22 July 2019

1QFY20 Results Update | Sector: Financials

L&T Finance Holdings

BSE SENSEX	S&P CNX
38,031	11,346

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Bloomberg	LTFH IN
Equity Shares (m)	1,988
M.Cap.(INRb)/(USDb)	216.1 / 3.1
52-Week Range (INR)	190 / 106
1, 6, 12 Rel. Per (%)	-2/-26/-35
12M Avg Val (INR M)	1220
Free float (%)	36.1

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
Total Income	64.4	71.3	80.4
PPP	37.5	51.6	57.9
PAT	22.3	25.4	29.6
EPS (INR)	11.2	12.7	14.8
BV/Sh. (INR)	68.4	79.6	92.7
RoAA (%)	2.3	2.3	2.4
RoE (%)	18.0	17.1	17.2
Payout (%)	13.9	11.6	11.6
Valuation			
P/E (x)	9.7	8.5	7.3
P/BV (x)	1.6	1.4	1.2
Div. Yield (%)	1.2	1.2	1.4

CMP: INR108 TP: INR140 (+30%) Buy

Slowing growth; marks down 50% of specific HFC exposure

- 1QFY20 PAT was largely flat YoY/QoQ at INR5.5b (in-line). The quarter was characterized by slowdown in loan growth, interest write-backs, and increased credit costs due to a one-time provisioning.
- LTFH marked down 50% of its INR5.7b exposure to a particular HFC, which is now rated D. This led to a sharp increase in credit costs (INR5.8b v/s INR3.7b in 4QFY19). However, we note that the company did not make any macro-prudential provisions in the quarter (INR800m in 4QFY19).
- LTFH wrote back INR840m interest on some ILFS exposures, which have now been classified as 'green' from 'amber'.
- Overall loans grew 16% YoY (flat QoQ) to INR999b. We note that LTFH has now classified its structured finance and DCM books as 'de-focused,' as the company believes that it is a marginal player. On the other hand, consumer and SME finance will be two new lines of business for the company. The focused loan book (ex SFG and DCM) grew 2% QoQ/24% YoY to INR905b, driven by strong growth in rural (36% YoY) and housing finance (28% YoY).
- GS3 declined by ~20bp QoQ (-220bp YoY) to 5.7%, with PCR largely stable at 58%. LTFH reduced the share of CPs to 13% from 20% a year ago. The company raised INR10b via retail NCDs and USD275m via ECBs.
- **Valuation and view:** Over the past year, LTFH has reported a healthy operating performance and asset quality, despite the tough liquidity situation. It has also made contingency provisions (now INR3.5b). The plan to de-prioritize structured finance and DCM is in sync with its target of 'retailization' of balance sheet. However, we cut our EPS estimate by 4-8% to account for lower growth. **Buy with a TP of INR140 (1.5x FY21E BVPS).**

LTFH: Quarterly performance (INR Million)

Y/E March	FY19				FY20				FY19	FY20
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		
Interest Income	31,061	31,532	33,629	33,042	35,945	36,004	37,084	38,297	129,265	147,331
Interest Expenses	15,122	16,497	18,659	18,325	19,229	19,806	20,301	20,414	68,603	79,751
Net Interest Income	**15,939**	**15,035**	**14,970**	**14,717**	**16,716**	**16,198**	**16,783**	**17,883**	**60,661**	**67,580**
YoY Growth (%)	54.6	17.2	31.2	15.2	4.9	7.7	12.1	21.5	28.2	11.4
Other income	643	1,870	893	797	950	900	950	942	4,203	3,742
Total Income	**16,582**	**16,905**	**15,863**	**15,514**	**17,666**	**17,098**	**17,733**	**18,825**	**64,865**	**71,321**
YoY Growth (%)	43.3	30.4	33.0	19.4	6.5	1.1	11.8	21.3	31.2	10.0
Operating Expenses	5,048	5,256	5,430	4,324	4,435	4,836	5,159	5,293	20,058	19,723
YoY Growth (%)	41.6	21.9	50.9	-16.9	-12.1	-8.0	-5.0	22.4	20.3	-1.7
Operating Profits	**11,535**	**11,649**	**10,433**	**11,190**	**13,231**	**12,262**	**12,574**	**13,532**	**44,806**	**51,599**
YoY Growth (%)	44.1	34.7	25.3	43.6	14.7	5.3	20.5	20.9	36.7	15.2
Provisions	4,243	3,673	2,675	3,696	5,804	3,500	3,500	4,053	14,287	16,857
Profit before Tax	**7,292**	**7,976**	**7,758**	**7,494**	**7,426**	**8,762**	**9,074**	**9,479**	**30,520**	**34,741**
Tax Provisions	1,894	2,385	1,949	1,972	1,932	2,366	2,450	2,632	8,200	9,380
Profit after tax	**5,398**	**5,591**	**5,810**	**5,521**	**5,494**	**6,396**	**6,624**	**6,847**	**22,320**	**25,361**
YoY Growth (%)	71.8	62.2	77.8	104.5	1.8	14.4	14.0	24.0	71.8	13.6
Customer assets growth (%)	24.0	24.1	21.8	16.3	15.7	12.8	11.9	11.7	16.3	11.7
Cost to Income Ratio (%)	30.4	31.1	34.2	27.9	25.1	28.3	29.1	28.1	30.9	27.7
Tax Rate (%)	26.0	29.9	25.1	26.3	26.0	27.0	27.0	27.8	26.9	27.0

E: MOFSL Estimates; Quarterly numbers may not add up to annual numbers due to restatements

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

Y/e March	1QFY20E	1QFY20A	Var (%)	Comments
Interest Income	34,694	35,945	4	
Interest Expenses	19,241	19,229	0	
Net Interest Income	**15,453**	**16,716**	**8**	
YoY Growth (%)	-3.0	4.9		
Other income	900	950	6	
Total Income	**16,353**	**17,666**	**8**	**INR840m on IL&FS accounts recongnised**
YoY Growth (%)	-1.4	6.5		
Operating Expenses	6,754	4,435	-34	Operating expenses have been restated
YoY Growth (%)	33.8	-12.1		
Operating Profits	**9,599**	**13,231**	**38**	
YoY Growth (%)	-16.8	14.7		
Provisions	2,000	5,804	190	**One-time provisioning for HFC exposure**
Profit before Tax	**7,599**	**7,426**	**-2**	
Tax Provisions	2,052	1,932	-6	
Profit after tax	**5,547**	**5,494**	**-1**	
YoY Growth (%)	2.8	1.8		
Borrowings growth (%)	17.4	15.7		
Cost to Income Ratio (%)	41.3	25.1		
Tax Rate (%)	27.0	26.0		

Source: MOFSL, Company

26%/4% RoE/RoA in rural lending for the quarter

Rural lending traction continues

- The company has been scaling back in tractor finance and micro loans for the last two quarters – disbursements were down by 5% and 13% YoY, respectively, while growth in 2W finance remained healthy at 15% YoY.
- Growth in 2W finance has been driven by the increasing share in new OEMs.
- AUM growth was 20%, 35% and 55% YoY for farm, micro loans and 2W, respectively.
- 'Margins + fees' were largely stable on a sequential basis at 13%.
- **Asset quality has been on an improvement trend for the past seven quarters now. GNPL ratio declined to 3.4% from 4.9% a year ago.**
- PAT was largely stable QoQ at ~INR2.5b with 30% growth YoY, resulting in RoE/RoA of 26%/3.9% for the quarter.

36% YoY decline in disbursements to builder loans

Housing finance – Going slow in LAP

- In the housing finance business, the company has been deprioritizing LAP over the past few quarters. Disbursements declined 36% YoY to INR1.9b in the quarter.
- Even disbursements to builders declined 36%/ 19% QoQ/YoY to INR12b in 1QFY20.
- **Asset quality improved with gross stage 3 loans largely stable QoQ at 80bp. RoE/RoA for the quarter came in at 22%/3%**.

GNPL ratio down 80bp QoQ in wholesale finance

Wholesale finance – Transition of SFG and DCM to defocused book

- The company has exited the SCF completely, and moved SFG and DCM to its defocused book.
- Disbursements made to the road sector grew by 129% YoY to INR2.6b, whereas those to the renewable power sector declined by 31% YoY to INR1.8b.
- Overall loan growth was 3%/4% QoQ/YoY in the focused business.

- Asset quality improved. GS3 declined 80bp QoQ to 9.7%, NS3 increased QoQ by 10bp to 4.6%.
- **RoE/RoA for the quarter was at 19%/2.3%. However, this includes the interest write-back of INR840m relating to the IL&FS exposure – excluding this, RoE for the quarter was 14%.**

AMC AAUM up 3% YoY; equity share largely stable at 56%

AMC business growth slows down

- AAUM growth in the AMC business slowed down to 3% YoY as compared to 8% YoY in the prior quarter. AAUM for the quarter was INR735b.
- The share of equity AAUM was largely stable at 56% of total AAUM.

Valuation and view

- Over the past three years, LTFH has scripted an impressive turnaround from a company with 20+ product lines and sub-standard RoE to one with a focused product suite at 18%+ RoE. Not only has the company achieved its RoE target one year in advance, it also sustained this for the past few quarters.
- **Over the coming years, management has outlined a clear set of goals – responsible growth, stable 'NIM + fee', productivity improvement, good asset quality, retailization of the balance sheet and prudent ALM management.**
- With gradual run-down of the DCM book, volatility in fees is likely to reduce.
- However, loan growth is expected to slow down, largely on account of macro concerns as well as management prudence. We cut our loan book estimates by 7%/10% for FY20/21.
- Given its strong parentage, LTFH has been able to raise adequate money at competitive prices and has also kept one month's worth of disbursements as liquidity on the balance sheet.
- We cut our EPS estimates for FY20/21E by 4-8%. **Buy with a TP of INR140 (1.5x FY21E BVPS).**

Exhibit 2: We cut our FY20-21 EPS estimates to account for lower loan growth

INR b	Old Est.		New Est.		Change %	
	FY20	FY21	FY20	FY21	FY20E	FY21E
Total Income	**83.5**	**99.9**	**71.3**	**80.4**	**-14.6**	**-19.5**
Operating Expenses	24.2	28.9	19.7	22.5	-18.5	-22.4
Operating Profits	**59.3**	**70.9**	**51.6**	**57.9**	**-12.9**	**-18.3**
Provisions	23.1	26.9	16.9	17.4	-27.1	-35.4
PBT	**36.2**	**44.0**	**34.7**	**40.5**	**-3.9**	**-7.9**
Tax	9.8	11.9	9.4	10.9	-3.9	-7.9
PAT	**26.4**	**32.1**	**25.4**	**29.6**	**-3.9**	**-7.9**
Loan book	1,136	1,333	1,057	1,193	-6.9	-10.5
NIM (%)	4.9	5.1	4.7	4.7		
Spreads (%)	4.0	4.0	4.3	4.1		
ROAA (%)	**2.2**	**2.3**	**2.3**	**2.4**		
RoAE (%)	**18.5**	**19.0**	**17.1**	**17.2**		

Source: MOFSL, Company

Concall highlights

Liquidity & Funding

- **Raising money has been more difficult now compared to nine months back. For example, a loan which used to be sanctioned in 15 days earlier now takes 2-3 months.**
- Reduced CP share to 13%, though the ALM can hold up to 22-23% share from CPs.
- **Cost of funds won't increase substantially hereon. Guidance on 'NIM + fees' maintained at 6.5-6.8%.**
- ECB borrowings are fully hedged. Total landed cost is 8.2-8.7% (3-5 year tenure).

Rural Finance

- Increased market share in tractor and 2W finance. Will continue to maintain/gain share hereon.
- **2W – LTFH's market share is 10% (up from 5% in the past two years). This is due to diversification of OEMs. 40% of disbursements are from Honda Motors compared to 60% a year or two back.**
- **In microfinance, there is 'over-lending' in West Bengal, Orissa and some Southern markets. Yet, there is a lot of scope for further financial inclusion in these markets.**

Housing Finance

- Will eliminate DSA sourcing completely in the near-to-medium term in home loans (30% currently).
- **50% of real estate disbursements in 1Q are to existing projects, 40% to LRD and 10% to new projects.**
- **Break-up of RE book: LRD – 1%, Commercial finance – 10-12%, rest in residential.**
- 109 of 115 real estate projects are at 0DPD.
- Supertech – No change in outlook. Receivable cover of 1.77x at current market prices. **Expecting sale of two assets which would lead to repayment of LTFH's loans.**
- Regarding real estate financing in Andhra Pradesh, exposure is INR20b. Entire book is at 0dpd, and the Debt Service Reserve Account has not even been touched. Owners of these projects are funds like GIC, ADIA.

Wholesale Finance

- Sold down infra loans worth INR6.5-7b in 1Q v/s usual quarterly run-rate of INR13-15b.
- 3% NNPL in the DCM and SFG book, barring exposure to the specific HFC.
- 14% RoE in the quarter excluding write back of interest on ILFS accounts.

Others

- **Exited SFG and DCM businesses because the company wants to 'retailize' its balance sheet. There was no notification from the RBI as such.**
- Already compliant with draft NBFC guidelines on liquidity.

- Out of the 4 ‘amber’ entities of IL&FS, three have been converted to ‘green’. IL&FS has restructured some unsecured dues in some SPVs.
- **In Andhra Pradesh, the new government mandated tariff cuts in some renewable energy projects. However, in prior judgments, the Supreme Court has upheld sanctity of PPA contracts.**
- Structured finance book will take 3-4 years to run-off on its own course, while the DCM book will take 8-10 years.
- Financed 190,000 2Ws in 1QFY20 v/s 280,000 in 3QFY19.
- 17-18 years contractual tenure in infra finance. However, on a practical basis, loan gets refinanced after 4-5 years.

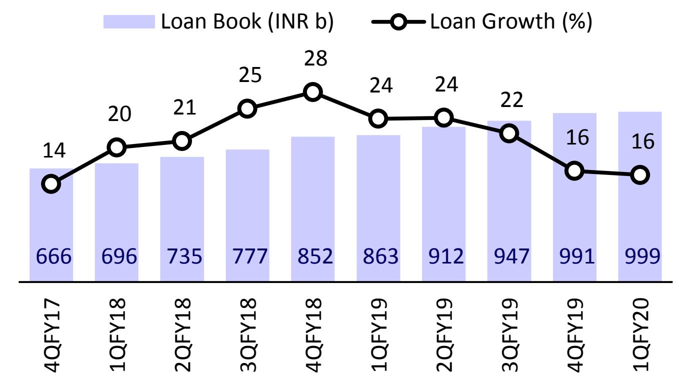
Exhibit 3: Quarterly Snapshot

	FY18				FY19				FY20	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
Profit and Loss (INR m)											
Interest Income	23,010	25,967	25,433	27,406	31,061	31,532	33,629	33,042	35,945	9	16
Interest Expenses	12,703	13,137	14,022	14,631	15,122	16,497	18,659	18,325	19,229	5	27
Net Interest Income	**10,307**	**12,831**	**11,411**	**12,776**	**15,939**	**15,035**	**14,970**	**14,717**	**16,716**	**14**	**5**
Other Income	1,262	129	513	221	643	1,870	893	797	950	19	48
Net Income	**11,570**	**12,960**	**11,924**	**12,997**	**16,582**	**16,905**	**15,863**	**15,514**	**17,666**	14	7
Operating Expenses	3,565	4,313	3,600	5,202	5,048	5,256	5,430	4,324	4,435	3	-12
Employee	1,074	946	1,071	1,221	1,651	2,179	2,299	2,158	2,458	14	49
Others	2,491	3,367	2,528	3,981	3,397	3,077	3,131	2,167	1,977	-9	-42
Operating Profits	**8,005**	**8,647**	**8,325**	**7,795**	**11,535**	**11,649**	**10,433**	**11,190**	**13,231**	**18**	**15**
Provisions	4,433	5,180	4,567	4,133	4,243	3,673	2,675	3,696	5,804	57	37
PBT	**3,571**	**3,467**	**3,758**	**3,662**	**7,292**	**7,976**	**7,758**	**7,494**	**7,426**	-1	2
Taxes	204	14	503	962	1,894	2,385	1,949	1,972	1,932	-2	2
Share of profit of associates	-225	-7	13	0	0	0	0	0	0		
PAT	**3,143**	**3,447**	**3,267**	**2,700**	**5,398**	**5,591**	**5,810**	**5,521**	**5,494**	**0**	**2**
Asset Quality											
Gross NPAs (%)	11.7	5.8	5.5	4.8	7.9	7.1	6.7	5.9	5.7		
Net NPAs (%)	6.1	3.3	2.9	2.3	3.2	2.8	2.6	2.4	2.5		
PCR (Calculated, %)	47.6	42.9	47.7	51.3	60.0	60.7	60.8	59.3	56.6		
Ratios (%)											
Cost to Income	30.8	33.3	30.2	40.7	30.4	31.1	34.2	29.4	25.1		
Provision to operating profit	55.4	59.9	54.9	53.0	36.8	31.5	25.6	33.0	43.9		
Tax Rate	5.7	0.4	13.4	26.3	26.0	29.9	25.1	26.3	26.0		
RoA - calculated	1.8	1.9	1.7	1.3	2.5	2.5	2.5	2.3	2.2		
RoE - calculated											
Margins Reported (%)											
Yield on earning assets	13.5	14.5	13.5	13.5	14.5	14.2	14.5	13.6	14.4		
Cost of Funds	8.1	8.1	8.4	8.4	8.1	8.0	8.5	8.2	8.3		
Spreads	5.4	6.4	5.1	5.1	6.4	6.2	5.9	5.5	6.1		
NIMs	6.1	7.2	6.0	6.3	7.4	6.8	6.4	6.1	6.7		
Business Details (INR b)											
Total Loans	**696**	**714**	**777**	**852**	**863**	**900**	**947**	**991**	**999**	**1**	**16**
Total Borrowings	**640**	**657**	**685**	**716**	**772**	**868**	**878**	**915**	**929**	**2**	**20**
AUM Break-up (INR b)											
Rural	**108**	**125**	**146**	**170**	**191**	**214**	**241**	**256**	**258**	**1**	**35**
Micro Finance	39	49	62	78	91	104	116	125	125	0	37
2W	22	26	29	34	38	43	52	57	59	2	55
Farm Equipment	47	51	55	58	62	67	73	74	75	1	20
Housing	**137**	**116**	**133**	**148**	**162**	**174**	**190**	**213**	**218**	**3**	**35**
Home loans & LAP	77	42	43	46	49	53	57	62	66	6	35
Real Estate Finance	60	75	91	102	112	122	133	150	152	1	35
Wholesale	**428**	**434**	**439**	**476**	**457**	**469**	**463**	**472**	**386**	**-18**	**-15**
Infra Finance	348	343	347	378	368	385	388	410	386	-6	5
Structured Finance	61	71	73	82	76	76	75	62	0	-100	-100
Supply Chain Finance	18	20	19	17	12	7	0	0	0		
De-focused loan book	23	21	18	14	130	12	10	8	94	1,009	-28
Total	**696**	**696**	**736**	**810**	**940**	**869**	**904**	**949**	**957**	**1**	**2**
Total Borrowing Mix (%)											
Term Loan & CC	38.0	37.0	40.0	41.0	35.0	36.0	36.0	36.0	38.0		
NCD	46.0	36.0	39.0	37.0	43.0	41.0	42.0	44.0	44.0		
CP	13.0	17.0	13.0	14.0	20.0	18.0	16.0	16.0	13.0		
Others	3.0	10.0	8.0	8.0	2.0	5.0	6.0	4.0	5.0		

Source: Company, MOFSL

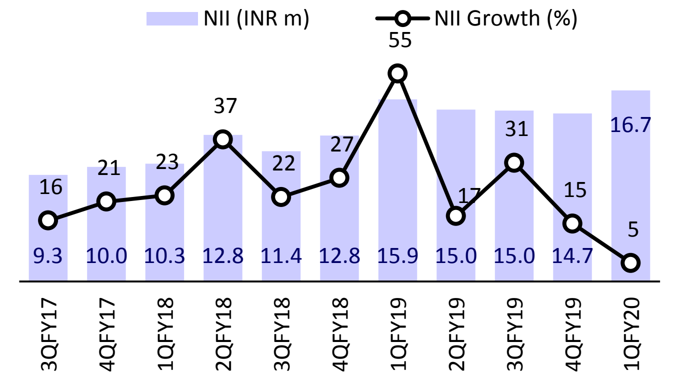
Story in charts

Exhibit 4: Loan book sequentially stable



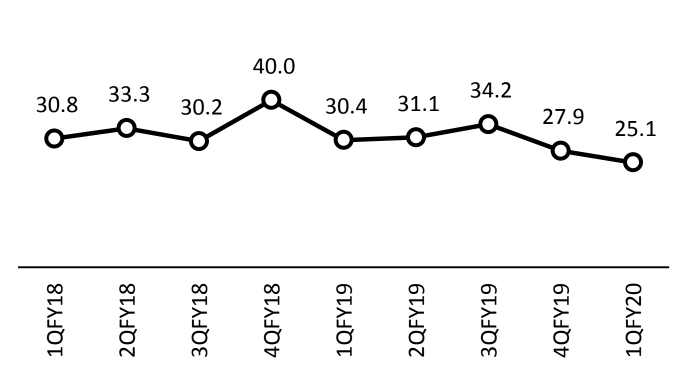
Source: Company, MOFSL

Exhibit 5: NII trend



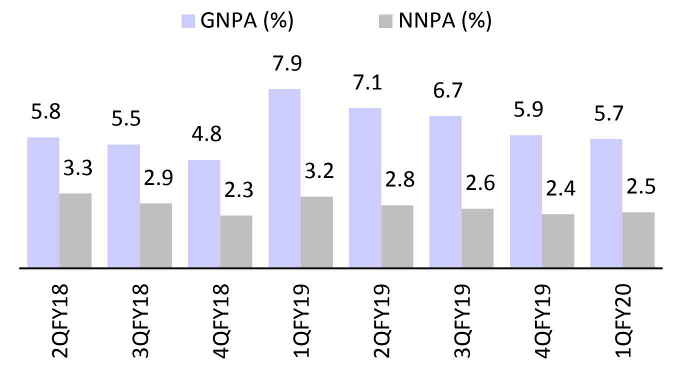
Source: Company, MOFSL

Exhibit 6: Calc. cost to income ratio (%)



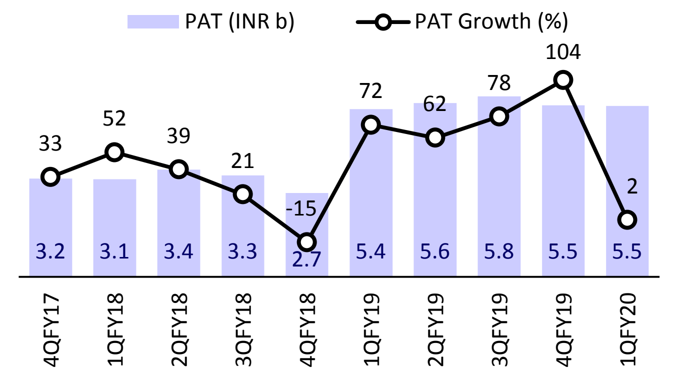
Source: Company, MOFSL

Exhibit 7: Gross/net stage 3 trend



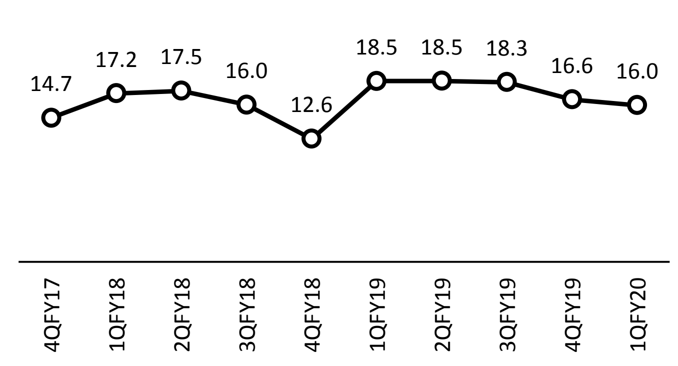
Source: Company, MOFSL

Exhibit 8: PAT largely stable



Source: Company, MOFSL

Exhibit 9: RoE at 16% due to higher credit costs



Source: Company, MOFSL

Exhibit 10: Financials – Valuation matrix

	Rating	CMP (INR)	Mcap (USDb)	P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
HDFC*	Buy	2,187	56.0	26.5	20.2	3.2	2.5	1.6	1.6	12.8	12.8
LICHF	Buy	512	3.8	9.2	8.0	1.4	1.2	1.3	1.3	16.3	16.3
IHFL	Under Review	656	3.9	8.1	7.7	1.5	1.4	2.9	2.9	19.9	19.3
PNBHF	Buy	723	1.8	9.3	8.5	1.4	1.3	1.4	1.3	16.4	15.7
REPCO	Buy	336	0.3	8.9	7.8	1.2	1.1	2.0	2.0	14.4	14.4
SHTF	Buy	1,039	3.5	9.0	8.1	1.3	1.1	2.4	2.4	15.6	15.1
MMFS	Buy	358	3.2	12.2	10.8	1.9	1.7	2.3	2.3	16.3	16.3
BAF	Neutral	3,249	27.7	37.0	30.4	7.8	6.3	3.5	3.4	23.1	23.0
CIFC	Under Review	255	3.0	14.6	13.0	2.7	2.3	2.2	2.1	20.2	19.0
SCUF	Buy	1,444	1.4	8.6	7.8	1.3	1.1	3.6	3.4	16.1	15.5
LTFH	Buy	108	3.2	9.0	7.9	1.4	1.2	2.1	2.1	16.2	16.2
MUTH	Neutral	616	3.5	11.0	9.7	2.3	2.0	5.5	5.4	22.4	21.8
INDOSTAR	Buy	330	0.5	9.3	6.6	0.9	0.8	2.2	2.4	10.3	12.9
MAS	Buy	578	0.5	18.0	15.0	3.1	2.7	4.4	4.3	19.3	19.8

* For HDFC Ltd BV is adjusted for investments in subsidiaries

Financials and valuations

Income statement (INR Million)

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Interest Income	59,025	68,174	76,614	87,815	116,379	129,746	146,999	166,400
Interest Expended	35,678	41,241	46,270	53,261	68,600	79,751	90,449	101,560
Net Interest Income	**23,347**	**26,933**	**30,343**	**34,554**	**47,779**	**49,995**	**56,550**	**64,839**
Change (%)	29.9	15.4	12.7	13.9	38.3	4.6	13.1	14.7
Other Operating Income	4,349	6,533	9,110	17,184	16,636	21,326	23,833	26,440
Net Income	**27,697**	**33,466**	**39,453**	**51,738**	**64,415**	**71,321**	**80,382**	**91,279**
Change (%)	28.0	20.8	17.9	31.1	24.5	10.7	12.7	13.6
Operating Expenses	10,771	13,129	12,765	15,373	26,886	19,723	22,455	25,706
Operating Income	**16,926**	**20,337**	**26,688**	**36,366**	**37,529**	**51,599**	**57,927**	**65,574**
Change (%)	35.3	20.2	31.2	36.3	3.2	37.5	12.3	13.2
Provisions/write offs	6,617	7,810	15,899	18,968	7,009	16,857	17,401	19,538
PBT	**10,309**	**12,527**	**10,789**	**17,398**	**30,520**	**34,741**	**40,526**	**46,036**
Tax	3,014	3,990	364	2,748	8,200	9,380	10,942	12,430
Tax Rate (%)	29	32	3	16	27	27	27	27
PAT before pref dividend	**8,774**	**8,567**	**10,422**	**14,595**	**22,320**	**25,361**	**29,584**	**33,606**
Change (%)	47.0	-2.4	21.7	40.0	52.9	13.6	16.7	13.6
Preference Dividend	1,102	1,671	1,244	1,120	0	0	0	0
Change (%)	45.0	51.7	-25.5	-10.0				
PAT to equity shareholders	**7,672**	**6,896**	**9,177**	**13,475**	**22,320**	**25,361**	**29,584**	**33,606**
Change (%)	47.3	-10.1	33.1	46.8	65.6	13.6	16.7	13.6

Balance sheet (INR Million)

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Capital	30,837	29,668	29,691	30,301	19,988	19,988	19,988	19,988
- of which equity share capital	17,203	17,534	17,534	19,881	19,988	19,988	19,988	19,988
Reserves & Surplus	46,562	53,237	60,202	91,873	116,721	139,140	165,292	195,000
Net Worth	**77,399**	**82,905**	**89,893**	**122,174**	**136,709**	**159,128**	**185,280**	**214,988**
Borrowings	**420,906**	**516,157**	**598,111**	**715,771**	**915,070**	**1,006,707**	**1,128,688**	**1,269,533**
Change (%)	17.4	22.6	15.9	19.7	27.8	10.0	12.1	12.5
Other liabilities	29,117	38,402	37,133	54,335	8,772	1,416	229	37
Total Liabilities	**527,422**	**637,463**	**725,136**	**892,279**	**1,060,551**	**1,167,251**	**1,314,197**	**1,484,558**
Loans	**460,425**	**564,679**	**623,145**	**793,300**	**913,246**	**1,057,370**	**1,192,634**	**1,348,737**
Change (%)	18.4	22.6	10.4	27.3	15.1	15.8	12.8	13.1
Investments	**26,492**	**35,633**	**60,115**	**48,433**	**86,408**	**69,126**	**76,039**	**83,643**
Change (%)	-3.0	34.5	68.7	-19.4	78.4	-20.0	10.0	10.0
Net Fixed Assets	7,185	6,962	6,189	5,311	11,660	12,242	12,855	13,497
Total Assets	**527,422**	**637,463**	**725,136**	**892,279**	**1,060,551**	**1,167,251**	**1,314,197**	**1,484,558**

E: MOFSL Estimates

Financials and valuations

Ratios								(%)
Y/E March	**2015**	**2016**	**2017**	**2018**	**2019**	**2020E**	**2021E**	**2022E**
Spreads Analysis (%)								
Avg Yield on Loans	13.4	12.9	12.6	12.6	12.6	12.6	12.6	12.6
Avg. Yield on Earning Assets	13.1	12.5	11.9	11.5	12.6	12.2	12.3	12.3
Avg. Cost-Int. Bear. Liab.	9.2	8.8	8.3	8.1	8.4	8.3	8.5	8.5
Interest Spread	3.9	3.7	3.6	3.4	4.2	3.9	3.8	3.9
Net Interest Margin	5.2	5.0	4.7	4.5	5.2	4.7	4.7	4.8
Profitability Ratios (%)								
RoE	12.6	10.3	12.4	14.2	18.0	17.1	17.2	16.8
RoA	1.6	1.2	1.3	1.7	2.3	2.3	2.4	2.4
Int. Expended/Int.Earned	60.4	60.5	60.4	60.7	58.9	61.5	61.5	61.0
Other Inc./Net Income	15.7	19.5	23.1	33.2	25.8	29.9	29.6	29.0
Efficiency Ratios (%)								
Op. Exps./Net Income	38.9	39.2	32.4	29.7	41.7	27.7	27.9	28.2
Asset Quality (%)								
Gross NPAs	14,281	17,354	24,900	33,000	55,490	60,791	65,435	71,434
Gross NPAs to Adv.	3.1	3.1	3.9	4.1	5.9	5.6	5.3	5.1
Net NPAs	9,630	11,540	14,610	16,190	21,740	24,032	26,056	28,677
Net NPAs to Adv.	2.1	2.1	2.3	2.0	2.4	2.3	2.2	2.1

VALUATION	2015	2016	2017	2018	2019	2020E	2021E	2022E
Book Value (INR)	37.1	40.4	44.3	56.2	68.4	79.6	92.7	107.6
Price-BV (x)			**2.4**	**1.9**	**1.6**	**1.4**	**1.2**	**1.0**
EPS (INR)	4.5	3.9	5.2	6.8	11.2	12.7	14.8	16.8
EPS Growth YoY	47.1	-11.8	33.1	29.5	64.8	13.6	16.7	13.6
Price-Earnings (x)			**20.6**	**15.9**	**9.7**	**8.5**	**7.3**	**6.4**
Dividend per share (INR)	0.8	0.8	0.8	1.0	1.3	1.3	1.5	1.7
Dividend yield (%)			**0.7**	**0.9**	**1.2**	**1.2**	**1.4**	**1.6**

E: MOFSL Estimates

Corporate profile: L&T Finance Holdings

Company description

L&T Finance Holdings (LTFH) in 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 of INR1t 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 AAA by India Ratings. Mr Dinanath Dubhashi serves as MD & CEO of the company.

Exhibit 1: Sensex rebased

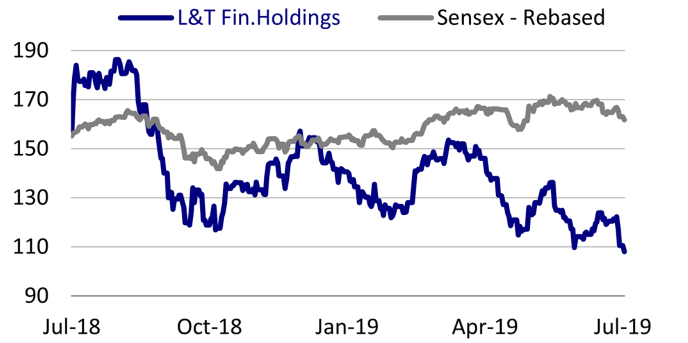


Exhibit 2: Shareholding pattern (%)

	Jun-19	Mar-19	Jun-18
Promoter	63.9	63.9	64.0
DII	3.1	3.0	5.2
FII	10.5	11.4	9.9
Others	22.6	21.7	20.9

Note: FII Includes depository receipts

Exhibit 3: Top holders

Holder Name	% Holding
Bc Asia Growth Investments	3.2
Icici Prudential Life Insurance Company Limited	3.0
Citigroup Global Markets Mauritius Private Limited	2.9
Smallcap World Fund, Inc	1.8
Aditya Birla Sun Life Trustee Private Limited A/C	1.6
Bc Investments Vi Limited	1.6

Exhibit 4: Top management

Name	Designation
Shailesh V Haribhakti	Chairman
Dinanath Dubhashi	Managing Director & CEO
Apurva Rathod	Company Secretary
Sachinn Joshi	CFO

Exhibit 5: Directors

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

*Addtnl Non-Executive Director; **Independent

Exhibit 6: Auditors

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

Exhibit 7: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY19	11.2	11.2	0.4
FY20	12.7	12.8	-1.0
FY21	14.8	15.4	-4.2

NOTES

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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