

DELOITTE HASKINS & SELLS LLP
Chartered Accountants
Indiabulls Finance Centre, Tower 3
27th - 32nd Floor, Senapati Bapat Marg
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Chartered Accountants
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INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF L&T FINANCE HOLDINGS LIMITED

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of **L&T FINANCE HOLDINGS LIMITED** (the "Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as the "Group") for the quarter ended June 30, 2018 (the "Statement"), being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016. This Statement which is the responsibility of the Parent's Management and approved by the Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to issue a report on the Statement based on our review.
2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement. A review is limited primarily to inquiries of Parent personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.
3. The Statement includes the results of the following entities:

Sr. No.	Name of the Company	Nature of relationship
1	L&T Finance Limited	Subsidiary
2	L&T Infrastructure Finance Company Limited	Subsidiary
3	L&T Housing Finance Limited	Subsidiary
4	L&T Infra Debt Fund Limited	Subsidiary
5	L&T Infra Investment Partners Advisory Private Limited	Subsidiary
6	L&T Infra Investment Partners Trustee Private Limited	Subsidiary
7	L&T Investment Management Limited	Subsidiary
8	L&T Mutual Fund Trustee Limited	Subsidiary
9	L&T Capital Markets Limited	Subsidiary
10	L&T Financial Consultants Limited	Subsidiary
11	Mudit Cement Private Limited	Subsidiary
12	L&T Infra Investment Partners	Subsidiary

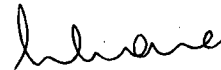
4. We did not review the interim financial results of 7 subsidiaries included in the consolidated financial results, whose interim financial results reflect total revenues of ₹258.80 crore for the quarter ended June 30, 2018, and total profit after tax of ₹0.78 crore and total comprehensive income of ₹0.50 crore for the quarter ended June 30, 2018, as considered in the consolidated financial results. These interim results have been reviewed by other auditors whose reports have been furnished to us by the Management and our report on the Statement, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the other auditors.
5. Based on our review conducted as stated above and based on the consideration of the reports of the other auditors referred to in paragraph 4 above, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the aforesaid Indian Accounting Standards and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as modified by Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016, including the manner in which it is to be disclosed, or that it contains any material misstatement.

For DELOITTE HASKINS & SELLS LLP
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



Sanjiv V. Pilgaonkar
(Partner)
(Membership No. 039826)

For B. K. KHARE & CO.
Chartered Accountants
(Firm's Registration No. 105102W)



Padmini Khare Kaicker
(Partner)
(Membership No. 044784)

Mumbai, July 20, 2018

Mumbai, July 20, 2018

L&T FINANCE HOLDINGS LIMITED

CIN. L67120MH2008PLC181833

Regd. Office : Brindavan, Plot No. 177, CST Road, Kalina, Santacruz (East), Mumbai - 400 098, Maharashtra, India

Website: www.ltfs.com Email: igrc@ltfs.com Phone: +91 22 6212 5000 Fax: +91 22 6621 7509

(₹ in Crore)

STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2018			
Sr. No.	Particulars	Quarter ended	
		June 30, 2018	June 30, 2017
		(Unaudited)	(Unaudited)
1	Income:		
	(a) Revenue from operations	3,041.04	2,301.04
	(b) Other income	137.47	126.23
	Total Income (a+b)	3,178.51	2,427.27
2	Expenses:		
	(a) Finance costs	1,513.17	1,270.31
	(b) Employee benefits expense	161.20	107.37
	(c) Administration and other expenses	327.45	235.43
	(d) Provisions and contingencies	435.85	443.33
	(e) Depreciation and amortisation	11.66	13.70
	Total expenses (a+b+c+d+e)	2,449.33	2,070.14
3	Profit before exceptional items (1-2)	729.18	357.13
4	Exceptional items	-	-
5	Profit before tax (3-4)	729.18	357.13
6	Tax expense:		
	(a) Current tax	142.57	66.07
	(b) Deferred tax	46.78	(45.71)
	Total tax expense (a+b)	189.35	20.36
7	Net profit after tax (5-6)	539.83	336.77
8	Add: Share in profit of associate company	-	1.74
9	Net profit after tax and share in profit of associate company (7+8)	539.83	338.51
	Net Profit attributable to:		
	Owners of the company	538.38	314.30
	Non-controlling interest	1.45	24.21
10	Other comprehensive income (OCI)	(1.72)	0.83
	Other comprehensive income (OCI) attributable to:		
	Owners of the company	(1.72)	0.83
	Non-controlling interest	-	-
11	Total comprehensive income (9+10)	538.11	339.34
	Total comprehensive income (OCI) attributable to:		
	Owners of the company	536.66	315.13
	Non-controlling interest	1.45	24.21
12	Paid-up equity share capital (face value of ₹ 10 each) (Refer note 4)	1,995.75	1,821.22
13	Earnings per share (not annualised): (Refer note 4)		
	(a) Basic EPS (₹)	2.70	1.76
	(b) Diluted EPS (₹)	2.68	1.74

1 The Group has adopted Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 from April 1, 2018 and the effective date of such transition is April 1, 2017. Such transition has been carried out from the erstwhile Accounting Standards notified under the Act, read with relevant rules issued thereunder and guidelines issued by the Reserve Bank of India ('RBI') and National Housing Bank ('NHB') (Collectively referred to as "the Previous GAAP").

2 The results have been reviewed by the Audit Committee and approved by the Board of Directors at its meeting held on July 20, 2018. The Joint Statutory Auditors of the Company have carried out limited review of the aforesaid results.

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- 3 The Company reports quarterly financial results of the group on a consolidated basis, pursuant to the option made available as per Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended read with circular dated July 5, 2016. The standalone financial results are available on the website of the Company at www.ltf.com, the website of BSE Limited ("BSE") at www.bseindia.com and on the website of National Stock Exchange of India Limited ("NSE") at www.nseindia.com. The specified items of the standalone financial results of the Company for the quarter ended June 30, 2018 and June 30, 2017 are given below.

Particulars	Quarter ended	
	June 30, 2018	June 30, 2017
	(Unaudited)	(Unaudited)
Total income from operations	53.35	26.10
Profit/(Loss) before tax	10.60	(18.74)
Profit/(Loss) after tax	10.35	(19.01)
Total comprehensive income	10.50	(19.05)

- 4 The Company during the quarter ended June 30, 2018 has allotted 77,750 equity shares of ₹ 10 each, fully paid up, on exercise of options by employees, in accordance with the Company's Employee Stock Option Scheme(s).
- 5 Consolidated unaudited segment wise revenue, result, total assets and total liabilities in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Sr. No.	Particulars	Quarter ended	
		June 30, 2018	June 30, 2017
	Gross segment revenue from continuing operations		
(a)	Rural Business	832.04	494.10
(b)	Housing Business	667.52	433.63
(c)	Wholesale Business	1,270.65	1,100.33
(d)	Defocused Business	34.16	68.98
(e)	Others	285.28	240.20
	Segment revenue from continuing operations	3,089.65	2,337.24
	Less: Inter segment revenue	(48.61)	(36.20)
	Revenue as per the Statement of Profit and Loss	3,041.04	2,301.04
	Segment Result (Profit/(loss) before tax)		
(a)	Rural Business	228.06	117.55
(b)	Housing Business	223.67	142.50
(c)	Wholesale Business	275.71	166.29
(d)	Defocused Business	(28.48)	(91.81)
(e)	Others	30.22	22.60
	Profit before tax	729.18	357.13
	Segment assets		
(a)	Rural Business	18,890.48	10,423.72
(b)	Housing Business	21,065.49	14,207.09
(c)	Wholesale Business	45,317.32	42,694.39
(d)	Defocused Business	1,094.45	2,017.51
(e)	Others	11,776.48	7,427.96
	Sub total	98,144.22	76,770.67
	Less: Inter segment assets	(10,092.47)	(5,516.58)
	Segment assets	88,051.75	71,254.09
(f)	Unallocated	2,262.94	2,002.12
	Total assets	90,314.69	73,256.21
	Segment liabilities		
(a)	Rural Business	16,248.51	9,264.93
(b)	Housing Business	18,651.94	12,860.88
(c)	Wholesale Business	41,541.39	39,702.19
(d)	Defocused Business	944.85	1,793.23
(e)	Others	2,865.04	2,050.81
	Sub total	80,251.73	65,672.04
	Less: Inter segment liabilities	(2,129.69)	(392.84)
	Segment liabilities	78,122.04	65,279.20
(f)	Unallocated	14.65	17.23
	Total liabilities	78,136.69	65,296.43

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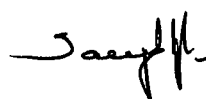
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- (i) The Group has reported segment information as per Indian Accounting Standard 108 "Operating Segments" (Ind AS 108) read with SEBI circular dated July 5, 2016. The identification of operating segments is consistent with performance assessment and resource allocation by the management.
- (ii) Segment composition :
- Rural Business** comprises of lending towards Farm Equipments, Two Wheeler Finance and Micro Loans.
- Housing Business** comprises of lending towards Home Loans, Loan against Property and Real Estate Finance.
- Wholesale Business** comprises of lending towards Infrastructure Finance, Structured Corporate Loans and Supply Chain Finance.
- Defocused Business** comprises of lending towards Commercial Vehicle Finance, Construction Equipment Finance, SME term loans and Leases.
- Others** comprises of Asset Management, Wealth Management etc.
- Unallocated** represents tax assets and tax liabilities

6 As required by paragraph 32 of Ind AS 101, net profit reconciliation between the figures reported under Previous GAAP and Ind AS is as under:

Sr. No.	Particulars	(₹ in Crore)
		Quarter ended June 30, 2017 (Unaudited)
	Net profit after tax as per Previous GAAP	309.17
(a)	Amortisation of processing fee on corporate loans based on the effective interest rate	(9.65)
(b)	Incremental cost on fair valuation of employee stock option plan	(7.80)
(c)	Fair valuation of investments	46.65
(d)	Incremental provision on application of expected credit loss model	(25.07)
(e)	Increase in borrowing cost pursuant to application of effective interest rate method	(37.17)
(f)	Unamortised loss on sale of loan assets written off in year of sale and adjusted against retained earnings	35.43
(g)	Impact of consolidation of a fund on evaluation of control as per Ind AS 110	34.25
(h)	Others	(7.30)
	Net profit after tax as per Ind AS	338.51
	Other comprehensive income (net of tax) attributable to owners of the Company	0.83
	Total comprehensive income as per Ind AS (attributable to owners of the Company)	339.34

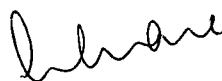
In terms of our report attached,
For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants



Sanjiv V. Pilgaonkar
Partner

Place : Mumbai
Date : July 20, 2018

In terms of our report attached,
For **B. K. KHARE & CO.**
Chartered Accountants
FRN: 105102W



Padmini Khare Kaicker
Partner
Membership no. 044784

Place : Mumbai
Date : July 20, 2018

For and on behalf of the Board of Directors
L&T Finance Holdings Limited



Dinanath Dubhashi
Managing Director & Chief Executive Officer
(DIN : 03545900)

Place : Mumbai
Date : July 20, 2018

Press Release

Friday, July 20, 2018, Mumbai

Financial Performance for the quarter ended 30th June, 2018

- **RoE of 18.45% for Q1FY19**
- **PAT of Rs. 538 cr. for Q1FY19 up 71% from Rs. 314 cr. for Q1FY18**

The Board of Directors of L&T Finance Holdings Ltd. (LTFH), at its meeting held today, approved the unaudited financial results for quarter ended 30th June 2018 (Q1FY19).

In line with direction from Ministry of Corporate Affairs, LTFH has adopted Indian Accounting Standards (IND AS) with effect from 1st April 2018. Results of Q1FY19 are prepared and reported in compliance with IND AS requirements. Additionally, for the same quarter of previous year (Q1FY18), figures have been recast to fit IND AS requirements.

Some key changes due to adoption of IND AS for LTFH are:

1. **Expected Credit Losses (ECL):** ECL methodology prescribed in IND AS is based on the principle of providing for expected future losses, rather than incurred losses, which was followed under the previous accounting standard. Since required provisions are assessed using statistical modelling, ECL methodology facilitates granular analysis of portfolio, thereby translating true risk of a portfolio into provisions.

Under the previous accounting standard, an asset was classified as either standard (Not an NPA) or sub-standard (NPA). Under the new accounting standard, assets are classified as Performing Assets (Stage 1), Underperforming Assets (Stage 2) or Non-Performing Assets (Stage 3). In accordance with highest standard of transparency and governance, LTFH has reported its Stage 3 assets to include NPAs (above 90 DPD), Infra assets where regulatory forbearance was available (SDR, S4A, 5:25, etc.) and other standard assets with incipient stress.

In its Infra portfolio, LTFH has taken the entire Expected Credit Loss on its legacy stressed portfolio. LTFH's legacy Infra stressed portfolio now carries provisions of ~Rs. 3,000 cr. against total portfolio of ~Rs. 5,000 cr. Of the Rs. 3,000 cr., LTFH was already carrying nearly Rs. 1,200 cr. of provisions as on 31st March 2018 under the previous accounting standard. The remaining Rs. 1,800 cr. have been adjusted against opening reserves while transitioning to IND AS.

LTFH was taking accelerated provisions in its Infra stressed assets portfolio over last two years. The provisioning requirement on this portfolio is now complete.

In LTFH's retail portfolios, i.e., Rural and Housing, requirement of provisions have been assessed by statistically modelling past performance of its portfolio.

2. **Preference Shares:** Under the previous accounting standard, Preference Shares were included in networth and dividend paid on these shares were appropriated from profits. Under IND AS, Preference Shares are classified as financial liabilities and dividend paid is accounted as finance cost. Even under earlier accounting standard, LTFH was reporting Return on Equity (RoE) after excluding Preference Shares and dividend. Hence there is no impact on RoE of LTFH due to the new standard.
3. **Fair Value of Investments and ESOPs:** All investments have been revalued to their fair value in opening balance sheet and any further change in fair value is taken through P&L statement. Fair Market Value of ESOPs allotted to employees are calculated using Black Scholes method and taken in P&L, resulting in a small increase in manpower cost.
4. **Amortization of Fees:** In line with requirement of IND AS, LTFH is amortizing its processing fees at Effective Interest Rate of the underlying loan. Since LTFH was already following this practice even under the previous accounting standard for a significant portion of its portfolio, the impact is minimal.
5. **Taxation:** IND AS mandates computation of deferred taxes using balance sheet approach as against P&L approach followed under previous accounting standard. Consequently, opening reserves on the transition date have been restated and impact of subsequent periods has been accounted for in P&L statement. This has resulted in slight increase of tax liability for LTFH.

Results highlights:

- **Growth in businesses:** In its focus lending businesses, namely Rural Finance, Housing Finance and Wholesale Finance, LTFH recorded 27% YoY increase in assets in Q1FY19. LTFH used sell-down of wholesale loans as a strategic lever in guiding its portfolio composition to higher “Retailisation”. At the end of Q1FY19, Rural and Housing businesses together constituted 46% of total portfolio as against 35% at the end of Q1FY18.

<u>Focus Businesses</u>	Q1FY19	Q1FY18	Book Growth Q1FY19 vs Q1FY18
Rural Finance	19,079	10,824	76%
Housing Finance	20,356	13,743	48%
Wholesale Finance	45,945	42,760	7%
TOTAL	85,380	67,327	27%

LTFH also delivered strong growth in its Investment Management & Wealth Management businesses. Average Assets under Management (AAUM) in Investment Management business increased to Rs. 71,118 cr. in Q1FY19 from Rs. 44,484 cr. in Q1FY18 – a growth of 60%. Assets under Service (AUS) in Wealth Management

business increased to Rs. 18,866 cr. in Q1FY19 from Rs. 17,120 cr. in Q1FY18 – a growth of 10%.

- **Improving asset quality:** LTFH has shown a substantial improvement in its Stage 3 assets, both in absolute and percentage terms. This has been achieved through vigorously monitored early warning signals, concentration on early bucket collections and strong Stage 3 resolution efforts. LTFH’s provision coverage has also increased during this time, indicating strength of its portfolio.

(Rs. Cr.)	Q1FY19	Q1FY18
Gross Stage 3	6,480	7,577
Net Stage 3	2,463	3,732
Gross Stage 3 %	7.93%	11.70%
Net Stage 3 %	3.17%	6.13%
Provision Coverage %	61.99%	50.74%

- **Improving Cost to income ratio:** LTFH Cost to Income ratio has reduced to 23.40% in Q1FY19 from 24.07% in Q1FY18. This reduction has been achieved despite substantial investment in digital & data analytics, branch infrastructure and manpower.

Management Commentary:

Commenting on the results and financial performance, Mr. Dinanath Dubhashi, Managing Director & CEO, LTFH, said “We continue on the journey of improving our RoE through continuously enhancing our competitive position, strong NIMs + fees, tight cost controls and improving asset quality. Retailisation of our book, and usage of digital and data analytics remains pivotal to our strategy. We have now provided for the legacy Infra stressed book. For Q1FY19, we have achieved RoE of 18.45% which is within the steady state range. Having reached the steady state range of RoE, our focus will be on maintaining it through responsible growth and minimizing sigma by tightly managing all families of risk. ”

About L&T Finance Holdings:

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., L&T Housing Finance Ltd., L&T Infrastructure Finance Company Ltd., L&T Investment Management Ltd. and L&T Capital Markets Ltd. LTFH is registered with RBI as a CIC-ND-SI. LTFH is promoted by Larsen & Toubro Ltd. (L&T), one of the leading companies in India, with interests in engineering, construction, electrical & electronics manufacturing & services, IT and financial services.