

CMP : Rs.85

Reco : HOLD

Target : Rs.81

STOCK INFO

BSE	533519
NSE	L&TFH
Bloomberg	LTFH IN
Reuters	LTFH.BO
Sector	NBFC
Face Value (Rs)	10
Equity Capital (Rs Mn)	17148
Mkt Cap (Rs Mn)	145,755
52w H/L (Rs)	60/40
Avg Daily Vol (BSE+NSE)	3,338,058

SHAREHOLDING PATTERN

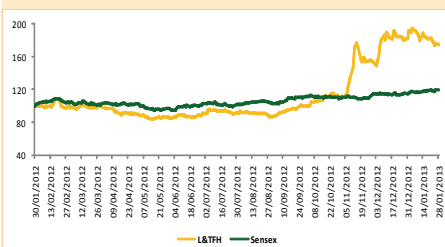
	%
(as on 31st Dec. 2012)	
Promoter	82.6
FII	2.5
DII	1.1
Others	13.8

Source: BSE

STOCK PERFORMANCE (%)	1m	3m	12m
L&TFH	-3	54	75
SENSEX	3	8	19

Source: Capitaline, IndiaNivesh Research

L&TFH v/s SENSEX



Source: Capitaline, IndiaNivesh Research

Daljeet S. Kohli

Head of Research

Mobile: +91 77383 93371, 99205 94087

Tel: +91 22 66188826

daljeet.kohli@indianivesh.in

Yogesh Hotwani

Research Analyst

Mobile: +91 77383 93411

Tel: +91 22 66188834

yogesh.hotwani@indianivesh.in

L&T Finance Holding Ltd (LTFH) – Q3FY13 result update

Healthy loan growth has come in at a cost of Asset quality.... Stretched valuation leaves limited upside... maintain HOLD with target price of Rs 81

- LTFH's loan book growth remains robust at 31% yoy (13% qoq). L&T infra finance (LTIF) registered a higher loan growth comparatively at 48% yoy (10% qoq) while L&T Finance (LTF) of 29% yoy (14% qoq). Disbursements grew by 22% yoy to Rs 66.6 bn backed by healthy disbursements in LTIF.
- Asset quality (cons) deteriorated with increase of 58 / 32 bps qoq in Gross / Net NPA to 2.4% / 1.6%. LTIF's Gross / Net NPA increased by 29 / 23 bps qoq to 1.8% / 1.6% and LTF by 47 / 58 bps qoq to 2.1% / 1.6%.
- NIMs (cons) surprised negatively with decline of 12 bps qoq to 5.3% mainly due to higher decline in yields as against cost of funds. NII (cons) was ahead of expectation at Rs 3.8 bn, increase of 25% yoy.
- Net profit jumped by 215% yoy to Rs 2.9 bn due to one off (sell of investment in federal bank), however adjusted net profit growth was lower than expected at 27% yoy.

Result Highlights:

Loan growth intact, disbursements picked up:

Consolidated loan book grew by 31% yoy (13% qoq) to Rs 312 bn aided by LTIF's loan growth of 32% yoy (10% qoq) to Rs 133 bn and LTF of 29% yoy (14% qoq) to Rs 177 bn. Jump in LTF's loan book is due to acquisition of FamilyCredit with asset size of Rs 13.4 bn. Disbursements (cons) grew by 22% yoy to Rs 67 bn due to healthy disbursements in LTIF's of 68% yoy to Rs 22.7 bn while disbursements in LTF remains muted at 17% yoy to Rs 43.5 bn. 64% of LTIF's loan book is under project loan and of which over 34% are operational. Growth in LTF (retail financing franchise) loan book was attributed to 1) 12% qoq increase in both capital market products and rural product and 2) addition of FamilyCredit's loan book.

Loan Book (Rs mn)	% of total	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ
L&T Finance Hldg (Cons)	100.0	312305	238833	30.8	276620	12.9
L&T Infra	42.6	132937	100870	31.8	120390	10.4
Thermal Power	13.8	18410	15110	21.8	15830	16.3
Renewable Power	19.4	25850	17900	44.4	25250	2.4
Telecom	14.0	18570	11190	66.0	12360	50.2
Others	52.7	70107	56670	23.7	66950	4.7
L&T Finance	56.8	177416	137960	28.6	156265	13.5
Construction Equipment	17.7	31450	34820	-9.7	31500	-0.2
Transportation Equipment	11.5	20330	18790	8.2	21060	-3.5
Rural Products	21.2	37600	25020	50.3	33600	11.9
Micro Finance	1.0	1790	3330	-46.2	1980	-9.6
Corporate loans	25.5	45160	33190	36.1	42860	5.4
Supply Chain Finance	5.8	10260	9230	11.2	9930	3.3
Capital Market products	9.8	17430	13580	28.4	15570	11.9
Family Credit*	7.5	13390	-	NMF	-	NMF
Disbursements (Rs mn)						
L&T Finance Hldg (Cons)	100.0	66562	54746	21.6	49410	34.7
L&T Infra	34.1	22709	13511	68.1	12610	80.1
L&T Finance	65.4	43544	41685	4.5	37289	16.8

Source: *new business acquired, Company, IndiaNivesh Research

L&T Finance Holding Ltd. (contd...)**NIMs surprised negatively:**

NIMs (cons) declined by 12 bps qoq to 5.3% due to lower NII growth in LTIF on back of decline in yields however remains stable compared to Q3FY12. NIMs of LTIF declined by 49 bps qoq to 4.7% due to decline in yields of 73 bps qoq to 12.6% and decline in cost of funds of 25 bps qoq to 9.4%. However LTF's margins improved by 8 bps qoq to 5.9%. Further company continues to maintain its Asset liability mix with more dependency on long term borrowing.

Yield / Cost / Margin (%)	Q3FY13	Q3FY12	bps YoY	Q2FY13	bps QoQ
L&T Finance Hldg (Cons)					
NIM	5.3	5.2	8	5.4	-12
NIM*	5.2	5.4	-18	5.6	-40
L&T Infra					
Yield on Loans	12.6	12.6	-3	13.3	-73
Cost of Funds	9.4	9.5	-5	9.7	-25
NIM	4.7	4.5	19	5.2	-49
NIM*	4.9	4.5	33	5.2	-34
L&T Finance					
Yield on Loans	14.1	13.9	15	14.0	7
Cost of Funds	9.8	9.8	1	9.7	5
NIM	5.9	5.7	14	5.8	8
NIM*	5.6	0.0	556	5.6	-8

Source: *calculated, Company, IndiaNivesh Research

LTIF

Borrowings Rs mn	% of total	Q3FY13	Q2FY13	% QoQ
Banks	62.1	68625	61253	12.0
Public	15.1	16687	16650	0.2
Mutual/Pen./Ins. Fund	13.7	15139	16448	-8.0
Corporates	1.3	1437	2018	-28.8
FII/DII	7.9	8730	4541	92.2
Total Borrowings	100.0	110507	100911	9.5

Source: Company, IndiaNivesh Research

LTF

Borrowings Rs mn	% of total	Q3FY13	Q2FY13	% QoQ
Banks	60.2	87135	81281	7.2
Public	11.1	16066	15062	6.7
Mutual/Pen./Ins. Fund	24.2	35028	28767	21.8
Corporates	4.3	6224	3664	69.9
FII/DII	0.3	434	6785	-93.6
Total Borrowings	100.0	144742	135694	6.7

Source: Company, IndiaNivesh Research

Asset quality deteriorated:

Asset quality of LTFH deteriorated as stress was visible in both the financing subsidiaries. Consolidated Gross and Net NPA of was up 58 and 32 bps qoq to 2.4% and 1.6% vs 1.8% and 1.2% in Q2FY13 respectively. In absolute terms, Gross NPA was up by 49% and Net NPA by 41% qoq to Rs 7.3 and Rs 4.7 bn respectively. LTF

L&T Finance Holding Ltd. (contd...)

asset quality was more impacted comparatively with sequential increase of 47 / 58 bps in Gross / Net NPA to 2.1% / 1.6% respectively. In absolute terms, Gross / Net NPA increased by 12% / 49% qoq to Rs 3.5 / 2.6 bn. LTIF's asset quality, though affected, but deterioration was comparatively lower with increase of 23-29 bps in Gross / Net NPA to 1.8% / 1.6% in Q3FY13. Further it continues to follow conservative policy on provisioning with standard asset provisioning of 0.25-.5% as compared to 0.25% regulatory requirements.

Consolidated credit cost increased to 120 bps in Q3FY13 as against 72 bps in FY12. While asset quality deterioration in LTF was comparatively higher, credit cost of LTF jumped to 163 bps from 124 bps in Q2FY13. Further LTIF holds additional provisioning over RBI's requirement of Rs 4710 mn and voluntarily provided Rs 2940 mn on standard assets in M9FY13.

Asset Quality	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ
L&T Finance Hldg (Cons)					
Gross NPA	7265	5129	41.6	4877	49.0
Net NPA	4698	2871	63.6	3327	41.2
Gross NPA (%)	2.39	2.20	19bps	1.81	58bps
Net NPA (%)	1.56	1.25	31bps	1.24	32bps
L&T Infra					
Gross NPA	2333	1437	62.4	1778	31.2
Net NPA	2001	1212	65.1	1546	29.4
Gross NPA (%)	1.83	1.48	35bps	1.54	29bps
Net NPA (%)	1.57	1.25	32bps	1.34	23bps
L&T Finance					
Gross NPA	3471	3692	-6.0	3099	12.0
Net NPA	2647	1659	59.6	1781	48.6
Gross NPA (%)	2.05	1.22	83bps	1.58	47bps
Net NPA (%)	1.57	0.63	94bps	0.99	58bps

Source: Company, IndiaNivesh Research

Valuation:

LTFH's Q3FY13 results were disappointing on margins and asset quality front, however loan book momentum remains intact driven by sequential increase in disbursements in both financing subsidiaries. NIMs surprised negatively with contraction of 12 bps as against our expectation of stable margins mainly due to decline in yields higher than that of contraction in cost of funds. Asset quality deteriorated with increase in delinquencies however aggressive provisioning remains a key positive.

At CMP of Rs 85, the stock is trading at P/ABV of 2.9x and 2.6x for FY13E and FY14E respectively. We maintain HOLD on stock target price of Rs 81.

L&T Finance Holding Ltd. (contd...)

LTFH (Cons)

Rs mn	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ	M9FY13	M9FY12	% YoY
Interest Income	9651	7616	26.7	9245	4.4	27921	20807	34.2
Interest Expense	5800	4529	28.1	5454	6.3	16675	12338	35.2
Net Interest Income	3851	3087	24.8	3791	1.6	11246	8469	32.8
Other Income	189	235	-19.3	172	10.3	476	737	-35.3
Net Income	4040	3322	21.6	3963	2.0	11723	9206	27.3
Total Income	9840	7851	25.3	9417	4.5	28397	21544	31.8
Operating Expense	1439	1272	13.1	1170	23.0	3865	3145	22.9
Pre Provisioning Profit	2602	2050	26.9	2793	-6.9	7858	6061	29.7
Provisions	929	615	51.0	727	27.8	2303	1371	68.0
Profit Before Tax	1673	1435	16.6	2066	-19.0	5555	4689	18.5
Tax	949	499	90.4	629	51.0	2188	1548	41.3
Net Profit	2946	936	214.7	1437	105.0	5590	3141	78.0
Adjusted Net profit	1188	936	26.9	1437	-17.3	3832	3141	22.0
Loans & Advances	312305	238833	30.8	276620	12.9			
Disbursements	66562	54746	21.6	49410	34.7			
Net worth	54150	46339	16.9	50150	8.0			
Gross NPA	7265	5129	41.6	4877	49.0			
Net NPA	4698	2871	63.6	3327	41.2			

Key Ratios (%)			bps	bps	
NIM	5.3	5.2	8	5.4	-12
NIM*	5.2	5.4	-18	5.6	-40
Yield on Loans*	13.1	13.4	-24	13.7	-63
Cost of Funds*	9.6	9.8	-22	9.5	7
Gross NPA (%)	2.4	2.2	19	1.8	58
Net NPA (%)	1.6	1.3	31	1.2	32

Source: *calculated, Company, IndiaNivesh Research

L&T Finance Holding Ltd. (contd...)

LTIF

Rs mn	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ	M9FY13	M9FY12	% YoY
Interest Income	3979	3027	31.5	3853	3.3	11477	8209	39.8
Interest Expense	2488	1940	28.3	2347	6.0	7112	5179	37.3
Net Interest Income	1491	1087	37.1	1506	-1.0	4365	3030	44.0
Other Income	93	18	416.7	104	-10.6	248	212	17.0
Net Income	1584	1105	43.3	1610	-1.6	4613	3242	42.3
Operating Expense	204	153	33.1	188	8.5	567	352	60.9
Pre Provisioning Profit	1380	952	45.0	1422	-3.0	4046	2890	40.0
Provisions	272	130	109.0	252	7.9	711	182	290.3
Profit Before Tax	1108	822	34.8	1170	-5.3	3335	2708	23.2
Net Profit	819	587	39.5	822	-0.4	2386	1930	23.6
Loans & Advances	132937	100870	31.8	120390	10.4			
Disbursement	22709	13511	68.1	12610	80.1			
Gross NPA	2333	1437	62.4	1778	31.2			
Net NPA	2001	1212	65.1	1546	29.4			

Key Ratios (%)			bps	bps	
Yield on Loans	12.6	12.6	-3	13.3	-73
Cost of Funds	9.4	9.5	-5	9.7	-25
NIM	4.7	4.5	19	5.2	-49
NIM*	4.9	4.5	33	5.2	-34
Cost to Income	12.9	13.9	-99	11.7	120
Gross NPA	1.8	1.5	35	1.5	29
Net NPA	1.6	1.3	32	1.3	23
Credit Cost*	0.9	0.5	34	0.9	2
ROE	15.6	14.6	99	16.9	-132
ROA	2.5	2.3	17	2.7	-23

Source: *calculated, Company, IndiaNivesh Research

LTF

Rs mn	Q3FY13	Q3FY12	% YoY	Q2FY13	% QoQ	M9FY13	M9FY12	% YoY
Interest Income	5672	3998	41.9	5392	5.2	16444	12007	37.0
Interest Expense	3435	2341	46.7	3230	6.3	9943	6911	43.9
Net Interest Income	2237	1657	35.0	2162	3.5	6501	5096	27.6
Other Income	161	11	1334.2	117	37.6	407	236	72.3
Net Income	2398	1668	43.8	2279	5.2	6908	5332	29.6
Operating Expense	1024	638	60.6	961	6.6	2978	2195	35.7
Pre Provisioning Profit	1374	1030	33.3	1318	4.2	3930	3137	25.3
Provisions	657	374	75.6	475	38.3	1592	1078	47.7
Profit Before Tax	717	656	9.3	843	-14.9	2338	2059	13.5
Net Profit	533	427	24.9	612	-12.9	1672	1379	21.3
Loans & Advances	177416	137960	28.6	156265	13.5			
Disbursement	43544	41685	4.5	37289	16.8			
Gross NPA	3471	3692	-6.0	3099	12.0			
Net NPA	2647	1659	59.6	1781	48.6			

Key Ratios (%)			bps	bps	
Yield on Loans	14.1	13.9	15	14.0	7
Cost of Funds	9.8	9.8	1	9.7	5
NIM	5.9	5.7	14	5.8	8
NIM*	5.6	0.0	556	5.6	-8
Cost to Income	42.7	45.6	-285	42.2	53
Gross NPA	2.1	1.2	83	1.6	47
Net NPA	1.6	0.6	94	1.0	58
Credit Cost*	1.6	1.4	23	1.2	39
ROE	14.0	14.5	-55	15.2	-121
ROA	1.9	2.0	-15	2.1	-24

Source: *calculated, Company, IndiaNivesh Research

L&T Finance Holding Ltd. (contd...)

L&T Finance Holdings - Consolidated

Income Statement (Rs Mn)	FY11	FY12	FY13E	FY14E
Interest Earned	20659	29687	38262	47504
Interest Expended	10227	17448	23273	28713
Net Interest Income	10453	12677	15492	19494
Other Income	535	386	975	1150
Net Income	10988	13063	16466	20643
Total Income	21194	30073	39236	48653
Total Expenses	3215	4394	5343	6303
Pre Provision Profit	7773	8669	11123	14341
Provisions	1717	1827	3238	3551
Profit before tax	6056	6842	7885	10790
Tax	2133	2295	2849	3248
Net Profit	3923	4548	7258	7542

Source: IndiaNivesh Research

Balance Sheet (Rs Mn)	FY11	FY12	FY13E	FY14E
Liabilities				
Equity	14170	17148	17148	17148
Reserves and Surplus	14742	30391	36788	43164
Net Worth	28912	47539	53935	60311
Borrowings	155605	215735	270313	334324
Other Liabilities & Provisions	11251	6065	10947	17188
Total Liabilities	195768	269339	335196	411823
Assets				
Loans and Advances	177115	252926	315771	390650
Net Block	4941	5527	5764	5973
Investments & Other Assets	13712	10886	13661	15200
Total Assets	195768	269339	335196	411823

Source: IndiaNivesh Research

Valuation Ratios	FY11	FY12	FY13E	FY14E
Earning Per Share (Rs)	2.8	2.7	4.2	4.4
Book Value Per Share (Rs)	20	28	31	35
Adj Book Value Per Share (Rs)	20	26	29	32
P/E (x)	30.7	32.0	20.1	19.3
P/BV (x)	4.2	3.1	2.7	2.4
P/ABV (x)	4.3	3.2	2.9	2.6
Growth Y-o-Y (%)				
Loan and Advances	48.2	42.8	24.8	23.7
Borrowings	55.9	38.6	25.3	23.7
Balance Sheet	57.2	37.6	24.5	22.9
Net Interest Income	47.9	43.7	28.9	24.2
Net Income	45.3	21.3	22.2	25.8
Net Profit	53.6	15.9	59.6	3.9
Return Ratios (%)				
ROE	15.0	11.9	14.3	13.2
ROA	2.4	2.0	2.4	2.0
Yield / Margin (%)				
Yield on Funds	13.9	13.8	13.5	13.4
Cost of Funds	8.0	9.2	9.4	9.3
Interest Spread	5.9	4.6	4.1	4.2
Net Interest Margin	7.0	5.9	5.4	5.5
Net Profit Margin	18.5	15.1	18.5	15.5
Other Ratios (%)				
Cost / Income	29.3	33.6	32.4	30.5
Interest Expense / Interest Income	49.5	58.8	60.8	60.4
Net Interest Income / Net Income	95.1	97.0	94.1	94.4

Source: IndiaNivesh Research



Trust.....we earn it.

IndiaNivesh Securities Private Limited

601 & 602, Sukh Sagar, N. S. Patkar Marg, Girgaum Chowpatty, Mumbai 400 007.

Tel: (022) 66188800 / Fax: (022) 66188899

e-mail: research@indianivesh.in | Website: www.indianivesh.in

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