

October 4, 2013

L&T Finance Holdings Ltd.

BSE Code: 533519 NSE Code: L&TFH Reuters Code: LTFH.NS Bloomberg Code: LTFH:IN

L&T Finance Holdings Ltd (LTFH), a financial holding company offering a diverse range of financial products and services across the corporate, retail and infrastructure finance sectors, through its wholly-owned subsidiaries, viz., L&T Finance Ltd, L&T Infrastructure Finance Company Ltd, L&T Investment Management Ltd, L&T Capital Markets Ltd, L&T Housing Finance Ltd, FamilyCredit Ltd and L&T FinCorp Ltd. The company has submitted an application to the RBI for grant of bank license in accordance with the Guidelines for Licensing of New Banks in the Private Sector issued by the RBI.

Investor's Rationale

Net Profit surged 20.0% on continued momentum in the Retail Finance Business – LTFH reported a 20% YoY in its net profit to ₹1,447.9 mn in Q1FY'14 on consolidated basis, mainly driven by the Retail Finance Business, which posted a growth of 48.0% YoY to ₹737 mn. The lending business surged 20.2% YoY to ₹1,528 mn, during the quarter. The rise in other income that surged to ₹242.5 mn in Q1FY'14 as against ₹77 mn in the corresponding period a year ago also supported the bottomline growth. The reduction in the losses in the investment management business and positive contribution from the microfinance business also supported profit growth.

NII rose 29% YoY in Q1FY'14– The consolidated net interest income (NII) during the quarter spurted 29% to ₹4,694 mn as against ₹3,642 mn in the same period a year ago. Further, NIM grew 470.5bps to 37.6%, during the quarter.

Asset Quality remained under pressure - Loans and advances of LTFH during the quarter surged by 31.1% YoY to ₹343.37 bn, however, the asset quality of LTFH remained under pressure as the Gross NPA stood at 2.54% of loan assets in Q1FY'14 as against 2.03% in the previous quarter. The increase in Gross NPA has been contributed primarily by corporate loans in infrastructure and SME sectors, as a result of stress in the economic environment. The Net NPA stood at 1.67% of loan assets in Q1FY'14 as compared to 1.26% in Q4FY'13.

Expect margin to improve in H2FY'14 – The company has witnessed a 21% YoY growth in its EBITDA at ₹8,850.1 mn in Q1FY'14, while the EBITDA margin declined by 431 bps YoY to 76.4% due to the sharp rise in the operating expenses by ~56% YoY to ₹2,738 mn. However, the company expects the margins to be stable or witness a marginal improvement due to an expected improvement in the interest environment in H2FY'14.

Market Data

| | |
|----------------------------|--|
| Rating | BUY |
| CMP (₹) | 66.8 |
| Target Price | 76 |
| Stop Loss | 62 |
| Duration | Short-term |
| 52-week High-Low (₹) | 97.1/49.5 |
| Rise from 52WL (%) | 34.9 |
| Correction from 52WH (%) | 31.2 |
| Beta | 1.1 |
| 1 year Average Volume (mn) | 7.1 |
| Stock Return (%) | 3M- (12.8) 6M- (11.2) 1Y- (23.9) |
| Market Cap (₹bn) | 114.8 |
| Book Value (₹) | 20.56 |

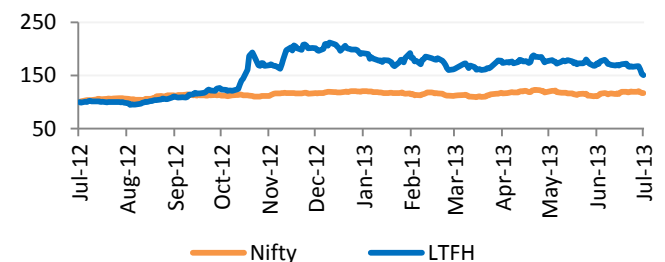
Shareholding Pattern

| | Jun'13 | Mar'13 | Chg |
|---------------------|--------|--------|--------|
| Promoters (%) | 82.54 | 82.54 | 0.00 |
| FII (%) | 2.8 | 2.63 | 0.17 |
| DII (%) | 0.86 | 0.91 | (0.05) |
| Public & Others (%) | 13.8 | 13.9 | (0.10) |

Quarterly Performance (Consolidated)

| (₹mn) | Q1 FY'14 | Q1 FY'13 | Q4 FY'13 | YoY Change (%) | QoQ Change (%) |
|------------------|----------|----------|----------|----------------|----------------|
| Operating Income | 11,588.1 | 9,063.2 | 11,320.2 | 27.9 | 2.4 |
| Op. exp | 2,738.0 | 1,751.2 | 2,696.0 | 56.3 | 1.6 |
| EBITDA | 8,850.1 | 7,312.0 | 8,624.2 | 21.0 | 2.6 |
| OPM (%) | 76.4 | 80.7 | 76.2 | (431bps) | 19bps |
| Net profit | 1,447.0 | 1,206.8 | 1,706.9 | 19.9 | (15.2) |
| NPM (%) | 12.2 | 13.2 | 14.7 | (97bps) | (251bps) |
| EPS (₹) | 0.8 | 0.7 | 1.0 | 7.1 | (25.0) |

One Year Price Chart





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