

L&T FinCorp Limited

	Amount (in Rs. crore)	Rating Action
Perpetual debt Programme	200	[ICRA]AA (Stable) (Assigned)
Subordinate Debt Programme	100	[ICRA]AA+(Stable) (Assigned)

ICRA has assigned the rating of [ICRA]AA (pronounced ICRA double A) to the Rs 200 crore Perpetual debt programme and [ICRA]AA+ (pronounced ICRA double A plus) to the Rs 100 crore subordinated debt programme of L&T FinCorp Limited. ICRA has the rating outstanding of [ICRA]AA+ on the Rs 1200 cr Non Convertible Debenture Programme and Rs 300 crore Subordinated Debt Programme of L&T FinCorp Limited (LTFC).^{*} The long term ratings have a 'Stable' outlook.

The ratings draw substantial support from the company's parent L&T Finance Holding Limited (LTFHL) which is rated [ICRA]AA+ with stable outlook, which is in turn supported by ultimate parent (Larsen & Toubro Limited (L&T) which is rated [ICRA]AAA with stable outlook by ICRA) and the strategic leverage the company enjoys with access to funding and capital support from its immediate parent, as well as access to group synergies for business origination within the L&T financial services ecosystem, the group's branding and franchise and co-sharing of back-end operations and treasury. LTFC is an important entity of LTFHL given its foray in the non infrastructure lending segment. LTFHL on a regular basis infuses equity into LTFCL and as on December 31, 2015 Tier 1 capital of the company was 13.72% and the CRAR was 17.17%. ICRA takes comfort from the group's commitment and implicit capital support to keep the entity adequately capitalized in relation to its growth plans over the medium term. LTFC has a healthy profitability, demonstrated by with a ROA and ROE of 2.13% and 14.23% respectively in 9M FY 2016. The rating however takes into account the moderate asset quality of the company with a gross NPA%(150+) of 3.2% in Dec-15 against 2.8% (180+) in Mar-15; going forward ability of the company to manage a control over its asset quality indicators given the relatively large ticket sizes would be an important rating sensitivity.

LTFC originally commenced its lending business in 2012, taking over the vendor/dealer financing operations from L&T Finance Limited (LTF). However in August 2013, the company revised its strategy and decided to also enter the term lending segment in the non infrastructure/corporate segment. As on December 31, 2015 LTFC's portfolio was Rs. 6336 crores, out of which 11% was in dealer financing, 75% in corporate loans, 13% capital market exposures and the balance ~0.4% under its legacy car financing book. The corporate lending book of the company is diversified across industries with the end-uses being a mix of term project lending; corporate capex, and working capital financing. In the dealer/vendor segment, the company lends to SMEs against the comfort of large reputed anchor entities, including L&T group companies, with which these SME's deal. The capital market exposures are typically in the promoter financing segment taken based on market opportunities. In 9M FY 2016 LTFC's portfolio grew by 39% (annualized) with growth seen in all but the car finance segment of their portfolio as the company is trying to run it down.

Company Profile

L&T FinCorp Limited

L&T FinCorp Limited (LTFC) was incorporated as a subsidiary of Larsen & Toubro Limited (L&T) in 1997, as India Infrastructure Developers Limited (IIDL), and registered as NBFC-ND. IIDL was established as a special purpose vehicle for leasing a captive power plant for Indian Petrochemicals Limited. IIDL was later renamed to L&T FinCorp Limited. LTF's entire non asset backed financing and SME financing (primarily invoice financing) was hived off to this entity in FY 12/FY 13. This was in line with the group's decision to keep LTF's business operations mainly in the Asset Finance segment. However, there was a further change of strategy for this entity in August 2013. Besides invoice financing, LTFC currently engages in lending to non-infrastructure sector, including project financing; and promoter funding in the form of LAS and also Supply chain financing. The total portfolio as of December-15 was Rs 6336 crores. As on December 31, 2015 LTFHL held a 100% stake in LTFC.

^{*} For Complete rating scale and definitions please refer to ICRA's Website www.icra.in or ICRA Rating Publications



During the financial year ended March 31, 2015 LTFC reported a Profit after Tax of Rs. 101 crore on an asset base of Rs. 5,287 crore against a Profit after Tax of Rs. 58 crore on an asset base of Rs. 4,340 crore in the previous financial year. As on March 31, 2015 the company had a net worth of Rs. 838 crore and a Capital Adequacy of 17.55% (Tier 1 Capital of 15.33%).

During the nine months ended December 31, 2015 LTFC reported a PAT of Rs. 128 crore on an asset base of Rs. 6,746 crore against a PAT of Rs. 60 crore on an asset base of Rs. 5,157 crore during the corresponding period in the previous financial year. As on December 31, 2015 the company had a net worth of Rs. 965 crore.

L&T Finance Holdings Limited

L&T Finance Holdings Limited (LTFHL) was originally incorporated as L&T Capital Holdings Ltd on May 1, 2008 and subsequently changed its name on September 6, 2010. The Company is registered as NBFC- Core Investment Company (CIC). The company is promoted by Larsen & Toubro Limited (L&T) as the holding company of the group's financial services companies. Subsequently L&T transferred its investments in L&T Infrastructure Finance Company Limited (LTIF), L&T Finance Limited (LTF) and L&T FinCorp Limited (L&T FinCorp) to LTFHL; these three companies are wholly owned subsidiaries of LTFHL. In October 2012 LTFHL acquired Indo Pacific Housing Finance Limited, which was renamed to L&T Housing Finance Limited and also acquired Family Credit Limited from Societe General Consumer Finance. L&T Infra Debt Fund (L&T IDF), an NBFC-IDF, was incorporated in 2013, with L&T Finance Holdings and its' subsidiaries together holding 100% stake in the company. LTFHL through its subsidiaries offers a diverse range of financial products and services across the corporate, retail asset financing, housing finance, consumer loans and infrastructure financing segments. LTFHL through its subsidiaries also offers fund management services through L&T Mutual Fund and other non fund based services such as Insurance and mutual fund distribution and Financial Advisory services (project finance advisory, Pre-bid Advisory and Equity Syndication).

LTFHL came out with an Initial Public Offering (IPO) in July 2011, subsequent to which L&T's shareholding in the company declined to 82.64% as against 99.99% earlier. Subsequently through open market sales L&T shareholding in LTFHL had come down to 72.95% as on March 31, 2015. Currently, the L&T group holds 67.96% stake in the company as on September 2015 as the company sold ~5% stake to Bain Capital in September 2015. L&T's shareholding is expected to come down further by 5% as Bain would be subscribing fresh preference shares and warrants-

As on March 31, 2015 the company (standalone) reported a Profit after Tax (PAT) of Rs. 262 crore on an asset base of Rs. 5,614 crore against a PAT of Rs. 196 crore on an asset base of Rs. 5,333 crore in FY2014. The standalone net worth of the company was Rs. 4,909 crore. On a consolidated basis LTFHL reported a PAT of Rs. 855 crore on an asset base of Rs. 52,742 crore against a PAT of Rs. 597 crore on an asset base of Rs. 44,861 crore. The consolidated net worth of the entity was Rs. 6,377 crore.

During the nine months ended December 31, 2015 LTFHL, on a consolidated basis, reported a PAT of Rs. 620 crore against a PAT of Rs. 649 crore during the corresponding quarter in the previous financial year.

Larsen & Toubro Limited

Larsen & Toubro Limited (L&T) (rated [ICRA] AAA with Stable outlook) is a leading engineering and construction company in India with a nationwide as well as international presence. It is headquartered in Mumbai. It has interests in infrastructure, power, metallurgical & material handling, heavy engineering, shipbuilding, electrical & automation, machinery and industrial products and realty. Apart from India, it has a significant presence in the Middle East. Through its subsidiaries, associate companies and joint ventures, the group is involved in hydrocarbon business, IT services, financial services, and infrastructure development ventures. For the financial year ending FY 2014-15 L&T on a standalone basis earned a profit after tax (PAT) of Rs 5056.18 Crore on net operating revenues of Rs 59,300.78 Crore.



Recent Results

For the 9M FY 2015-16 L&T on a standalone basis earned a profit after tax (PAT) of Rs 2772 Crore on a total revenue of Rs. 38,718 Crore.

March 2016

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