



Issue at a Glance

Issue Summary	
Total Issue of Shares (Cr)	21.1 - 24.4
QIB Investors (Cr)	upto 50%
Non -Institutional Investors (Cr)	atleast 15%
Retail Investors (Cr)	atleast 35%
Issue opens on	July 27, 2011
Issue closes on	July 29,2011
Price Band (Rs.)	51-59
Lot size (No. of shares) and multiple	100
Face Value (Rs)	10
Issue Size (Rs in Cr.)	1245.00
Equity Shares outstanding prior to the Issue (Cr)	1477.02
Equity Shares outstanding after the Issue (Cr)	1748.04

Shareholding Pattern

	Pre-Issue (%)	Post- Issue (%)
Promoters and Promoter Group Holdings	95.94	82.3-83.9
Non Institution	-	3.5-3.6
Public	4.06	12.5-14.2
Total Share Capital	100	100

CARE has assigned an IPO Grade 5 to L&T Finance IPO indicating company has 'Strong Fundamentals'.



Pre IPO Placement....

On July 7, 2011, the Company has, by way of a Pre-IPO Placement, allotted 57,768,000 Equity Shares and 2,232,000 Equity Shares to MACE CIPEF Limited and MACE CGPE Limited, respectively for an aggregate consideration of Rs 330 crore at a subscription price of Rs 55 per Equity Share.

Objectives of the Issue....

1. Repayment of inter corporate deposit issued by Promoter to the 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.

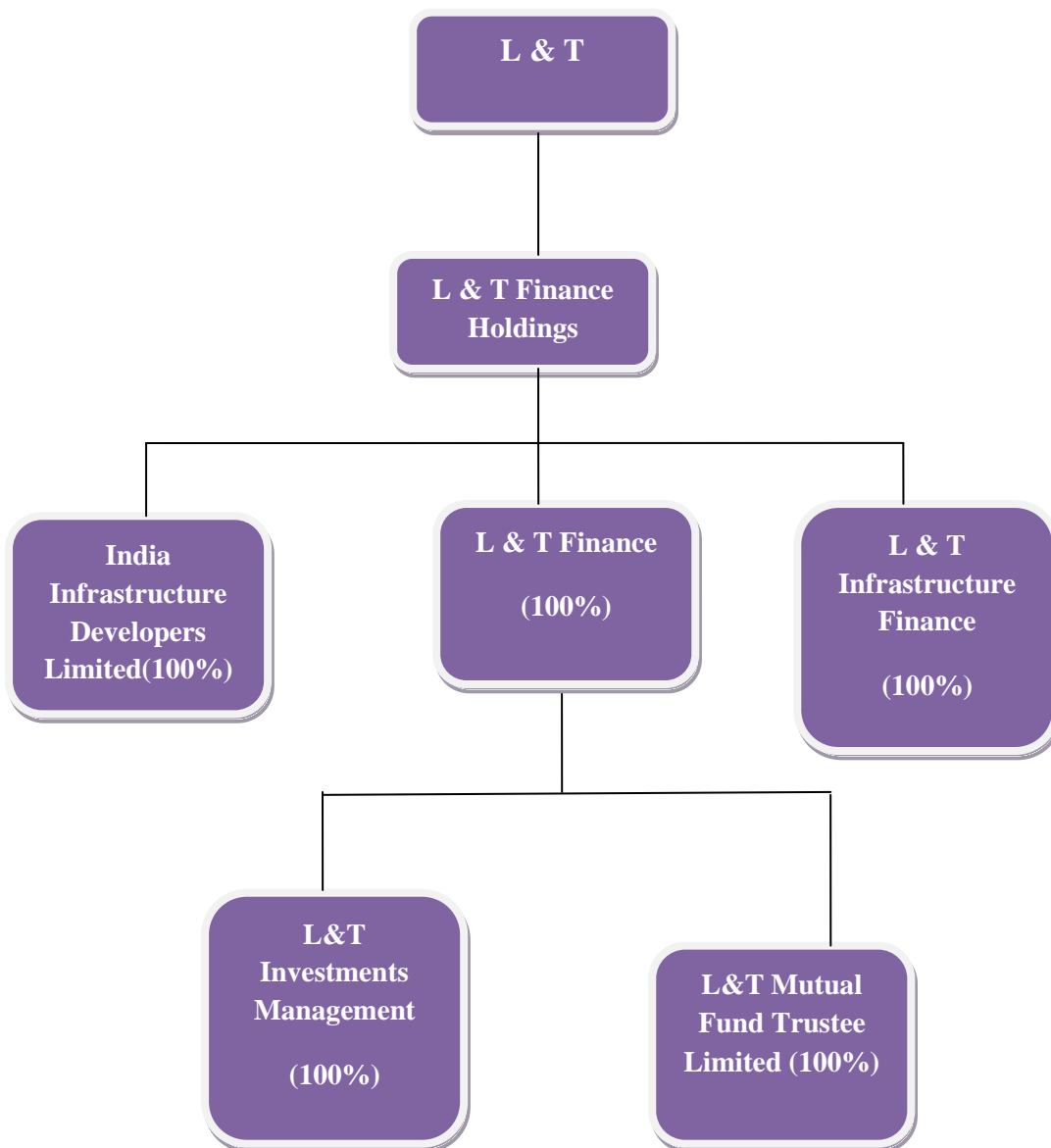
Utilization of Net Proceeds....

Sr. No	Expenditure Items	Total
		(Rs. Millions)
1	Repayment of inter-corporate deposit issued by Promoter to the Company	3,450
2	Infusion of capital in L&T Finance Limited	5,150
3	Infusion of capital in L&T Infrastructure Finance Company Limited	4,850
4	General Corporate Purposes	(.)

Source: RHP



L&T Finance Holdings Hierarchy in L&T Group & major subsidiaries of L&T Finance Holdings....



Source: RHP



About L&T Finance Holdings....

L&T Finance Holdings was incorporated in 2008 and is a financial holding company offering 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. The company is promoted by Larsen & Toubro Ltd, one of the leading companies in India, with interests in engineering, construction, electrical and electronics manufacturing and services, information technology and financial services, L&T Finance Holdings is registered with the RBI as a Systemically Important Non-Deposit Taking Non-Banking Financial Company and has applied for registration as a Core Investment Company.

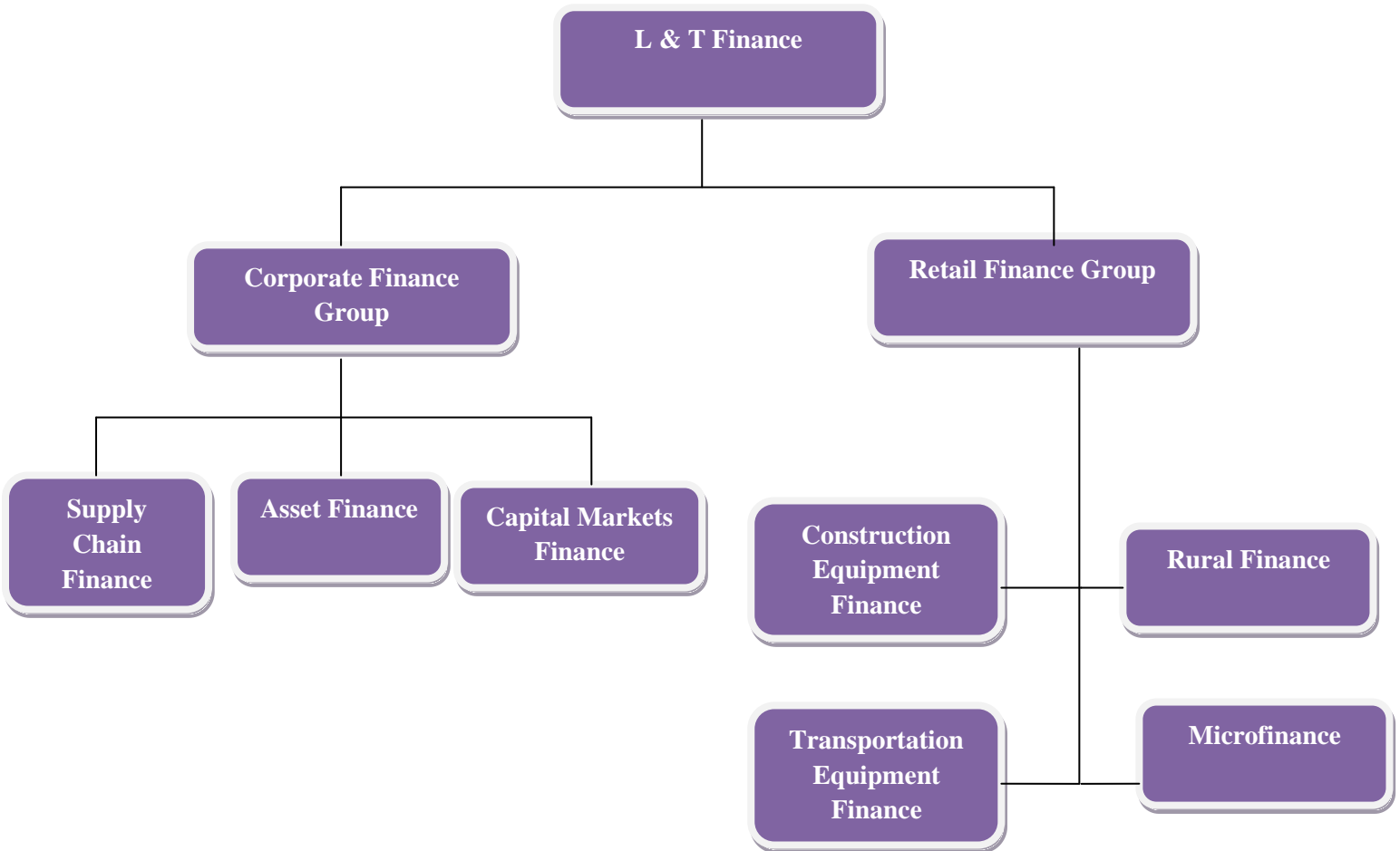
L&T Finance is headquartered in Mumbai, and has a presence in 23 states in India. As at May 31, 2011 it had 837 points-of-presence across India, comprising 117 branch offices, 269 meeting centres, 37 KGSK centres and 414 customer care centres across all of their business groups and segments.

Company's operations are arranged into four business groups – the Infrastructure Finance Group, the Retail Finance Group, the Corporate Finance Group and the Investment Management Group. LTF's customer includes individual retail customers as well as large companies, banks, multinational companies and small- and medium-enterprises.

LTF offers a spectrum of financial products and services for trade, industry and agriculture. The company's focus segments are corporate products, construction equipment, CVs and tractors.



Business Structure of L&T Finance....



Source: RHP



About Subsidiaries....

➤ **L&T Finance**

LTF was incorporated in 1994 and has a track record of more than 16 years of operations and has well diversified fund based activities across various segments. LTF operates through two major business verticals, namely Corporate Finance Group (CFG) and Retail Finance Group (RFG) based on the type of clientele. LTF is registered as Non Banking Finance Company Non-Deposit Taking-Systemically Important (NBFC-ND-SI) with the Reserve Bank of India (RBI). It has a long term rating of 'CARE AA+' and short term rating of 'PR1+' from CARE. LTF reported PAT of Rs.230 crore on total income of Rs.1,398 crore during FY11. It has Capital Adequacy Ratio (CAR) of 16.34% as on March 31, 2011.

➤ **L&T Infrastructure**

L&T Infrastructure Finance Company Limited (L&T Infra) was incorporated in 2006, and is registered with the RBI as an NBFC-ND-SI, is classified as an IFC and has been notified as a PFI under Section 4A of the Companies Act. L&T Infra is into infrastructure financing. It had major exposures to sectors like Power Generation, Road and Telecom sectors as on March 31, 2011. L&T Infra's total outstanding infrastructure assets portfolio stood at Rs. 7165 crore as on March 31, 2011. Total disbursements registered good growth during FY11 to Rs.5,480 crore (FY10: Rs.3,795 crore). L&T Infra reported PAT of Rs.201 crore on total income of Rs.704 crore during FY11 and CAR of 16.50% as on March 31, 2011. L&T Infra's liquidity position was comfortable as on March 31, 2011 and it had unutilized lines to meet any liquidity requirements. The company in June 2011 was also given a PFI status (Public Financial institution), amongst other things allows it access to the provisions of the SARFAESI Act for recoveries from delinquent customers.

➤ **India Infrastructure Developers Limited ("IIDL")**

India Infrastructure Developers Limited ("IIDL") was incorporated in 1997, and is registered with the RBI as an NBFC-ND. IIDL was originally established as a special purpose vehicle for financing a captive power plant for Indian Petrochemicals Limited. While they do not currently conduct any material financing operations through IIDL, they intend to begin doing so in the course of Fiscal Year 2012 which is subject to applicable regulatory approvals, IIDL plans to support the working capital requirements of small and medium enterprises and of other corporate entities. IIDL would initially provide non asset-backed loans and facilities as a part of their Corporate Finance Group's supply chain finance segment, which are currently provided through L&T Finance, and may consider extending its operations to include other types of non-asset-backed financing. In order for IIDL to meet the capital requirements arising out of planned growth in its loan portfolio, the Company has, on March 28, 2011, infused equity capital by way of subscribing to equity shares aggregating to Rs 450 million in the share capital of IIDL.



➤ **L&T Investment Management**

L&TIM (formerly DBS Cholamandalam Asset Management Limited), was acquired by L&T Finance on January 20, 2010, together with DBS Cholamandalam Trustees Limited, the trustee company for DBS Chola Mutual Fund. DBS Cholamandalam Asset Management Limited, DBS Cholamandalam Trustees Limited and DBS Chola Mutual Fund were renamed "L&T Investment Management Limited", "L&T Mutual Fund Trustee Limited" and "L&T Mutual Fund" respectively in February 2010. L&TIM is the entity through which they conduct the operations of their Investment Management Group.

➤ **Others**

In addition to the above subsidiaries, they have incorporated L&T Unnati and L&T Infra Investment on June 16, 2011 and May 30, 2011, respectively, neither of which are currently engaged in any business operations.

➤ **Other Investments**

- 5% stake in each of Federal Bank Limited and City Union Bank Limited;
- 8.90% interest in Invent ARC.
- L&T Finance Holdings Limited holds a 30% interest in NAC Infrastructure & Equipment Limited.



Strengths of L&T Finance Holdings...

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

Strategies...

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



Risks & Concerns....

- L&TFH would have to pay 5 % of the consolidated profits or 0.15 % of the assets whichever is lower for using Larsen and Toubro's trademark.
- The NBFC sector is passing through a regulatory uncertainty which may pose risk, going forward. Any slowdown in the economy would hit L&TFH.
- L&T as an NBFC face the risk of default and non-payment by borrowers and other counterparties. Any such defaults and non-payments would result in write-offs and/or provisions in L&T's financial statements which may materially and adversely affect its profitability and asset quality. Further, any sustained increases in the NPAs of L&T Infrastructure Finance Group and Retail and Corporate Finance Groups may materially and adversely affect its profitability and asset quality.
- LTFH is a holding company and all the business operations are conducted through its Subsidiaries and the performance of its Subsidiaries may adversely affect LTFH's results of operations.
- L&T have entered into related party transactions with its Promoter and certain of its Group Companies aggregating to Rs. 79,559.21 million and Rs. 989.88 million, respectively, constituting 98.77% and 1.23% of L&T's total related party transactions, respectively. Such transactions and any future transactions with such related parties have involved or could potentially involve conflicts of interest.
- Microfinance lending poses unique risks not generally associated with other forms of lending in India, and, as a result, L&T may experience increased levels of non-performing loans and related provisions and write-offs that negatively impact its results of operations.
- L&T will continue to be controlled by its Promoter after the completion of the Issue.
- L&T do not own Registered Office and Corporate Office from which it operates.

**Financials...****Consolidated Summary Statement of P & L L&T FINANCE HOLDINGS LTD**

Particulars	(Rs. in millions)	
	FY 2010	FY 2011
Income		
Income from operations	14055.96	20863.76
Other Income	183.19	284.67
TOTAL	14239.15	21148.43
Expenditure		
Employee cost	596.81	962.68
Administration & other exp	1504.19	2163.24
Provisions and contingencies	948.61	1109.18
Interest & other finance charges	6747.08	10206.55
Depreciation & other amortisation	475.45	542.10
Amortisation of goodwill	24.79	48.98
Preliminary expenses written off	-	-
TOTAL	10297.45	15032.43
Net profit before tax, before exceptional items, prior period items & subsidiaries effect	3941.70	6116.00
Current tax	-1523.41	-2286.42
Deferred tax	182.50	153.40
Provision for fringe benefit tax(prior period)	-0.04	0.01
Net profit after tax, before exceptional items, prior period items & subsidiaries effect	2600.75	3982.99
Profit/(Loss) on sale of subsidiaries/ associate share of profit/(loss)	16.21	-11.55
Net profit after tax and subsidiaries/associate effects & before exceptional items	2616.96	3971.64
Exceptional items	-15.41	-59.95
Prior period items	-5.08	-
Net profit after extra-ordinary items	2596.47	3911.69
Adjustments(if any)	43.22	21.00
Tax impact on adjustments	-9.61	-6.97
Net of tax impact	33.61	14.03
Net Profit	2630.08	3925.72

**Consolidated Summary Statement of Balance Sheet L&T FINANCE HOLDINGS LTD**

Particulars	(Rs. in millions)	
	FY 2010	FY 2011
Assets	3984.53	4528.65
Goodwill	464.98	416.01
Investments	3087.60	7324.18
Deferred Tax Assets	-	56.66
Loans & Advances	109490.90	174112.30
Current Assets, Loans & Advances	7630.17	10904.70
Liabilities & Provisions	(101191.80)	(168437.00)
Net Worth	23466.38	28905.57
Shareholder's funds		
Share Capital	13535.92	14170.24
Share application money	2750.00	-
Employee stock option outstanding	-	12.26
Reserves & Surplus	7180.46	14723.07
Net Worth	23466.38	28905.57

- Prior to March 31, 2009, L&TFH had minimal operations in the form of passive investments. Therefore effectively, FY10 was the first year of reporting consolidated numbers for L&TFH.
- Both LTF and L&T Infra witnessed strong growth in business during FY11 which helped L&TFH report strong growth in total income and profit. During FY11, L&TFH had total loan portfolio of Rs.17,411 crore as on March 31, 2011.
- Majority of the income was through financing activity under LTF contributing more than 66% of total income for FY11 while income from infrastructure financing contributed 30% of total income for FY11.
- The NBFC registered a healthy net profit growth of 53% in 2011 on the back of 49% growth in net sales.
- Two-thirds of the total income came from asset financing activity while income from infrastructure financing contributed 30% for FY11.



- LTFHL's loan book grew 59% to Rs. 17506 crore by the end of FY11 of which 65% was accounted by large ticket exposures and the balance 35% by retail loans.
- Currently, the company depends on banks for around 60% of its borrowings, this could result in 50-70 bps pressure on NIM in FY12
- The consolidated gearing as on March 31, 2011 was moderate level at 5.51 times with interest coverage comfortable at 1.60 times as on March 31, 2011.

Financial Ratios of L&TFH...

RATIOS	FY10	FY11
ROE	11.21%	13.59%
ROA	2.10%	1.98%
ROCE	16.80%	21.16%
Net Worth (Rs.mn)	23466.38	28905.57
EPS	2.17	2.87
NIM	7.83%	7.88%
GNPA	2.42%	1.11%
NNPA	1.69%	0.67%
Book Value	15.30	20.40
Net Profit (Rs.mn)	2630.08	3925.72

**Capital Adequacy Ratio of L&T Finance Holdings...**

Particulars	As of March 31		
	2009	2010	2011
	(Rs in million except ratios)		
Tier I Capital	1,098.90	3,146.33	14,179.77
Tier II Capital	-	-	-
Risk Weighted assets on balance sheet	1,078.57	3,147.75	17,750.91
Risk Weighted assets off balance sheet	-	-	-
Total capital to risk assets ratio	100.00%	99.96%	79.88%
Tier I Capital to risk assets ratio	100.00%	99.96%	79.88%
Tier II Capital to risk assets ratio	0.00%	0.00%	0.00%
Total Capital to Risk Asset Ratio	10.00%	12.00%	15.00%

KEY FINANCIALS of L&T Finance....*(Rs. Millions)*

Year ended/As on	FY09	FY10	FY11
Total Income	8300	9660	13980
PAT	990	1560	2300
Net Worth	8450	11270	17220
Total Assets	55290	78470	112750
Overall Gearing	5.26	5.70	5.14
Return on Total Assets (%)	1.85	2.33	2.40
Return on Net Worth (%)	12.61	15.87	16.17
NIM (%)	5.20	7.83	7.88
Yield on Loans %	15.47	14.79	15.19
Cost of Funds %	12.10	7.93	8.40
Average Leverage (x)	5.46	5.54	5.34
EPS	5.29	7.79	10.65



Non Performing Assets for their Retail and Corporate Finance Group

Non - Performing Assets for L&T Finance (their Retail and Corporate Finance Group)	2011	As at March 31, 2011		
		2010	2009	2008
		(Rs in Millions)		
Total Loans	101,567.28	42,884.99	22,660.47	18,331.81
Gross NPAs	483.84	789.24	-	-
Less: Provisions for NPAs	104.15	79.00	-	-
Net NPAs	379.69	710.24	-	-
Gross NPA Ratio (%)	0.67	1.84	-	-
Net NPA Ratio (%)	0.53	1.66	-	-

KEY FINANCIALS of L&T Infrastructure....

(Rs. Millions)

Year ended/As on	FY09	FY10	FY11
Total Income	2960	4500	7040
PAT	760	1110	2010
Net Worth	6240	1,0000	1,2350
Total Assets	2,4070	4,3290	7,6460
Overall Gearing	2.84	3.24	5.02
Return on Total Assets (%)	3.53	3.29	3.35
Return on Net Worth (%)	13.04	13.65	17.97
NIM (%)	6.09	5.89	4.94
Yield on Loans %	14.04	13.40	11.56
Cost of Funds %	10.39	9.84	8.06
Average Leverage (x)	2.71	3.07	4.20
EPS	1.68	2.28	2.96



NPAs for the Infrastructure Finance Group:

Non - Performing Assets for L&T Infra (their Infrastructure Finance Group)	2011	As at March 31, 2011		
		2010	2009	2008
		(Rs in Millions)		
Total Loans	71,864.90	42,884.99	22,660.47	18,331.81
Gross NPAs	483.84	789.24	-	-
Less: Provisions for NPAs	104.15	79.00	-	-
Net NPAs	379.69	710.24	-	-
Gross NPA Ratio (%)	0.67	1.84	-	-
Net NPA Ratio (%)	0.53	1.66	-	-

Investment Management Group:

	Assets Under Management			% change		Revenues	
	As at March	As at March	As at March	March 31,	March 31,	As at March	As at March
	31, 2011	31, 2010	31, 2009	2010 - March	2009 - March	31, 2011	31, 2010
Equity	2,946.12	2,510.68	1,448.85	17.34	73.29	29.00	23.25
Fixed Income	29,021.26	23,665.40	8,517.19	22.63	177.85	31.00	11.25
Hybrid	1,376.72	293.57	177.91	368.96	65.01	6.01	0.68
Total Revenues	33,344.10	26,469.65	10,143.95	25.97	160.94	66.01	35.18



Contribution from Business Groups....

Business Group	Year ended March March 31, 2011		As at March 31, 2011		Year ended March March 31, 2010		As at March 31, 2010	
	FY 11	FY 11	FY 10-11	FY 10-11	FY 10	FY 10	FY 09-10	FY 09-10
	Contribution to Group Total Income	Percentage of Group Total Income	Total Loans & Advances	Percentage of Loans & Advances	Contribution to Group Total Income	Percentage of Group Total Income	Total Loans & Advances	Percentage of Loans & Advances
	(million)	(%)	(million)	(%)	(million)	(%)	(million)	(%)
Infra Finance Group	7,039.75	33.29	71,864.90	40.05	4,504.23	31.63	42,884.99	37.47
Retail Finance Group	10,232.05	48.38	65,787.91	36.66	6,401.90	44.96	44,670.56	39.03
Corporate Finance Group	3,743.30	17.70	35,779.37	19.94	3,255.40	22.86	25,149.96	21.97
Investment Management Group	86.62	0.41	N/A	N/A	16.84	0.12	N/A	N/A
Other	46.70	0.22	5,999.59	3.35	60.78	0.43	1,753.94	1.53
TOTAL	21,148.42	100.00	1,79,431.7	100.00	14,239.15	100.00	1,14,459.45	100.00



Comparison with industry peers....

FY11	Profit margin (%)	ROA (%)	RONW (%)	CAR (%)		Net NPA (%)	P*/ABV (x)
				L&T Fin	L&T Infra		
L&T Finance Holdings	18.6	2.4	11.5	16.3	16.5	0.8	2.1 -2.3
Shriram Transport Finance	33.6	4.1	27.9	24.9		0.4	3.2
Mahindra Finance	26.5	4.3	22.9	20.3		0.6	2.9
IDFC	34.8	3.1	16.1	24.5		0.1	2.0
PFC	26.2	2.7	18.2	17.0		0.2	1.6

* P/ABV for L&T Finance Holdings has been calculated by considering the post issue adjusted book value at the upper end

^ Please note that the RONW of L&T Finance appears lower due to the equity dilution effect

Ratios

Particulars	For the year ended March 31		
	2009	2010	2011
Earnings per Share - (Rs)	(0.36)	2.17	2.87
Net Asset Value per Share- (Rs)	2,229.70	15.31	20.40
Return on Net Worth (%)	-	11.21%	13.58%

(Source: Red Herring Prospectus)

	Pre- Dilution	Post Dilution @ Rs 51	Post Dilution @ Rs 59
EPS - March 31st 2011	2.7	2.3	2.3
P/E Ratio			
At Rs 51	19.3	22.4	-
At Rs 59	22.3	-	25.5

	Pre- Dilution	Post Dilution @ Rs 51	Post Dilution @ Rs 59
BV - March 31st 2011	20.4	24.9	25.4
P/B Ratio			
At Rs 51	2.5	2.1	-
At Rs 59	2.9	-	2.3



Valuations...

LTFHL's book value per share will stand between Rs. 24.9 and Rs. 25.4 of the post IPO equity depending on the allotment price. Correspondingly, the price to book value (P/BV) ratio will stand between 2.1 - 2.3x. At the higher end of the band the issue is at a slight premium to competitors like IDFC and PFC. Given a high capital adequacy ratio (CAR) L&T Finance has enough headroom to fund its further growth.

However, stiff competition against established players and considerable lower return ratios make the stock richly priced.

However L&TFH is a strategically important subsidiary of L&T and enjoys the healthy management experience, technical expertise, good corporate governance practices and brand value of the L&T group, diversified asset book are positives

We believe “Applying in small quantities in IPO & Accumulate the same on listing”

We “Recommend Long Term Investors” to Invest and reap the benefits of Wealth Creation.



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