

L&T Finance Holdings

BSE SENSEX	S&P CNX
33,690	10,125

Bloomberg	LTFH IN
Equity Shares (m)	1,988
M.Cap.(INRb)/(USDb)	233.6 / 3.2
52-Week Range (INR)	213 / 111
1, 6, 12 Rel. Per (%)	-3/-27/-42
12M Avg Val (INR M)	1146
Free float (%)	36.0

Financials & Valuations(INR b)

Y/E March	2018	2019E	2020E
Total Income	51.7	68.1	84.9
PPP	36.4	47.1	59.0
PAT	13.5	22.9	26.7
EPS (INR)	6.8	11.5	13.4
BV/Sh. (INR)	56.2	66.1	78.0
RoAA (%)	1.7	2.3	2.3
RoE (%)	14.2	18.8	18.7
Payout (%)	17.1	13.9	11.6
Valuation			
P/E (x)	17.3	10.2	8.7
P/BV (x)	2.1	1.8	1.5
Div. Yield (%)	0.9	1.2	1.1

CMP: INR117
TP: INR175 (+50%)
Buy

2Q performance robust; Asset quality trends to be key monitorable

- L&T Finance Holdings' (LTFH) 2QFY19 PAT grew 66% YoY to INR5.6b, in line with our estimate. The quarter was marked by a strong AUM growth (+24% YoY), 'retailization' of the balance sheet and improving asset quality for LTFH.
- **LTFH's focused loan book grew 6% QoQ/26% YoY to INR900b. The growth across segments was similar to that in the prior quarters – 71% YoY in rural finance, 40% YoY in housing finance and 8% YoY in wholesale finance.** LTFH's microfinance book has now crossed the INR100b mark.
- **The company has an exposure of ~INR18b to infrastructure SPVs owned by IL&FS Transportation Networks (ITNL).** This exposure is against four annuity projects and two toll road projects. It does not have any exposure to the parent.
- **LTFH also has an INR8b exposure as a sole lender to three projects of Supertech.** The projects are in the construction phase (75% completed), clocking monthly sales of INR370m. While this exposure is currently standard, it remains a key monitorable.
- Across all buckets in the sub-one year time frame, LTFH is well-placed on the ALM front. The company has INR62b in cash and liquid investments, as well as undrawn bank lines of INR42b and a back-up line of INR20b from L&T.
- LTFH's gross stress loan ratio improved from 7.93% in 1QFY19 to 7.1% in 2QFY19. The sequential decline was due to an improvement of 100bp+ in wholesale GNPLs to 10.9%. PCR remained stable sequentially at 64%.
- **Valuation view:** Over the past two years, LTFH has delivered a turnaround in business with strong improvement in RoE from 10% to 18%. However, the recent events in the financial markets have had a bearing on the NBFC sector. There could be new RBI regulations on various aspects including ALM. Given its strong parentage and multiple financial relationships, we believe LTFH would come out of this situation better than most peers. We keep our estimates as well as our TP unchanged. Key risks to our estimates stem from any change in regulatory norms for NBFCs. Our **TP of INR175** is based on 2.0x Sep 2020E BVPS.

LTFH: Quarterly performance

(INR Million)

Y/E March	FY18				FY19				FY18	FY19E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	23,010	25,967	26,302	27,483	30,878	32,463	33,275	34,879	102,763	131,495
Interest Expenses	12,703	13,137	13,596	14,373	15,132	16,497	17,157	17,987	53,808	66,772
Net Interest Income	10,307	12,831	12,706	13,111	15,747	15,966	16,118	16,893	48,955	64,723
YoY Growth (%)	22.6	37.3	36.1	30.5	52.8	24.4	26.9	28.8	31.8	32.2
Other income	1,262	129	709	1,901	648	797	900	1,011	4,001	3,356
Total Income	11,570	12,960	13,415	15,012	16,395	16,764	17,018	17,903	52,956	68,080
YoY Growth (%)	32.2	31.1	33.9	39.0	41.7	29.3	26.9	19.3	34.2	28.6
Operating Expenses	3,565	4,313	4,006	4,671	5,543	5,057	5,208	5,192	16,555	21,001
YoY Growth (%)	10.7	29.7	27.0	52.5	55.5	17.2	30.0	11.2	29.7	26.8
Operating Profits	8,005	8,647	9,409	10,341	10,852	11,706	11,810	12,711	36,401	47,079
YoY Growth (%)	44.8	31.9	37.1	33.6	35.6	35.4	25.5	22.9	36.4	29.3
Provisions	4,433	5,180	4,928	4,746	3,560	3,730	3,800	4,618	19,288	15,708
Profit before Tax	3,571	3,467	4,480	5,595	7,292	7,976	8,010	8,093	17,113	31,371
Tax Provisions	204	14	636	1,504	1,894	2,385	2,163	2,029	2,357	8,470
Profit after tax	3,143	3,447	3,841	4,060	5,398	5,591	5,847	6,064	15,021	22,901
YoY Growth (%)	51.5	38.9	41.8	28.5	71.8	62.2	52.2	49.4	44.1	52.5
Loan growth (%)	19.7	20.7	22.6	25.3	24.3	24.1	26.1	19.9	27.3	19.9
Cost to Income Ratio (%)	30.8	33.3	29.9	31.1	33.8	30.2	30.6	29.0	31.3	30.8
Tax Rate (%)	5.7	0.4	14.2	26.9	26.0	29.9	27.0	25.1	13.8	27.0

E: MOSL Estimates

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Exhibit 1: Quarterly performance v/s our estimates and reasons for deviation (INR m)

Y/e March	2QFY19E	2QFY19A	Var (%)	Comments
Interest Income	31,931	32,463	2	
Interest Expenses	16,191	16,497	2	
Net Interest Income	15,740	15,966	1	In-line
YoY Growth (%)	44.8	24.4		
Other income	1,000	797	-20	
Total Income	16,740	16,764	0	
YoY Growth (%)	39.7	29.3		
Operating Expenses	4,444	5,057	14	Other opex lower than estimated
YoY Growth (%)	30.0	17.2		
Operating Profits	12,296	11,706	-5	
YoY Growth (%)	43.6	35.4		
Provisions	5,000	3,730	-25	Low credit costs despite contingency provisions
Profit before Tax	7,296	7,976	9	
Tax Provisions	1,678	2,385	42	
Profit after tax	5,618	5,591	0	In line
YoY Growth (%)	55.9	62.2		
Borrowings growth (%)	25.6	24.1		
Cost to Income Ratio (%)	26.5	30.2		
Tax Rate (%)	23.0	29.9		

Source: MOSL, Company

4.2%/29% RoA/RoE for the quarter

Rural business – strong growth, improving asset quality

- Microfinance remains the fastest growing product in the rural lending segment, accounting for almost half of LTFH's rural lending loan book, and has now crossed INR100b.
- "Margins + fees" were up by over 300bp YoY to 13.75%. It must be noted that the base will be high from the next quarter onwards.
- **Gross Stage 3 assets continued to decline from 4.9% in 2QFY19 to 4.3% in 1QFY19. PCR remained stable at 66% for the quarter.**
- PAT grew ~90% YoY to INR2.2b, resulting in a RoA/RoE of 4.2%/29% for the quarter.

Supertech exposure of INR8b across three under-construction projects

Housing finance – retail loan growth picking up

- After a few quarters of moderate growth, core home loan growth picked up to 26% YoY in the quarter.
- However, corporate loans continue to grow at a faster pace (up 8% QoQ/62% YoY).
- The share of builder loans in the company's housing finance book now stands at 56%.
- The company has an exposure of INR8b to Supertech across three projects.
- Asset quality was stable with Gross Stage 3 loans at 97bp. The RoA/RoE for the quarter came in at 3.4%/28%.

Disbursements in wholesale finance down 16% YoY

Maintaining slow growth in wholesale finance business

- The overall loan growth of 8% YoY was driven by infrastructure finance and structured finance. The company continued to wind down its supply chain book and has entered into an agreement to sell it to Centrum Finance.
- Margins in this business have been under pressure. NIM at 2.15% for the quarter was the lowest in the past several quarters.

- Given that LTFH took a one-time hit due to ECL provisioning on transition to Ind-AS in 1QFY19, credit costs declined sharply by 77bp in the quarter.
- **RoA/RoE for the quarter was 1.65%/15.1%.** Gross Stage 3 assets declined by 110bp sequentially to 10.9%. PCR on this book remained stable sequentially at 64%.

Share of equity AAUM now
stands at 55% v/s 44% a
year ago

AMC business on a strong growth trajectory

- AAUM growth in the AMC business slowed down to 40% YoY as compared to 50%+ for the past several quarters. AAUM for the quarter was INR738b. The share of equity AAUM continued to rise and stood at 55% of the total AAUM.

Valuation and view

- LTFH is a quintessential turnaround story, in our view. From a company with 20+ product lines and sub-standard return ratios, it has transformed itself into a focused financier with eight product lines across three verticals and a target to achieve an 18-20% RoE by FY20 (13% in FY18).
- With its focused management and strong execution skills, the company is set to deliver an 18%+ loan CAGR over FY18-21E, driven by the growth in the rural and housing finance segments. In addition, continued origination and down-selling in the infra finance book will drive the company's fee income traction, resulting in an elevated RoE.
- A strong growth, pick-up in core fee income and decline in expense ratio/credit costs should elevate the RoA/RoE from 1.7%/14% in FY18 to 2.3%/19% in FY20.
- The migration to Ind-AS accounting has impacted the company's financials, although we believe that this is only an accounting change and there will be no economic impact. The hit on net worth due to ECL, which was expected to be taken over FY19 and FY20, has been taken upfront. While this would be neutral to the FY20 net worth, it would be accretive to the FY20 EPS.
- We keep our EPS estimates for FY19/20E as well as our TP unchanged. Buy with a TP of INR175 (2.0x Sep2020E BVPS).

Analyst meet highlights

Business Updates

- Management expects the weighted average CoF to increase by 20-25bp in 3Q
- Construction finance book – Bulk of the book comprises apartments in the 700-1300 sq. ft. category. Largely mass market category. 100 projects with 60-65 clients. Present in the top six cities, with Mumbai & Delhi comprising 50% of the portfolio.
- Management has stated that it will not compromise on growth in the rural and housing finance segments due to the liquidity issue.
- LTFH has raised an ICD of INR15b from group companies at 8.5%.
- The company will not take a price increase in the rural finance segment.
- Out of the INR11b YoY increase in MFI disbursements, INR8b has come from new meeting centers.
- Coverage on Stage 1 loans is 0.57% and 6.4% on Stage 2.
- Management expects tractor sales growth to be moderate as compared to expectations. It expects a growth of 10-13% YoY. However, the company expects to gain share in the financing market.
- Capacity addition in renewables could slow down in the near-term. For LTFH, operational renewable projects in wind comprise 90% of its overall projects and 80% of overall projects in solar.
- Present in 24 locations in LAP, although the bulk of the exposure comes from the top five cities. SORP is 60-65% of LAP.
- In 93-94% of CF projects, LTFH is the sole lender

ILFS/Supertech

- Supertech – Loans were sanctioned in 2017. Yield is 14-15%. 75% of the apartments in the projects have already been sold. Average ticket size of one apartment is INR4-6m.
- ILFS – Only INR1b out of the INR18b exposure is to a non-operational road project. Yield ranges from 9.5-11.5%. IL& SPV have been around from 3-4 years post-restructuring
- Management has stated that every exposure in ILFS is completely ring-fenced and will not be impacted if ILFS is taken to NCLT.

Others

- INR5.5b exposure to flood affected places in Kerala. Collection efficiency crossed 92% in September and 98% in October.
- In the ALM disclosure, all unutilized bank lines and liquid investments are included in asset maturity.
- Contingency provisions have been passed through the P&L.
- 80% of real estate finance is residential CF and another 10% is commercial CF, while the rest is early-stage pre-approval financing.

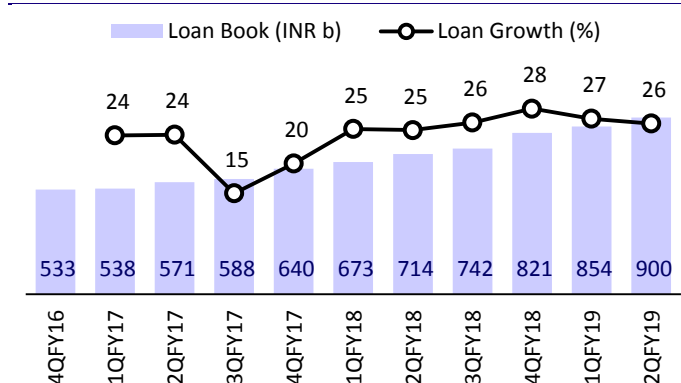
Exhibit 2: Quarterly Snapshot

	FY18				FY19		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Profit and Loss (INR m)								
Net Interest Income	10,307	12,831	12,706	13,111	15,747	15,966	1	24
Operating Expenses	3,565	4,313	4,006	4,671	5,543	5,057	-9	17
Employee	1,074	946	1,336	1,453	1,612	2,179	35	130
Others	2,491	3,367	2,670	3,218	3,931	2,878	-27	-15
Operating Profits	8,005	8,647	9,409	10,341	10,852	11,706	8	35
Provisions	4,433	5,180	4,928	4,746	3,560	3,730	5	-28
PBT	3,571	3,467	4,480	5,595	7,292	7,976	9	130
Taxes	204	14	636	1,504	1,894	2,385	26	NA
Share of profit of associates	-225	-7	-4	-31	0	0		
PAT	3,143	3,447	3,841	4,060	5,398	5,591	4	62
Asset Quality								
Gross NPAs (%)	11.7	5.8	5.5	4.8	7.9	7.1		
Net NPAs (%)	6.1	3.3	2.9	2.3	3.2	2.8		
PCR (Calculated, %)	47.6	42.9	47.7	51.3	60.0	60.7		
Ratios (%)								
Cost to Income	30.8	33.3	29.9	35.6	33.8	30.2		
Provision to operating profit	55.4	59.9	52.4	45.9	32.8	31.9		
Tax Rate	5.7	0.4	14.2	26.9	26.0	29.9		
RoA - calculated	1.8	1.9	2.1	2.0	2.5	2.5		
RoE - calculated								
Margins Reported (%)								
Yield on earning assets	13.5	14.5	14.1	13.8	14.5	14.6		
Cost of Funds	8.1	8.1	8.1	8.2	8.1	8.0		
Spreads	5.4	6.4	6.0	5.6	6.4	6.6		
NIMs	6.1	7.2	6.8	6.6	7.4	7.2		
Business Details (INR b)								
Total Loans	696	714	760	835	866	900	4	26
Total Borrowings	640	657	685	716	772	868	12	32
AUM Break-up (INR b)								
Rural	108	125	141	165	191	214	12	71
Micro Finance	39	49	59	75	91	104	14	115
2W	22	26	29	33	38	43	13	66
Farm Equipment	47	51	53	56	62	67	9	33
Housing	137	116	172	189	162	174	8	50
Home loans & LAP	77	42	83	88	49	53	7	27
Real Estate Finance	60	75	89	101	112	122	8	62
Wholesale	428	381	429	468	384	390	2	2
Infra Finance	348	291	342	373	295	307	4	6
Structured Finance	61	71	69	77	76	76	-1	7
Supply Chain Finance	18	20	19	17	12	7	-39	-63
De-focused loan book	23	21	17	14	12	12	-1	-44
Total	696	644	760	835	748	791	6	23
Total Borrowing Mix (%)								
Term Loan	14.0	15.0	18.0	20.0	17.0	17.0		
NCD	46.0	36.0	39.0	37.0	43.0	41.0		
LOC/CC/WCL/STL	24.0	22.0	22.0	21.0	18.0	19.0		
CP	13.0	17.0	13.0	14.0	20.0	18.0		
Others	3.0	10.0	8.0	8.0	2.0	5.0		

Source: Company, MOSL

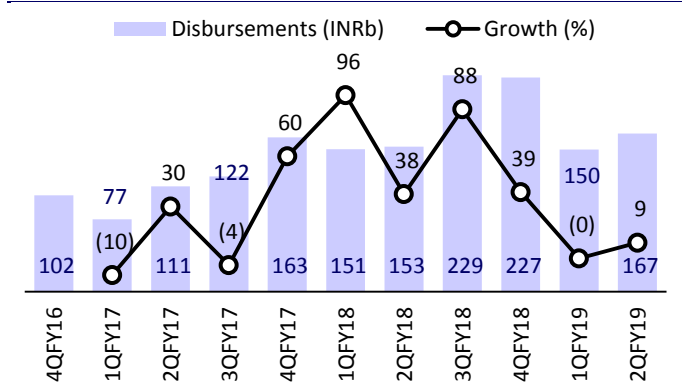
Story in charts

Exhibit 3: Focused loan book grew 26% YoY



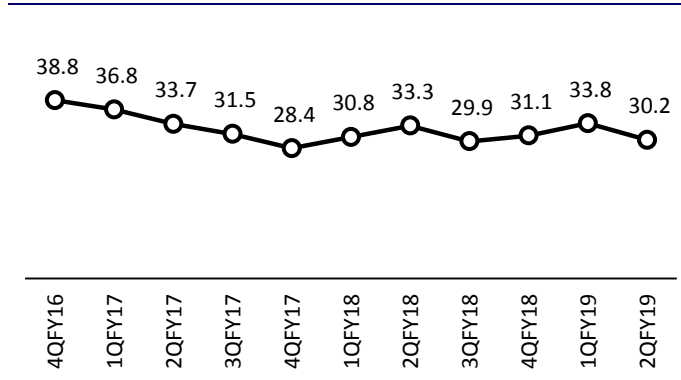
Source: Company, MOSL

Exhibit 4: Core disbursement trend (excl IPO financing)



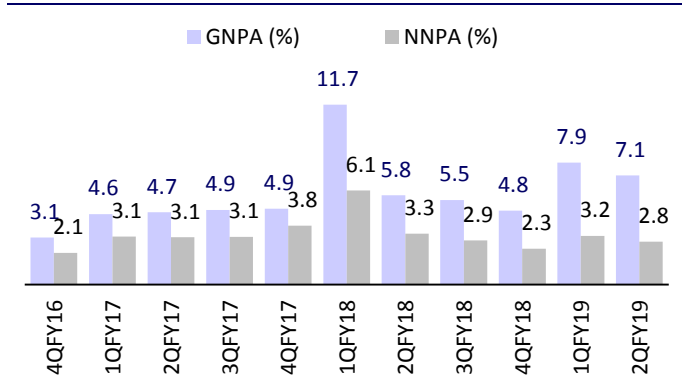
Source: Company, MOSL

Exhibit 5: Calc. cost to income ratio (%)



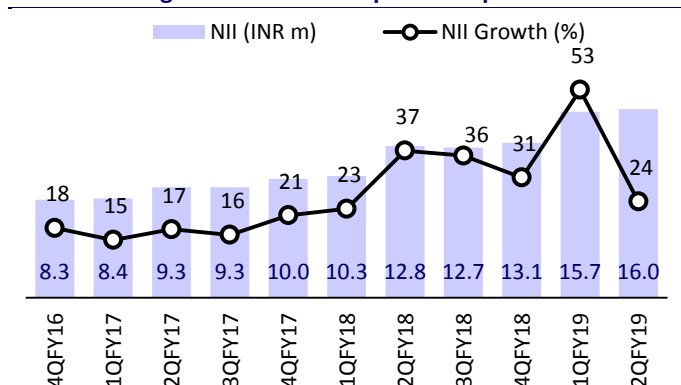
Source: Company, MOSL; Note: 1HFY18 and 1HFY19 numbers as of Ind-AS

Exhibit 6: Gross/Net Stage 3 trend



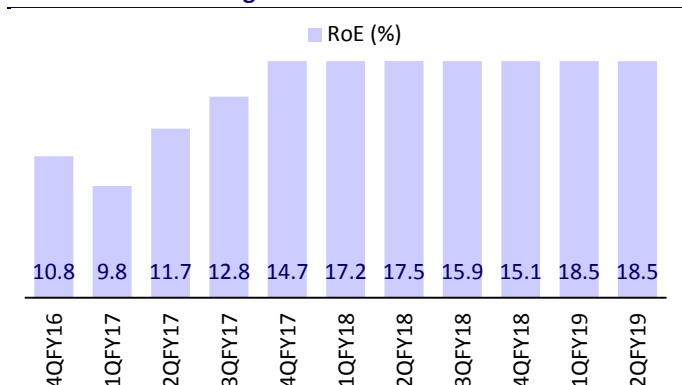
Source: Company, MOSL; Migrated to 90dpd in 1QFY18

Exhibit 7: NII growth lower than past few quarters



Source: Company, MOSL

Exhibit 8: Maintaining RoE at 18-20%



Source: Company, MOSL

Exhibit 9: Financials – Valuation matrix

	Rating	CMP	Mcap	P/E (x)			P/BV (x)			RoA (%)			RoE (%)		
		(INR)	(USDb)	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E	FY18	FY19E	FY20E
ICICIBC*	Buy	320	28.4	20.9	26.7	11.5	1.4	1.3	1.2	0.8	0.6	1.1	6.8	5.0	11.0
AXSB	Buy	560	19.7	503.9	34.6	15.6	2.3	2.1	1.9	0.0	0.6	1.0	0.5	6.3	12.9
KMB*	Neutral	1,189	30.6	36.5	31.9	25.9	4.5	3.9	3.4	1.7	1.6	1.7	12.5	11.8	13.2
YES	Buy	198	6.4	10.8	8.8	7.3	1.8	1.5	1.3	1.6	1.5	1.4	17.7	18.7	19.1
IIB	Buy	1,492	12.5	24.8	20.2	15.2	3.8	3.3	2.6	1.8	1.9	2.1	16.5	17.6	19.4
FB	Buy	80	2.2	16.9	13.9	9.4	1.3	1.2	1.1	0.7	0.8	0.9	8.3	9.0	12.2
DCBB	Neutral	161	0.7	20.2	16.8	13.5	1.9	1.7	1.5	0.9	0.9	0.9	10.9	10.9	12.3
SIB	Buy	13	0.3	7.2	9.3	4.8	0.5	0.5	0.4	0.4	0.3	0.5	6.6	4.9	9.1
Equitas	Buy	129	0.6	139.5	26.1	20.3	1.9	1.8	1.7	0.3	1.0	1.0	1.4	7.2	8.6
RBL	Buy	494	2.9	32.6	24.0	17.2	3.1	2.8	2.5	1.1	1.2	1.3	11.6	12.3	15.2
Private Aggregate															
SBIN (cons)*	Buy	250	31.1	-40.7	44.8	7.7	0.9	0.9	0.8	-0.2	0.1	0.6	-3.5	1.0	11.3
PNB	Neutral	66	2.5	-1.3	-10.6	6.2	0.5	0.6	0.6	-1.7	-0.2	0.4	-29.5	-4.9	9.3
BOI	Neutral	75	1.8	-1.7	14.7	9.1	0.4	0.4	0.4	-1.0	0.1	0.2	-17.8	2.5	4.0
BOB	Under Review	99	3.7	-10.1	8.5	5.0	0.6	0.6	0.5	-0.3	0.4	0.6	-5.8	6.9	10.7
CBK	Neutral	211	2.1	-3.3	11.0	4.8	0.5	0.5	0.4	-0.7	0.2	0.5	-12.2	3.9	8.5
UNBK	Neutral	64	1.0	-1.1	-14.8	18.0	0.3	0.3	0.3	-1.1	-0.1	0.1	-23.7	-2.1	1.6
INBK	Buy	219	1.4	8.4	8.9	5.2	0.6	0.6	0.5	0.5	0.4	0.7	8.3	7.3	11.6
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,693	39.8	18.8	13.2	12.0	3.1	2.0	1.8	1.9	1.9	1.7	18.6	16.5	15.5
LICHF	Buy	410	2.8	11.0	8.4	7.3	1.6	1.4	1.2	1.3	1.5	1.5	15.7	17.7	17.5
IHFL	Buy	689	4.3	7.6	7.0	5.9	2.0	1.7	1.5	3.4	3.2	3.2	27.9	26.3	27.4
PNBHF	Buy	719	1.7	14.4	11.4	9.1	1.8	1.6	1.4	1.6	1.4	1.3	13.9	15.2	16.8
GRHF	Neutral	276	2.6	55.6	42.0	38.5	15.6	12.7	10.6	2.5	2.8	2.7	31.8	33.3	30.0
REPCO	Buy	340	0.3	10.3	8.8	7.8	1.6	1.4	1.2	2.2	2.3	2.3	16.9	17.2	16.5
Housing Finance															
SHTF	Buy	1,081	3.3	15.6	10.3	8.4	1.8	1.6	1.3	2.0	2.4	2.5	12.7	16.3	17.3
MMFS	Buy	404	3.4	23.2	17.7	15.3	2.6	2.3	2.1	2.3	2.5	2.4	12.5	13.9	14.5
BAF	Neutral	2,333	18.1	53.7	35.6	28.7	8.7	7.1	5.9	3.3	3.7	3.6	20.4	22.0	22.4
CIFC	Buy	1,180	2.5	19.0	16.4	13.9	3.6	3.0	2.5	2.7	2.4	2.3	20.9	20.2	19.9
SCUF	Buy	1,536	1.4	15.2	11.9	10.2	1.9	1.6	1.4	2.8	3.0	3.0	12.7	14.7	15.1
LTFH	Buy	117	3.4	17.3	10.1	8.7	2.1	1.8	1.5	1.7	2.3	2.2	14.2	18.9	18.6
MUTH	Neutral	389	2.2	9.0	7.7	7.0	2.0	1.7	1.5	5.5	6.0	5.9	24.1	23.8	22.4
MAS	Buy	409	0.3	21.3	17.5	14.2	3.1	2.7	2.4	4.1	3.9	3.8	20.7	16.5	17.9
CAFL	Buy	463	0.6	14.0	10.5	8.3	1.8	1.5	1.3	1.6	1.6	1.6	13.4	15.7	17.1
Asset Finance															

*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Source: MOSL, Company

Financials and valuations

Income statement								(INR Million)
Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Interest Income	48,719	59,025	68,174	76,614	91,815	117,279	144,419	172,259
Interest Expended	30,739	35,678	41,241	46,270	53,261	66,772	81,056	95,583
Net Interest Income	17,980	23,347	26,933	30,343	38,554	50,507	63,363	76,676
Change (%)	20.6	29.9	15.4	12.7	27.1	31.0	25.5	21.0
Other Operating Income	3,653	4,349	6,533	9,110	13,184	17,572	21,522	24,983
Net Income	21,633	27,697	33,466	39,453	51,738	68,080	84,885	101,659
Change (%)	29.8	28.0	20.8	17.9	31.1	31.6	24.7	19.8
Operating Expenses	9,123	10,771	13,129	12,765	15,373	21,001	25,889	30,960
Operating Income	12,510	16,926	20,337	26,688	36,366	47,079	58,997	70,699
Change (%)	19.9	35.3	20.2	31.2	36.3	29.5	25.3	19.8
Provisions/write offs	4,261	6,617	7,810	15,899	18,968	15,708	22,387	26,275
PBT	8,249	10,309	12,527	10,789	17,398	31,371	36,610	44,424
Tax	2,300	3,014	3,990	364	2,748	8,470	9,885	11,994
Tax Rate (%)	28	29	32	3	16	27	27	27
PAT before pref dividend	5,969	8,774	8,567	10,422	14,595	22,901	26,725	32,429
Change (%)	-18.3	47.0	-2.4	21.7	40.0	56.9	16.7	21.3
Preference Dividend	760	1,102	1,671	1,244	1,120	0	0	0
Change (%)	4,965.3	45.0	51.7	-25.5	-10.0			
PAT to equity shareholders	5,209	7,672	6,896	9,177	13,475	22,901	26,725	32,429
Change (%)	-28.5	47.3	-10.1	33.1	46.8	70.0	16.7	21.3

Balance sheet								(INR Million)
Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Capital	27,184	30,837	29,668	29,691	30,301	30,301	30,301	30,301
- of which equity share capital	17,184	17,203	17,534	17,534	19,881	19,881	19,881	19,881
Reserves & Surplus	41,072	46,562	53,237	60,202	91,873	111,587	135,212	163,879
Net Worth	68,257	77,399	82,905	89,893	122,174	141,888	165,513	194,180
Borrowings	358,536	420,906	516,157	598,111	715,771	886,136	1,062,848	1,238,575
Change (%)	26.9	17.4	22.6	15.9	19.7	23.8	19.9	16.5
Other liabilities	21,817	29,117	38,402	37,133	54,335	57,051	59,904	62,899
Total Liabilities	448,609	527,422	637,463	725,136	892,279	1,085,075	1,288,264	1,495,654
Loans	388,936	460,425	564,679	623,145	793,300	951,075	1,135,501	1,332,630
Change (%)	20.1	18.4	22.6	10.4	27.3	19.9	19.4	17.4
Investments	27,303	26,492	35,633	60,115	48,433	53,277	58,604	64,465
Change (%)	48.2	-3.0	34.5	68.7	-19.4	10.0	10.0	10.0
Net Fixed Assets	7,287	7,185	6,962	6,189	5,311	5,577	5,856	6,148
Total Assets	448,609	527,422	637,463	725,136	892,279	1,085,075	1,288,264	1,495,654

E: MOSL Estimates; Note: FY19E onwards, numbers are as per Ind-AS

Financials and valuations

Ratios

Y/E March	2014	2015	2016	2017	2018	2019E	2020E	2021E
Spreads Analysis (%)								
Avg Yield on Loans	13.1	13.4	12.9	12.6	12.6	12.6	12.6	12.6
Avg. Yield on Earning Assets	12.8	13.1	12.5	11.9	12.0	12.7	13.1	13.3
Avg. Cost-Int. Bear. Liab.	9.6	9.2	8.8	8.3	8.1	8.3	8.3	8.3
Interest Spread	3.3	3.9	3.7	3.6	3.9	4.4	4.8	5.0
Net Interest Margin	4.7	5.2	5.0	4.7	5.1	5.5	5.8	5.9

Profitability Ratios (%)

RoE	9.2	12.6	10.3	12.4	14.2	18.8	18.7	19.1
RoA	1.3	1.6	1.2	1.3	1.7	2.3	2.3	2.3
Int. Expended/Int.Earned	63.1	60.4	60.5	60.4	58.0	56.9	56.1	55.5
Other Inc./Net Income	16.9	15.7	19.5	23.1	25.5	25.8	25.4	24.6

Efficiency Ratios (%)

Op. Exps./Net Income	42.2	38.9	39.2	32.4	29.7	30.8	30.5	30.5
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Asset Quality (%)

Gross NPAs	12,430	14,281	17,354	24,900	32,990	44,348	52,805	61,659
Gross NPAs to Adv.	3.2	3.1	3.1	3.9	4.1	4.6	4.6	4.5
Net NPAs	8,895	9,630	11,540	14,610	15,830	25,458	30,491	35,728
Net NPAs to Adv.	2.3	2.1	2.1	2.3	2.0	2.7	2.7	2.7

VALUATION	2014	2015	2016	2017	2018	2019E	2020E	2021E
Book Value (INR)	33.9	37.1	40.4	44.3	56.2	66.1	78.0	92.4
Price-BV (x)					2.1	1.8	1.5	1.3
EPS (INR)	3.0	4.5	3.9	5.2	6.8	11.5	13.4	16.3
EPS Growth YoY	-28.6	47.1	-11.8	33.1	29.5	70.0	16.7	21.3
Price-Earnings (x)					17.7	10.4	8.9	7.4
Dividend per share (INR)	0.7	0.8	0.8	0.8	1.0	1.4	1.3	1.6
Dividend yield (%)					0.8	1.2	1.1	1.4

E: MOSL Estimates

Corporate profile: L&T Finance Holdings

Company description

L&T Finance Holdings (LTFH) is the holding company for all finance-related activities of the L&T Group. LTFH is among the largest NBFCs in India with a loan book in excess of INR800b and with 700+ points of presence across 24 states. It operates in retail/wholesale lending, as well as across 2W finance, tractor finance, microfinance, home loans/LAP, builder finance, infra finance and structured finance among other product lines. LTFH is rated AA+ by CARE. Mr Dinanath Dubhashi serves as MD & CEO of the company. He was promoted to the position of Managing Director in July 2016.

Exhibit 1: Sensex rebased

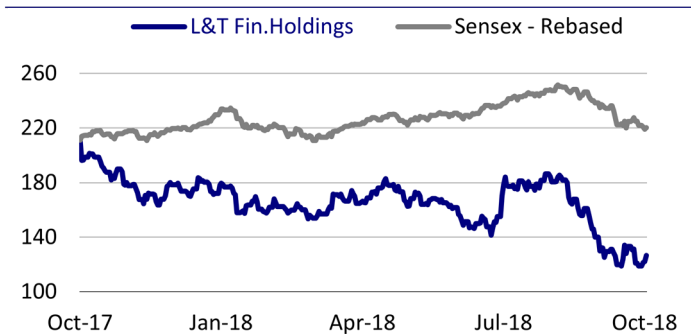


Exhibit 2: Shareholding pattern (%)

	Sep-18	Jun-18	Sep-17
Promoter	64.0	64.0	64.2
DII	5.1	5.2	4.0
FII	8.8	9.9	10.9
Others	22.1	20.9	20.9

Note: FII Includes depository receipts

Exhibit 3: Top holders

Holder Name	% Holding
Bc Asia Growth Investments	3.2
Citigroup Global Markets Mauritius Private Limited	2.9
Aditya Birla Sun Life Trustee Private Limited A/C	2.4
ICICI Prudential Life Insurance Company Limited	2.3
Bc Investments Vi Limited	1.6

Exhibit 4: Top management

Name	Designation
Shailesh V Haribhakti	Chairman
Dinanath Dubhashi	Managing Director
Apurva Rathod	Company Secretary

Exhibit 5: Directors

Name	Name
Rajani Gupte	P V Bhide
Harsh Mariwala	R Shankar Raman
Nishi Vasudeva *	Thomas Mathew T
Vaishali Kasture *	Prabhakar B.
Pavninder Singh	

*Independent

Exhibit 6: Auditors

Name	Type
B K Khare & Co	Statutory
Deloitte Haskins & Sells LLP	Statutory
Naina R Desai	Secretarial Audit

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	11.5	11.2	3.1
FY20	13.4	13.4	-0.3

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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