

Issue Highlights

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Issue Open	Issue Close	Price Band	Face Value	Bid Size	Issue Size in Rs. million	Issue Size in Shares (Million)
July 27, 2011	July 29, 2011	51-59	10.00	100 and in multiples of 100	12,450	211 - 244

Rationale

Strong Promoter background, superior loan quality, diversified loan portfolio, good corporate governance, strong distribution network and sound risk management systems are few factors making it as good investment avenue. CARE and ICRA have assigned “grade 5” indicating strong fundamentals for the company.

The company is offering its shares at 2.4x and 2.1x to its book value at the upper and lower band respectively while the peers also trade in the range of 2x to 3x.

We would recommend the issue with “*SUBSCRIBE*” ratings with the long term investment perspective.

About the Company

L&T Finance Holdings Limited is a financial holding company promoted by Larsen & Toubro Limited (“L&T”).

L&T Finance Holdings Limited offers a diverse range of financial products and services across the corporate, retail and infrastructure finance sectors, as well as mutual fund products and investment management services, through their direct and indirect wholly-owned subsidiaries.

The Company was incorporated in 2008, and is registered with the RBI as an NBFC-ND-SI and has applied to the RBI for registration as a CIC-ND-SI.

Business Overview

The company’s operations are arranged into four business groups, being

➤ **Infrastructure Finance Group**

It provides financial products and services to, inter alia, the power, roads, telecommunications, oil and gas, urban infrastructure and ports sectors.

IPO Grading:

CARE & ICRA - Grade 5 indicating Strong Fundamentals

Shareholding Pattern

Pre Issue - 1,477,024,426 Shares
Post Issue - Shares

Issue Allocation

QIB: 105 - 122 Shares (in million)

Non Institutional:

32 - 36 Shares (in million)

Retail: 73 - 85 Shares (in million)

Listing at: BSE & NSE

Lead Managers:

JM Financial Consultants P Ltd.,
Citigroup Global Markets India P Ltd.,
HSBC Securities and Capital Markets (India) P Ltd.,
Barclays Securities (India) P Ltd.,
Credit Suisse Securities (India) P Ltd.,
Equirus Capital P Ltd.

Registrar:

Sharepro Services (India) P Ltd.
Tel : +91 (22) 6191 5400 / 41
Email:prakashk@shareproservices.com

Bankers to the Issue:

Axis Bank Ltd., Citibank N.A., City Union Bank Ltd., DBS Bank Ltd., Dhanlaxmi Bank Ltd., The Federal Bank Ltd., HDFC Bank Ltd., The HSBC Ltd., ICICI Bank Ltd., IDBI Bank Ltd., State Bank of India.

➤ **Retail Finance Group**

It provides finance to the retail customers, primarily for the acquisition of income-generating assets such as construction equipment, transportation equipment and rural products. The Retail Finance Group is also engaged in the provision of microfinance and the distribution of financial products.

➤ **Corporate Finance Group**

The Corporate Finance Group provides financial products and services, including term loans, operating leases, finance leases, receivables discounting, supply chain financing and capital markets financing, to a wide array of companies, from small and medium enterprises to large, multinational corporations.

➤ **Investment Management Group.**

Investment Management Group, through the wholly-owned subsidiary, L&TIM, comprises the mutual fund segment, which includes the management, administration and distribution of L&T Mutual Fund, and the portfolio management services segment, which includes portfolio management and sub advisory services.

Objects of the Issue

The Company intend to utilise the proceeds of the Issue for the following objects:

1. Repayment of intercorporate deposit issued by Promoter to Company;
2. To augment the capital base of L&T Finance and L&T Infra, to meet the capital adequacy requirements to support the future growth in their business;
3. To achieve the benefits of listing on the Stock Exchanges; and
4. For other general corporate purposes including meeting the expenses of the Issue.

Key Strengths

The key strengths of the company are as follows:

1. Diversified and balanced mix of high growth businesses
2. Strong distribution network, with a presence throughout India
3. Experienced management team and employees with a proven track record of establishing and growing new lines of business
4. High quality loan portfolio comprising the funding of mainly income-generating assets and activities
5. Good financial and capital position, as well as access to multiple sources of capital
6. Strong parentage and brand equity of L&T

Key Strategies

The key elements of company's strategy are as follows:

1. Continue to expand our business to include new products and services, as well as entirely new lines of business
2. Increase the market penetration of our existing products and services
3. Continue to focus on two key Indian growth stories: infrastructure and rural development
4. Develop our financial products distribution business segment
5. Continue to attract and retain talented professionals
6. Continue to focus on the growth of our retail loan portfolio

Comparison with Industry Peers

Name of Industry Peers	Face Value (Rs.)	EPS*	P/E#	RoNW for Fiscal 2011(%)	Book Value per share for Fiscal 2011 (Rs.)
L&T Finance Holdings Limited**	10	2.87	[●]	13.58	20.40
Shriram Transport Finance Company Limited	10	53.92	12.1	24.87	216.37
Mahindra & Mahindra Financial Services	10	50.92	12.3	19.36	244.70
IDFC	10	8.77	15.4	11.39	76.97
Rural Electrification Corporation	10	26.18	7.6	20.15	129.90
Power Finance Corporation	10	23.06	8.3	17.37	132.79
Sundaram Finance	10	70.01	7.7	21.53	325.22

* Source: Respective annual reports / extracts of financial statements of the companies, as available, for the Fiscal Year 2011.

** Based on the consolidated and restated financial statements for the year ended March 31, 2011.

Information on industry peers is on a consolidated basis, as applicable

Based on closing market price as on July 1, 2011 and Basic EPS for the year ended March 31, 2011, extracted from the respective annual reports / extracts of financial statements of the companies, as available.

Financial Snapshot

1. Summary of Profit and Loss Statement, as restated (Consolidated)

(Rs. in Million)

Particulars	March 31, 2011	March 31, 2010	From May 1, 2008 to March 31, 2009
Income			
Income from operations	20,863.76	14,055.96	0.00
Other income	284.67	183.19	0.26
Total	21,148.43	14,239.15	0.26
Expenditure			
Employee cost	962.38	596.81	0.00
Administration and other expenses	2,163.24	1,504.19	0.03
Provisions and contingencies	1,109.18	948.61	0.00
Interest and other finance charges	10,206.55	6,747.08	0.00
Depreciation and amortisation	542.10	475.45	0.00
Amortisation of goodwill	48.98	24.79	0.00
Preliminary expenses written off	0.00	0.52	0.39
Total	15,032.43	10,297.45	0.42
Net profit before tax	6,116.00	3,941.70	(0.16)
Current tax (including wealth tax)	(2,286.42)	(1,523.41)	(0.01)
Deferred tax	153.40	182.50	0.00
Provision for FBT (prior period)	0.01	(0.04)	0.00
Net profit after tax	3,982.99	2,600.75	(0.17)
Profit / (Loss) on sale of subsidiaries / associate share of profit/(loss)	(11.35)	16.21	0.00
Net profit after tax and subsidiaries/associate effects	3,971.64	2,616.96	(0.17)
Exceptional items	(59.95)	(15.41)	0.00
Prior period items (Income tax of earlier years)	0.00	(5.08)	0.00
Net Profit after extra-ordinary items	3,911.69	2,596.47	(0.17)
Adjustments, if any (Changes in accounting policy)	21.00	43.22	0.00
Tax impact on adjustments	(6.97)	(9.61)	0.00
Total adjustments, net of tax impact	14.03	33.61	0.00
Net Profit, as Restated	3,925.72	2,630.08	(0.17)

2. Summary of Assets and Liabilities, as restated (Consolidated)

(Rs. in Million)

	Particulars	March 31, 2011	March 31, 2010	March 31, 2009
A	Assets			
	Fixed Assets – Gross block	9,954.80	9,378.52	7,404.26
	Less : Depreciation	3,243.62	3,044.80	2,730.72
	Net Block	6,711.18	6,333.72	4,673.54
	Less : Lease adjustment	2,362.89	2,362.89	2,362.89
	Net Block after lease adjustment	4,348.29	3,970.83	2,310.65
	Capital Work-in-progress including capital advances	180.36	13.70	120.09
		4,528.65	3,984.53	2,430.74
B	Goodwill (on consolidation)	416.01	464.98	167.47
C	Investments	7,324.18	3,087.60	1,690.22
D	Deferred Tax Assets (net)	56.66	0.00	0.00
E	Loans & Advances towards financing activities	174,112.32	109,490.87	70,984.32
F	Current Assets, Loans and Advances			
	Sundry Debtors	3,671.59	3,888.33	1,795.18
	Cash and Bank Balances	1,634.65	1,168.95	721.08
	Loans and Advances	4,394.42	1,934.71	1,809.15
	Other Current Assets	1,204.04	638.18	416.04
		10,904.70	7,630.17	4,741.45
G	Liabilities and Provisions			
	Secured Loans	131,777.76	74,467.62	41,547.81
	Unsecured Loans	27,386.90	22,805.81	20,654.63
	Deferred Tax Liabilities (net)	0.00	89.76	257.58
	Current Liabilities	7,253.17	2,906.67	1,791.21
	Provisions	2,019.12	921.91	426.67
		168,436.95	101,191.77	64,677.90
H	Net Worth	28,905.57	23,466.38	15,336.30

IMPORTANT: PLEASE READ THE RED HERRING PROSPECTUS OF THIS ISSUE CAREFULLY BEFORE INVESTING IN THE SAME

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