

TRANSFORM FOCUS DELIVER



LTFH response to de-monetization of Rs.500 & Rs.1000 notes

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LTFH Portfolio Snapshot

Business	Book Size – H1FY17 (Rs. Crs)	% Contribution to Book Size
Rural	9,222	15%
Housing	11,381	19%
Wholesale	36,477	60%
Non - Core Portfolio	3,817	6%
Total	60,897	100%

Rural Business

Business Vertical	% of Portfolio	Cash Dependency	Billing Mode	Status - Collection	Disbursement Mode	Status - Disbursement
Microfinance	5%	High	Monthly billing in Cash	<ul style="list-style-type: none"> Nov collection already completed Expect cash availability to stabilize by Dec cycle With average EMI being around Rs. 1300, ability of the borrower to pay with valid currency should not be a challenge 	Cash to customers	<ul style="list-style-type: none"> Disbursement in Nov will be lower than the run rate Pilot for cashless disbursement was already done – now fast tracked for full scale implementation from Q4 to Nov Disbursements to reach normalcy by Jan'17
2 - Wheeler	3%	Low	Cheques/ Electronic Modes	<ul style="list-style-type: none"> High incidence of automated clearing; Cash collections deployed only for delinquent customers With average EMI being around Rs. 2500, ability of the borrower to pay with valid currency should not be a challenge With banking habits improving as a result of demonetization, automated clearance is expected to go up 	Electronic transfer to dealers	<ul style="list-style-type: none"> No immediate impact Finance penetration to increase in the medium term as avenues for informal financing are expected to reduce

Rural Business

Business Vertical	% of Portfolio	Cash Dependency	Billing Mode	Status - Collection	Disbursement Mode	Status - Disbursement
Farm Equipment	7%	Medium	Cash/ Cheques/ Electronic Modes	<ul style="list-style-type: none"> Billing for the quarter was skewed towards the beginning. Due to non availability of currency and short term disturbances in the farm supply chain, we see a temporary delay in payments with no incremental default risk As currency availability stabilises and bank accounts gets funded, collections will come back to normal 	Electronic transfer to dealers	Small decline in business is expected in the short term

- Closely monitoring ground level situation and assisting customers in banking demonetized currency into their bank accounts
- Collections efforts to remain focussed through banking channels/ new currency/ valid old denomination notes

Housing Business

Business Vertical	% of Portfolio	Cash Dependency	Billing Mode	Status - Collection	Disbursement Mode	Status - Disbursement
HL & LAP	12%	Low	Cheques/ Electronic Modes	<ul style="list-style-type: none"> No immediate impact in collections visible Our risk mitigants in LAP against a possible fall in property prices are : <ul style="list-style-type: none"> LTV of <50% in LAP portfolio Residential LAP is 82% Non - Self occupied properties limited to ~20% 	Cheques to builders/ customers	While there may be some immediate slowdown in sales, positive effect on disbursements expected due to lower property prices and increase in finance penetration
Real Estate	7%	Nil	Electronic Modes	<ul style="list-style-type: none"> No immediate impact in collections visible Loan structuring provides enough cushions for temporary delays Our control on cash flows of projects to improve due to better transparency in escrow mechanism 	Electronic transfer to customers	No Immediate impact

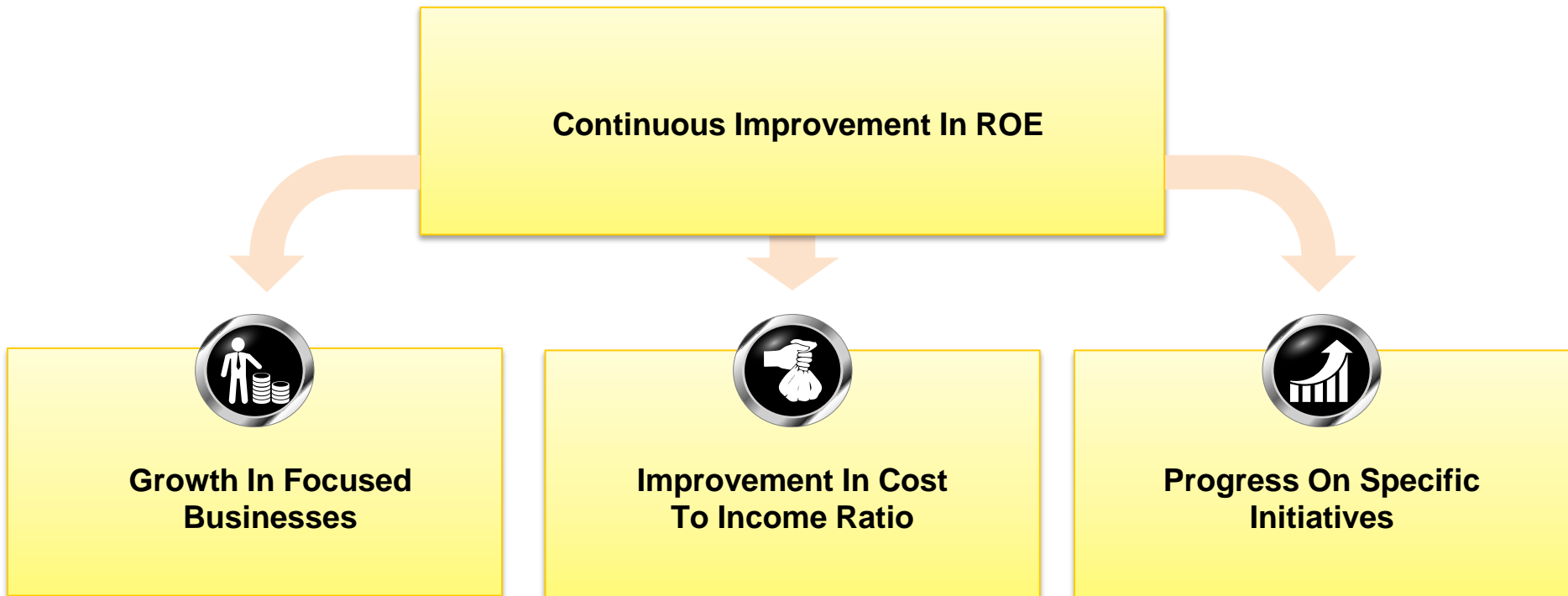
Wholesale Business

Business Vertical	% of Portfolio	Cash Dependency	Billing Mode	Status - Collection	Disbursement Mode	Status - Disbursement
Wholesale	60%	Nil	Cheques/ Electronic Modes	Improvement in liquidity in the system will result in better collection in medium term	Electronic	Planned government expenditure expected to increase substantially giving boost to both launch of new projects as well as completion/ payments of old projects

Conclusion

- ❖ Our competitive advantages remain unaffected by demonetization :
 - Deep domain knowledge of sectors we operate in
 - Clear established “Right to Win” in our chosen businesses
 - Common USP of Turn around Time across products
- ❖ ~90 % of loan book is serviced by electronic collections, unaffected by currency shortage
~60% of the book is Wholesale where the impact is unequivocally positive
- ❖ Since the rural economy is largely a white economy, the issues faced are more due to temporary delays/logistical difficulties rather than defaults:
 - Should come back to normal once enough new currency becomes available
 - Situation being over managed in the meanwhile, by assisting customers to deposit cash in the bank
- ❖ Long term impacts are largely positive as :
 - Fall in asset prices will spur demand in real estate sector
 - Infrastructure spending increases
 - Lower operational cost due to increase in banking penetration in rural sector
- ❖ It is expected that increase in liquidity will push interest rates down, therefore benefiting the company

Reaffirming our Goals



Continuous improvement in RoE, leading to top quartile RoE by 2020

“Our aim is to be an admired and inspirational financial institution, creating sustainable value for all our stakeholders.”

L&T Finance Holdings Ltd

Brindavan, Plot No 177
Vidyanagari Marg, CST Road, Kalina
Santacruz (E), Mumbai 400 098

Registered Office

L&T House, NM Marg
Ballard Estate, Mumbai 400 001
CIN: L67120MH2008PLC181833

T +91 22 6621 7300/400

F +91 22 6621 7509

E igrc@ltfinanceholdings.com
www.ltfinanceholdings.com



L&T Financial Services