

Press Release

Thursday, May 4th, 2017, Mumbai

Performance for quarter and financial year ended March 31, 2017

Consolidated PAT at Rs 1,042 crore – YoY growth of 22%
Consolidated PAT to Equity Shareholders grew 40%

Fourth successive quarter of RoE improvement; Full year RoE at 12.31% - improvement of 253 bps

Result Highlights:

L&T Finance Holdings Ltd (LTFH) has remained steadfast in its journey to reach top quartile RoE by 2020. In FY17, LTFH improved its RoE by 253 bps – from 9.78% in FY16 to 12.31% in FY17. Consolidated PAT grew from Rs. 857 cr. in FY16 to Rs. 1042 cr in FY17 – a growth of 22%. Consolidated PAT to equity shareholders increased from Rs. 656 cr. in FY16 to Rs. 918 cr. in FY17 – a growth of 40%.

This performance has been achieved through a combination of (a) growth in the focused businesses, (b) exit from non-core businesses, (c) an increase in fee income, and (d) reduction in cost- income ratio.

- **Growth in focused businesses:** In its focused lending businesses, namely Rural Finance, Housing Finance and Wholesale Finance, LTFH recorded a 20% increase in assets. Developing these businesses as Centers of Excellence, LTFH relied on its ability to structure transactions, robust risk management framework and industry leading turnaround time as levers for growth.

<u>Disbursements</u>	FY16	FY17	Growth
Rural Finance	6,526	7,405	13.5%
Housing Finance	5,805	6,904	18.9%
Wholesale Finance	27,831	34,996	25.7%
Focused Lending Businesses	40,161	49,305	22.8%

LTFH also witnessed strong growth in its Investment & Wealth Management businesses. Average Assets under Management (AAUM) in Investment Management business increased from Rs. 25,945 cr. in Q4FY16 to Rs. 39,300 cr. in Q4FY17 – a growth of 51%. Average Assets under Service (AAUS) in Wealth Management business increased from Rs. 9,316 cr. in Q4FY16 to Rs. 13,623 cr. in Q4FY17 – a growth of 46%.

- **Exit from non-core businesses:** LTFH has been running down its assets in non-core businesses. In addition, Rs. 327 cr. of this portfolio was sold in Q4FY17 in order to accelerate the exit. With this, only Rs. 2,671 cr. of this portfolio remains, which as a percentage of total assets constitutes merely 4.0% in Q4 FY17 as against 8.5% in Q4FY16.

- **Increase in Fee and Other Income:** LTFH focused on enhancing systemic capabilities to increase its fee and other income as one of the key levers to reach top quartile RoE. Using its strong underwriting ability, structuring and syndication capabilities, and by selling-down loans, LTFH has increased its fee and other income from Rs. 495 cr. in FY16 to Rs. 722 cr. in FY17 – a growth of 46%. As a percentage of assets, fee income has increased from 0.94% in FY16 to 1.18% in FY17.
- **Reduction in Cost-Income Ratio:** By optimizing operating costs, LTFH's Cost to Income ratio has reduced from 31% in FY16 to 26% in FY17 – a reduction of 477 bps. LTFH intends to maintain controls on cost while increasing its investment in digitization and automation.

Asset Quality:

Amidst a challenging environment in the second half of FY17, the Gross Non-Performing Assets (GNPA) ratio increased marginally from 4.85% at the end of Q4FY16 to 4.94% at the end of Q4FY17. However, LTFH has been strengthening its balance sheet throughout FY17 by making accelerated provisions in addition to those required under regulations. In Q4FY17, LTFH made Rs. 491 cr. of accelerated principle provisions and Rs. 47 cr. of accelerated interest provisions. Subsequently, the coverage on GNPA increased from 22.19% in Q4FY16 to 42.82% in Q4FY17 indicating a much stronger balance sheet. As a result of this, Net NPA ratio has reduced substantially from 3.82% to 2.89% over the same period.

<i>(Rs. Cr.)</i>	Q4FY16	Q4FY17
Gross NPA	2,757	3,146
Net NPA	2,145	1,799
Gross NPA %	4.85%	4.94%
Net NPA %	3.82%	2.89%
Provision Coverage %	22.19%	42.82%

Management Commentary:

Commenting on the results and financial performance, Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH, said “FY17 was a year of turnaround, a year of decisive changes in businesses and in the organization's culture. This has also been a year where we re-built credibility with shareholders. The single goal that drives us at LTFH is that of achieving top quartile RoE with execution centered on what we call “Results and not Reasons”. FY18 will be a year where we would be investing in strengthening our competitiveness. The strengths we have built would enable us to take dominant positions in select products and drive our growth engine. I am confident that we will reach our goal of delivering top quartile RoE to our shareholders by FY2020 or even earlier.”

About L&T Finance Holdings Ltd.:

LTFH is a financial holding company offering a focused range of financial products and services across rural, housing and wholesale finance sectors, as well as mutual fund products and wealth management services, through its wholly-owned subsidiaries, viz., L&T Finance Ltd. (erstwhile Family Credit Ltd.), L&T Housing Finance Ltd., L&T Infrastructure Finance Company Ltd., L&T Investment Management Ltd., L&T Capital Markets Ltd. and L&T Financial Consultants Ltd. LTFH is registered with RBI as a CIC-ND-SI. LTFH is promoted by Larsen & Toubro (L&T), one of the leading companies in India, with interests in engineering, construction, electrical & electronics manufacturing & services, IT and financial services