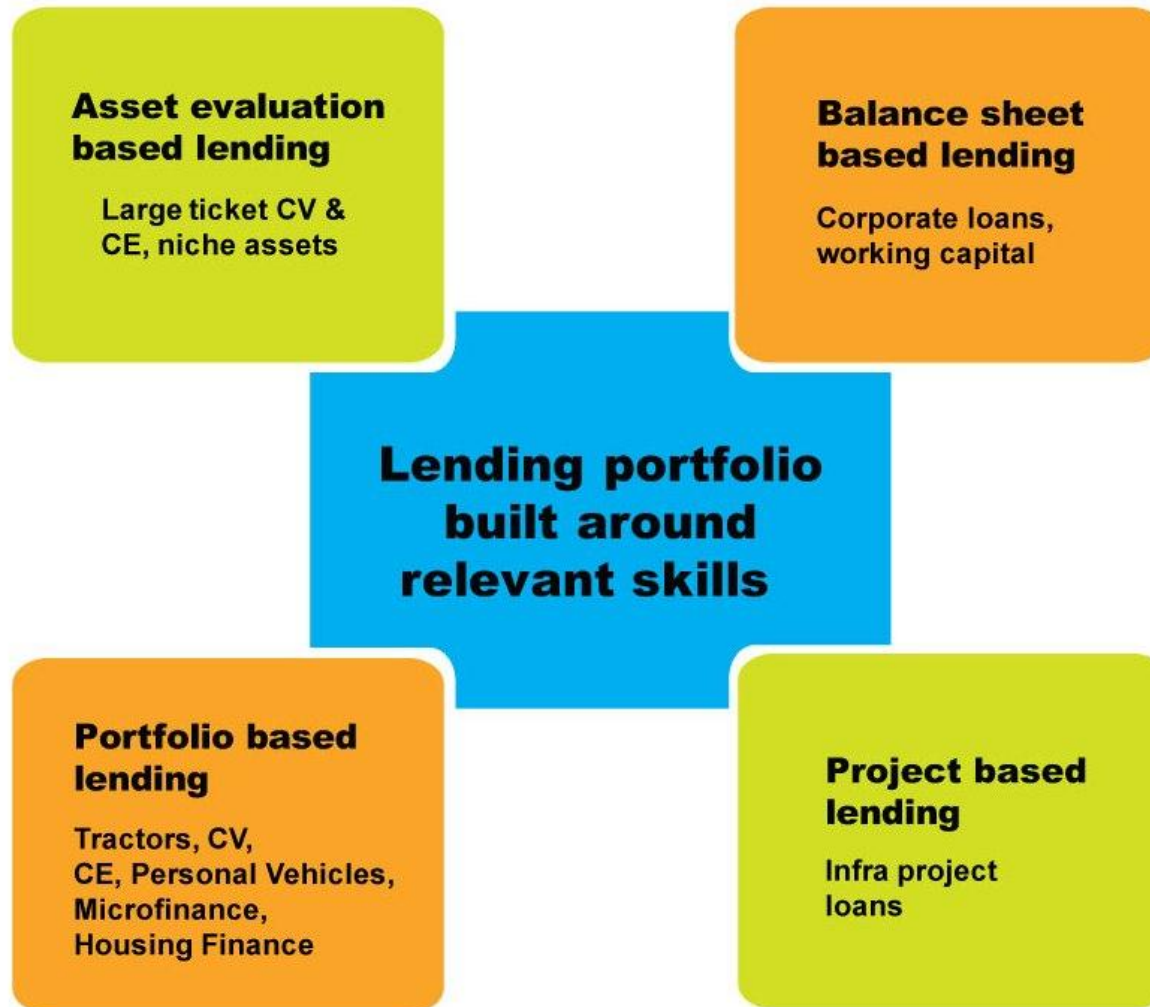
## Appendix

# Building scale and a comprehensive financial services offer

## Key Milestones



# Lending business based on four key themes...



# Notable risk management enhancements made

	Retail and Mid-Market 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

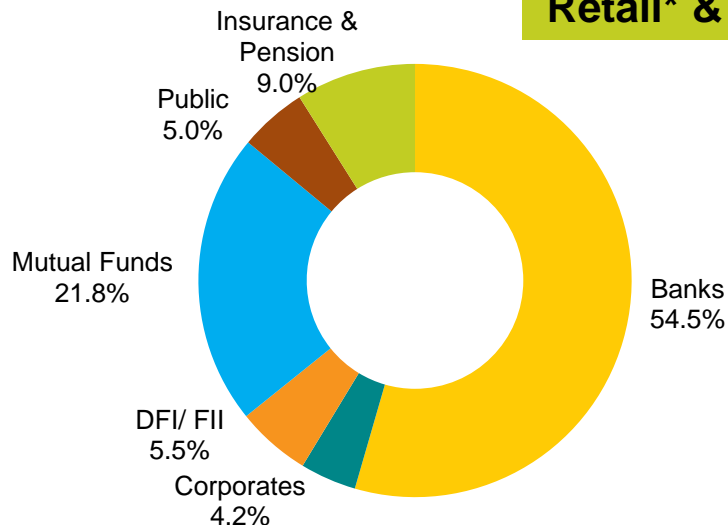
The boards at LTFH level and at the material subsidiary level have constituted the following committees to oversee specific areas:

- 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

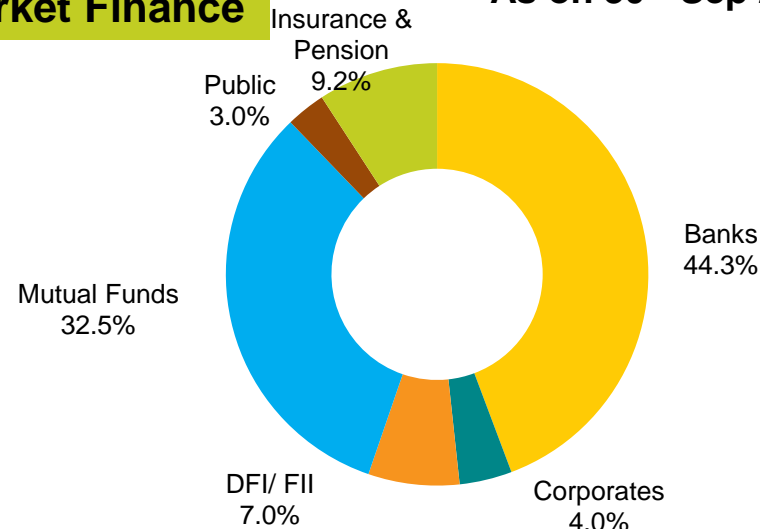


# Debt Composition – Source Wise

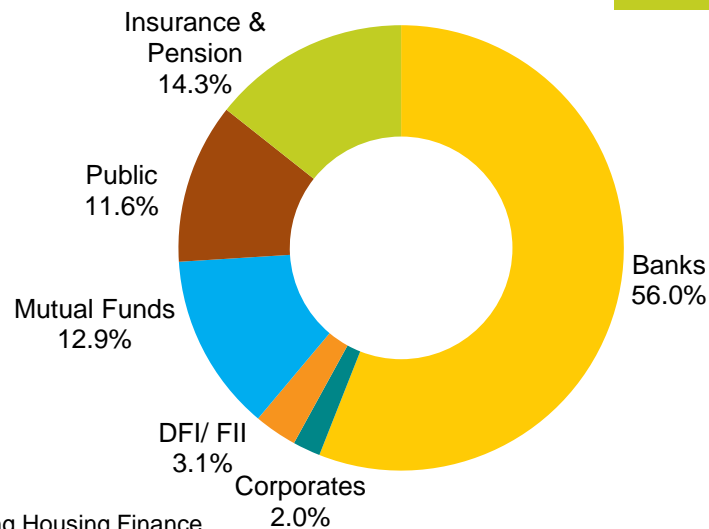
As on 30<sup>th</sup> Jun 2014



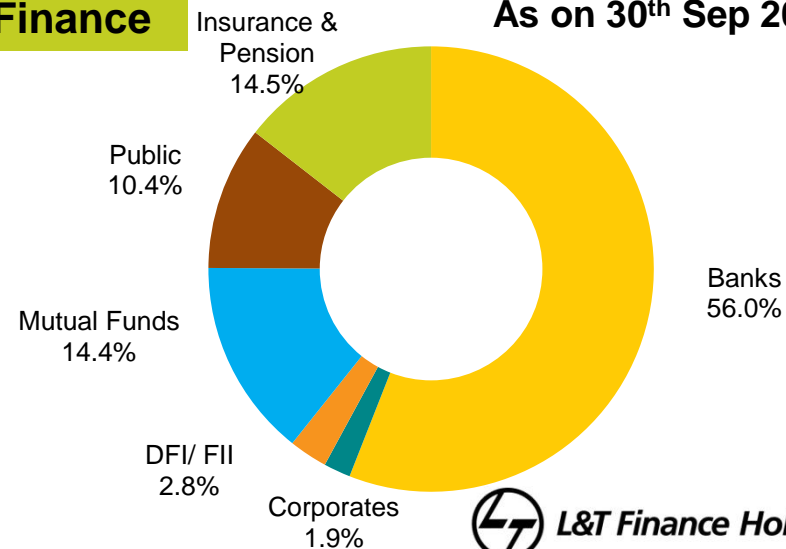
As on 30<sup>th</sup> Sep 2014



As on 30<sup>th</sup> Jun 2014

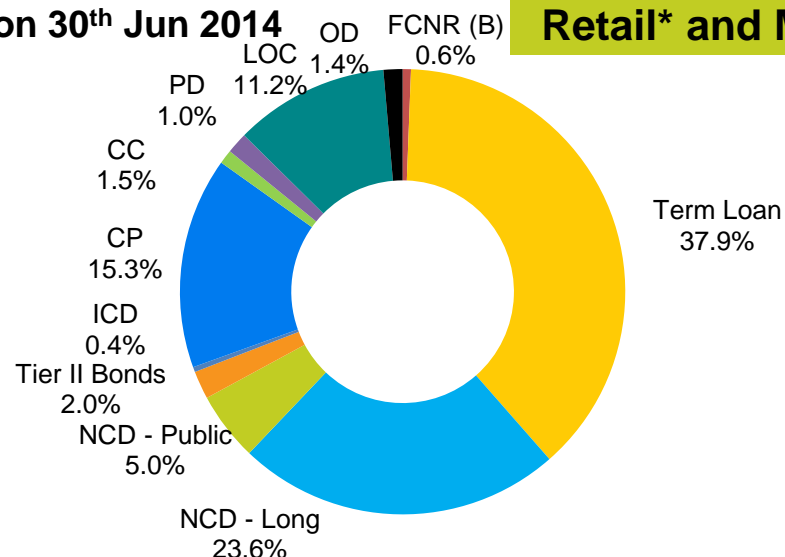


As on 30<sup>th</sup> Sep 2014

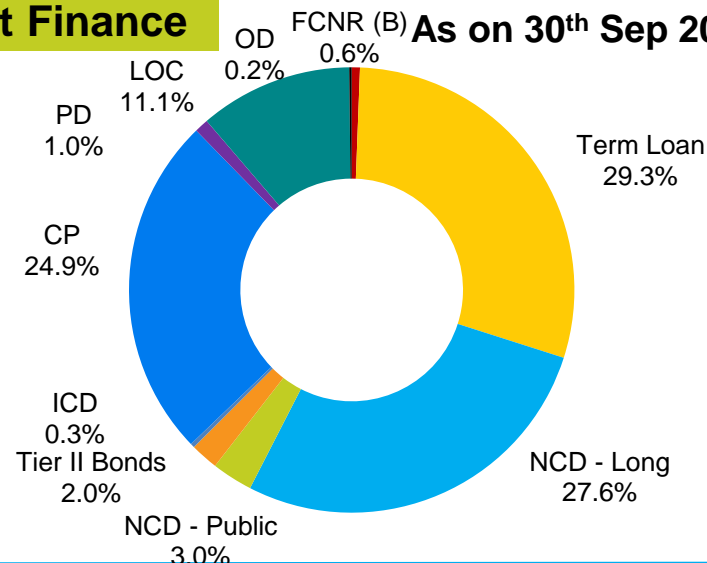


# Debt Composition – Instrument Wise

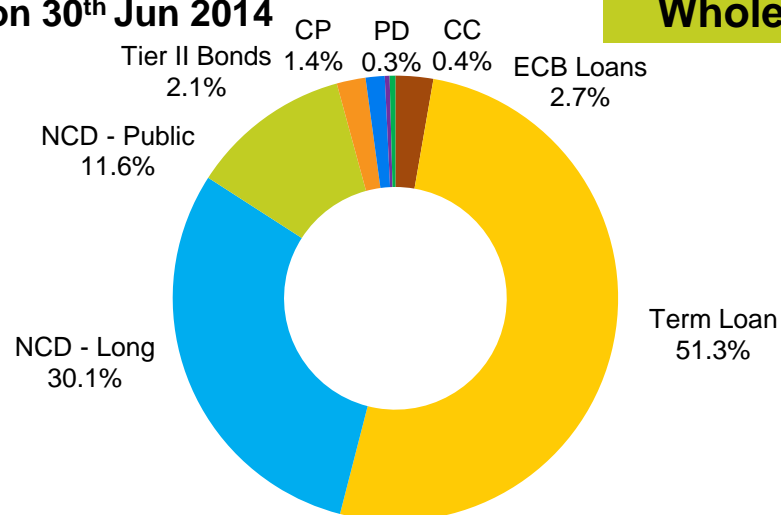
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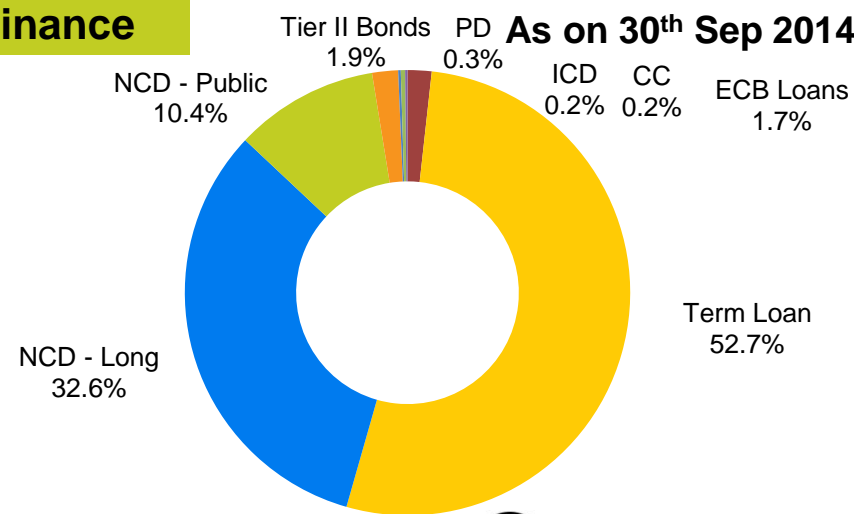
As on 30<sup>th</sup> Sep 2014



As on 30<sup>th</sup> Jun 2014



As on 30<sup>th</sup> Sep 2014



\* Excluding Housing Finance

# AUM Disclosure for September 2013

## ASSETS UNDER MANAGEMENT (“AUM”) REPORT FOR THE QUARTER ENDED SEPTEMBER 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	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 Overseas	8,076.00	7,359.62
<b>Total</b>	<b>1,603,371.57</b>	<b>1,507,887.25</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	74%
Next 10 cities	15%
Next 20 cities	4%
Next 75 cities	3%
Others	3%
<b>Total</b>	<b>100%</b>

# AUM Disclosure for June 2014

## ASSETS UNDER MANAGEMENT (“AUM”) REPORT FOR THE QUARTER ENDED JUNE 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	976,425.71	814,760.36
Equity (other than ELSS)	446,771.16	382,650.42
Balanced	0.00	0.00
Liquid	619,156.04	644,764.24
Gilt	6,983.00	8,109.02
Equity - ELSS	142,213.40	130,764.82
Gold ETF	0.00	0.00
Other ETF	0.00	0.00
Fund of Fund Overseas	7,861.64	8,489.82
<b>Total</b>	<b>2,199,410.96</b>	<b>1,989,538.68</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	74%
Next 10 cities	16%
Next 20 cities	4%
Next 75 cities	3%
Others	3%
<b>Total</b>	<b>100%</b>

# AUM Disclosure for September 2014

## ASSETS UNDER MANAGEMENT (“AUM”) REPORT FOR THE QUARTER ENDED SEPTEMBER 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	714,551.04	812,390.11
Equity (other than ELSS)	545,736.42	490,325.19
Balanced	0.00	0.00
Liquid	484,636.80	603,957.79
Gilt	6,818.20	7,045.70
Equity - ELSS	150,445.06	146,075.05
Gold ETF	0.00	0.00
Other ETF	0.00	0.00
Fund of Fund Overseas	6,840.06	7,476.80
<b>Total</b>	<b>1,909,027.57</b>	<b>2,067,270.64</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	16%
Next 20 cities	5%
Next 75 cities	4%
Others	4%
<b>Total</b>	<b>100%</b>

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

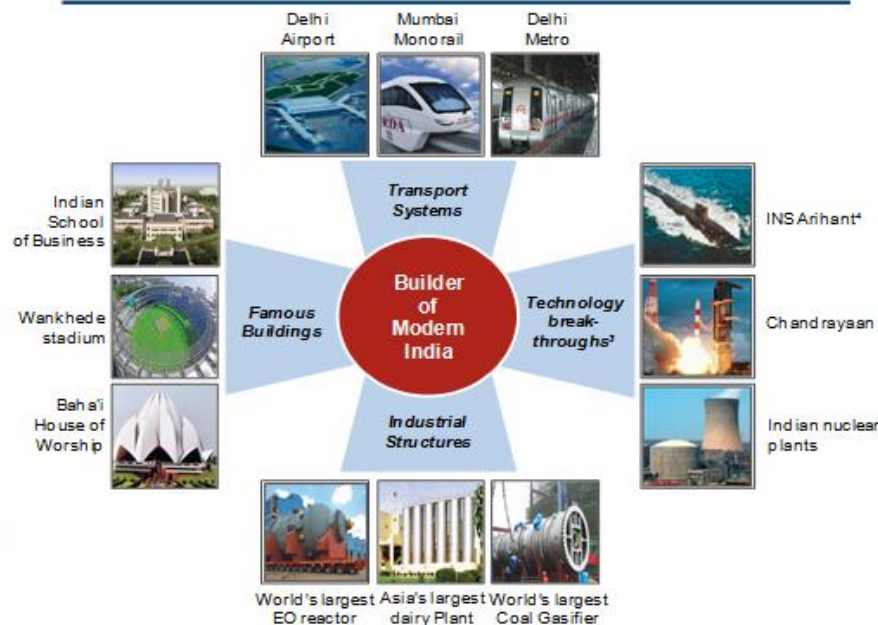
**L&T Group has a long and illustrious history in India...**

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



- Revenue: ~ Rs. 859 bn<sup>1</sup>
- PAT: ~ Rs. 49 bn<sup>1</sup>
- Market Capitalization: ~ Rs. 1342 bn<sup>2</sup>

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



- **L&T Ranked No.1 in Quality of Leadership & India's Second Most Admired Company - Fortune India Survey, Aug 2014**
- **L&T in Top 10 'Best Indian Brands' - Interbrand & The Economic Times Survey, Jul 2013**
- **L&T: Ranked 58<sup>th</sup> amongst World's Most Innovative Companies – Forbes Magazine, Aug 2014**
- **L&T among India's Top 5 most respected companies – Business World, Aug 2013**

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

**L&T Finance Holdings Ltd**

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