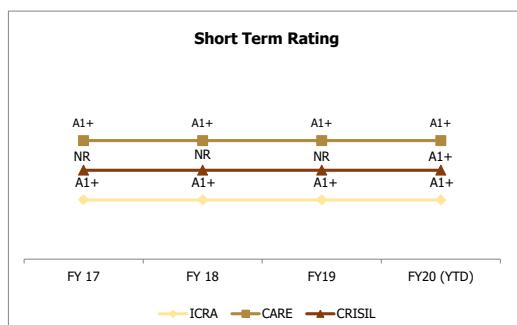
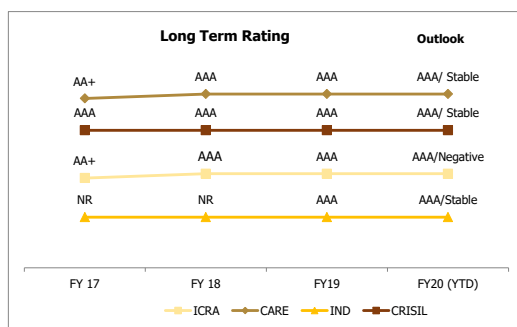


Shareholding pattern as on June 30, 2019

L&T Finance Holdings Limited	100%
Total	100%

Credit Rating History



Financial Performance

Particulars	FY 19	FY 18	% chg
Net Interest Income	6.0	5.4	12.7%
Total Income	28.7	26.7	7.7%
EBIDTA	23.6	18.8	25.4%
PAT	2.3	1.4	67.8%
Networth	39.3	24.0	63.8%
Total Debt	244.2	224.5	8.8%
Debt/Equity (x)	6.2	9.4	-
ROA (%)	0.9%	0.6%	-
RONW (%)	5.9%	5.8%	-
CAR (%)	24.3%	20.7%	-
GNPA (%)	13.3%	5.7%	-

Source: Ace Equity; Annual Report
 As per INDAS wherever applicable

Credit Drivers:

- **Strong parentage and experienced management:** L&T Finance Holdings Limited (LTFHL) is in the financial service space and L&T group's flagship holding co. L&T Infrastructure Finance Limited (LTIFL) is a 100% subsidiary of LTFHL.
- **Improving financial profile:** During FY19, total income of LTIFL has shown a marginal growth of 5.62% to Rs.28.17 bn. from Rs.26.67 bn. in FY18 with its experience in the infrastructure space and the expertise gained in underwriting infrastructure projects for generating fee-based income.
- **Strong capitalization and resource raising position:** The capital adequacy ratio of LTIFL stands at 24.26% and Tier I capital ratio stands at 17.47% as on Mar 19. It has a diversified funding mix with 42% of the funding raised through bonds with balance being borrowings through banks & FIs (39%) and commercial paper (19%) as on March 31, 2019
- **Moderation in Asset Quality:** The Gross Stage 3 and Net Stage 3 ratio was 5.9% and 2.4% respectively as on March 31, 2019. The Gross Stage 3 and Net Stage 3 ratio was 5.72% and 2.48% respectively as on June 30, 2019.
- **Moderation in gearing levels:** The gearing of LTIFL stood at 6.21 times as on March 31, 2019 as compared to 9.35 times as on March 31, 2018. The gearing stands at 5.9 times as on June 30, 2019.
- **Strong liquidity position:** LTIFL draws comfort from the strong liquidity profile of the group. It has got equity support by LTHFL of Rs. 13 bn. during FY19.

About the Company:

LTIFL incorporated in 2006 is a wholly-owned subsidiary of LTHFL which provides loans for large-scale infrastructure projects in India. It is registered as a non-banking finance company-infrastructure finance company (NBFC-IFC) and is engaged in financing infrastructure projects including power, roads, communication, and social and commercial infrastructure among others.

About the Group:

L&T Finance Holdings Limited (LTFHL) was originally incorporated as L&T Capital Holdings Ltd in May 2008 and its name was subsequently changed in September 2010. It is promoted by Larsen & Toubro Limited (L&T) as the holding company of L&T Group's financial services companies. LTFHL has three wholly-owned subsidiaries, namely, L&T Infrastructure Finance Company Limited, L&T Finance Limited and L&T Housing Finance Limited, which undertake the Group's lending operations. L&T Infra Debt Fund, an NBFC-IDF, was incorporated in 2013, with LTFHL and its subsidiaries together holding a 100% stake in the company.

Industry Outlook:

Growth in NBFC sector is expected to be impacted in FY20 given the liquidity situation, which is expected to continue in second half of FY20. NBFCs are expected to witness slowdown in FY20 with a continued competition, especially from private banks & potentially from large PSU banks. Retail segment, of which vehicle finance is the largest, will fare relatively better. From an asset quality perspective as well, while overall, the quality of retail assets is expected to remain steady, segments such as SME lending, especially loan against property (LAP), and construction/infrastructure finance could witness some pressure. Further, the wholesale book typically has significant concentration risks, which could result in chunky NPAs. Infrastructure sector is a key driver for the Indian economy and crucial for propelling India's overall development. Given the Government's high focus on infrastructure development, IDF-NBFCs have good growth prospects by providing low cost and long term funding to operational infrastructure projects which in turn will help release bank resources for funding new infrastructure projects and permit banks to manage their ALM profile.

Key Credit Drivers:

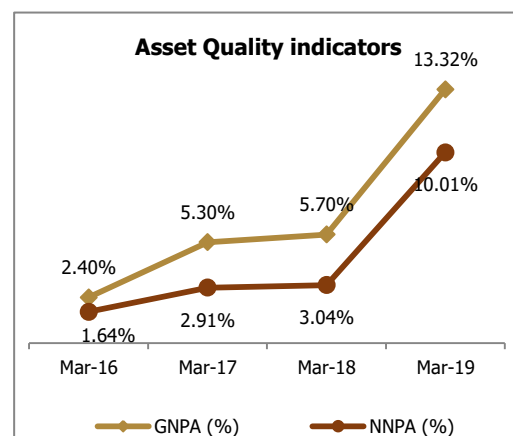
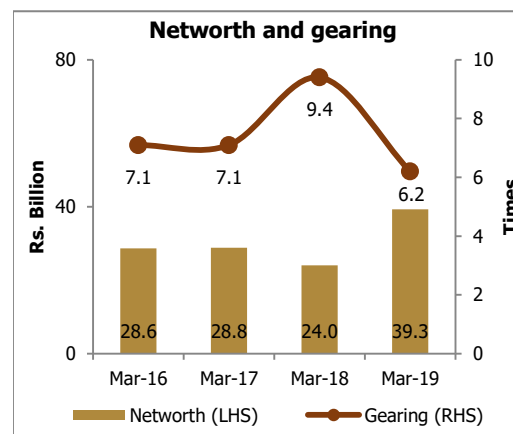
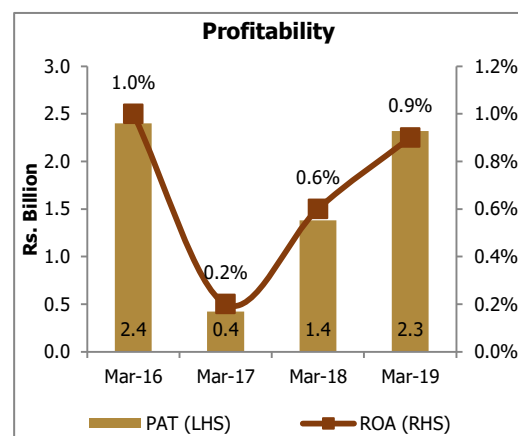
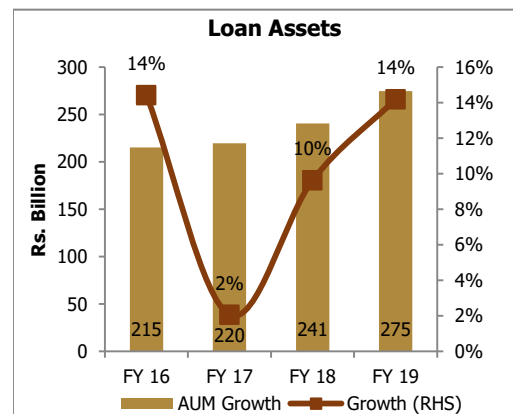
Strong parentage and experienced management: L&T group is a major technology, engineering, construction, manufacturing and financial services conglomerate, with global operations. L&T operates in sectors like hydrocarbon, infrastructure, power, process industries and defence for customers in over 30 Countries around the World. L&T Finance Holdings Limited (LTFHL) is in the financial service space and group's flagship holding co. In terms of representation from L&T, Mr. R. Shankar Raman (currently serving a whole-time director and CFO at L&T Limited) is on LTFH board as a non-executive director. The company's immediate parent, L&T Finance Holdings Limited has supported LTIFL through regular capital infusion, enabling it to remain adequately capitalized in relation to its portfolio growth and risks. LTIFL leverages its experience in the infrastructure space and the expertise gained in underwriting infrastructure projects for generating fee-based income.

Improvement in the financial and business profile: On a standalone basis, during FY19, total income of LTIFL has shown a marginal growth of 5.62% to Rs.28.17 bn. from Rs.26.67 bn. in FY18. During FY19, LTIFL reported a PAT of Rs. 2.3 bn. as compared to Rs. 1.4 bn. during FY18. The net interest income rose from Rs. 5.4 bn. in FY18 to Rs. 6 bn. in FY19. On account of which the Net interest Margin remained stable at 2.15% during FY19 as against 2.10% during FY18. LTIFL reported return on asset (RoA) of 0.9% and return on net worth (RoNW) of 5.9% (vis-à-vis RoA of 0.6% and RoNW of 5.8% during FY18). The company has established expertise in underwriting infrastructure projects which is down sold to financiers (banks and NBFCs) for an underwriting fee, which supports its top line with limited impact on its risk profile.

Strong capitalization and resource raising position: The capital adequacy ratio of LTFL stands at 24.3% (above the regulatory requirement of 15%) and Tier I capital ratio stands at 17.47% as on March 31, 2019. The tangible net worth of the company was Rs. 39.3 bn. as on March 31, 2019 as against the tangible net worth of Rs. 24 bn. as on March 31, 2018. LTIFL is able to raise funds at competitive rates from banks as well as capital markets and has a fairly-diversified funding mix, as on March 31, 2019 it raised 42% through bonds with balance being borrowings through banks and FIs (39%) and commercial paper (19%). The company has an ALM profile where bulk of its borrowings are in the long term (1 to 5 years) bracket, while the average residual maturity of the loans is around 5 years.

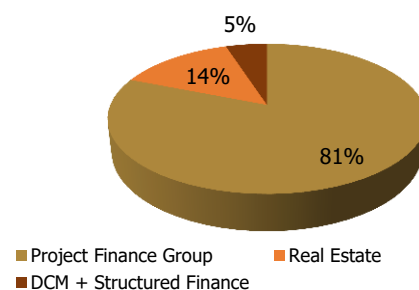
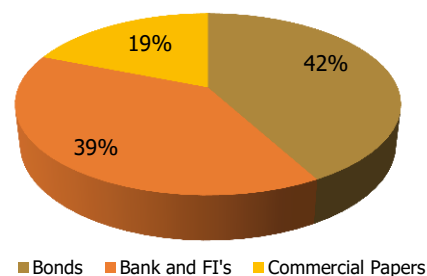
Moderation in Asset Quality: From FY19 onwards, company adopted ECL (Expected Credit Loss) model for classification of advances in Stage I, Stage II and Stage III and consequent provisioning on the same. At a standalone level, the Gross Stage 3 and Net Stage 3 ratio was 5.9% and 2.4% respectively as on March 31, 2019. The Gross Stage 3 and Net Stage 3 ratio was 5.72% and 2.48% respectively as on June 30, 2019. Net NPA to net worth ratio stood at 65.56% for year ending FY19. Although LTIFL's asset quality has deteriorated following the transition to tighter NPA recognition norms and some slippages in FY19 over FY18, in recent quarters there has been some improvement. In Infrastructure finance, incremental exposure is in sectors such as transportation and transmission, which are relatively less risky, though the full benefit of this would only be visible over the medium term. Also LTIFL is covered under SARFAESI, which could help reduce the ultimate loss in case of defaults.

Moderation in gearing levels: The gearing of LTIFL stood at 6.21 times as on March 31, 2019 as compared to 9.35 times as on March 31, 2018. The gearing stands at 6.16 times as on September 30, 2019. LTIFL's cost of funds increased (8.28% in FY19 from 7.86% in FY18) at more than commensurate rate as compared to increase in yield (10.29% in FY19 from 10.13% in FY18) leading to a decline in spreads. NIMs remained stable at 2.15% during FY19 as against 2.10% during FY18 due to decline in gearing levels. Profitability improved marginally with RoA of 0.87% and return on equity RoE of 7.33% during FY19 against 0.57% and 6.29%, respectively, during FY18, supported by stable operating expenses and lower credit costs.

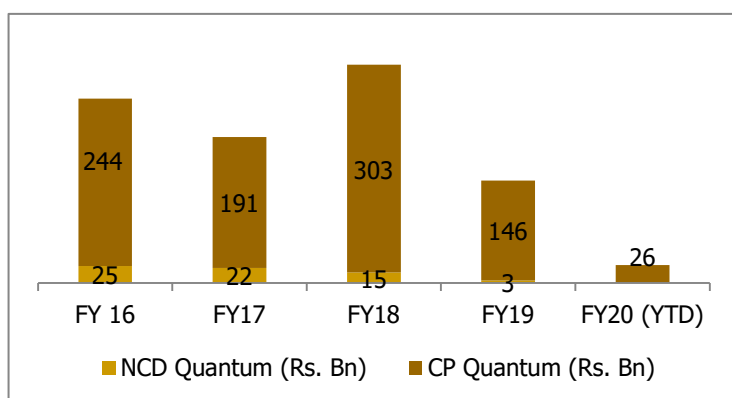


High proportion of portfolio in operational assets strengthening risk profile: The total AUM for LTIFL increased by 14% to Rs. 274.89 bn. as on March 31, 2019 from Rs. 240.73 bn. as on March 31, 2018. The company's portfolio stood at 270 bn. as on June 30, 2019. The portfolio comprised of the project finance group for 81% followed by real estate finance 14% and defocused book (DCM + Structured Finance) for balance 5% of the total loan book as on March 31, 2019. The higher share of renewable assets, with short gestation periods and small ticket sizes, has increased the company's operational assets (85% of renewable, roads and transmission portfolio as on March 31, 2019), thereby reducing portfolio vulnerability, imparting stability and strengthening risk profile.

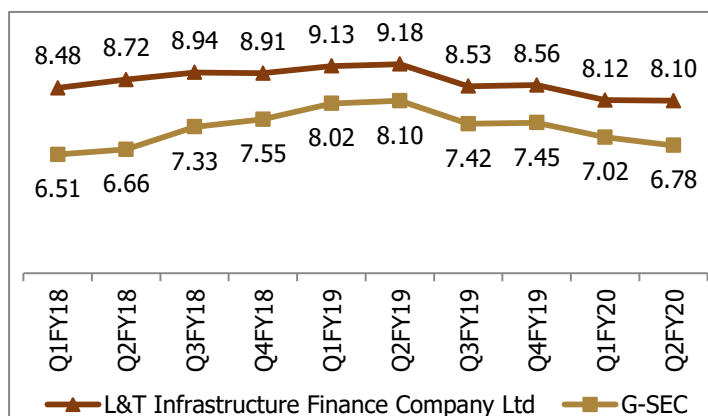
Strong liquidity position: Strong liquidity position is supported by diversified funding mix and ability to raise funds at competitive rates. LTIFL's cost of funds increased (8.28% in FY19 from 7.86% in FY18) as compared to increase in yield (10.29% in FY19 from 10.13% in FY18) leading to a decline in spreads. LTF has a fairly-diversified funding mix with 61% of the funding as on March 31, 2019 raised from the capital markets (NCDs, subordinated debt, perpetual debt and commercial papers) with balance of 19% being borrowings from banks and financial institutions. LTIFL, in addition to its own fund mobilising ability, has access to L&T's and LTFHL's liquidity. It takes comfort from equity support by LTHFL (Rs. 4.5 bn. in Q4FY18 and Rs. 13 bn. during FY19) to keep the entity adequately capitalized in relation to the portfolio risk and the growth targeted for the medium term.

Loan Book Composition as on March 31, 2019

Debt Funding Source as on March 31, 2019

Key Management Personnel:

Name	Designation	Name	Designation
Mr. Dinanath Dubhashi	Non- Executive Director	Mr. Rishi Mandavat	Non-Executive Director
Mr. Thomas Mathew	Independent Director	Mr. Sachinn Joshi	Group CFO
Ms. Nishi Vasudeva	Independent Director		

NCD & CP Issuances over 5 years


Source: Prime Database

Credit spread over 10 Year G-Sec:


Source: Thomson Reuters

Latest Issuance:

Name	Type	Date	Tenor	Coupon (%)	Quantum (Rs. Bn)
L&T INFRASTRUCTURE FINANCE COMPANY LIMITED	Unsecured	October 31, 2018	10 years	9.10%	1.5

Other Information:

Auditors	M/s. B.K. Khare & Co. Chartered Accountants
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Financials: (Standalone as per IND AS)

*FY17 numbers are as per IGAAP

Profit & Loss Statement

Particulars (in Bn.)	FY17	FY18	FY19
Operating Income	26.48	26.42	28.17
Other Income	0.42	0.25	0.55
Total Income	26.90	26.67	28.72
Employee Cost	0.31	0.41	0.51
Operating & Establishment Expenses	0.16	0.21	0.22
Administrations & Other Expenses	0.26	0.40	0.47
Provisions and Contingencies	7.62	6.75	3.83
Miscellaneous Expenses	0.09	0.05	0.06
Total Expenditure	8.44	7.82	5.08
Operating Profit	18.46	18.84	23.64
Interest	18.26	17.32	19.41
Depreciation	0.01	0.01	0.01
Profit Before Taxation & Exceptional Items	0.19	1.52	4.22
Profit Before Tax	0.19	1.52	4.22
Provision for Tax	-0.23	0.13	1.90
Profit After Tax	0.42	1.38	2.32

Key Ratios

Particulars	FY17	FY18	FY19
Spread Analysis			
Interest Earned/ Avg. Assets (%)	9.98	9.14	9.87
Interest Expended/ Avg. Assets (%)	7.25	6.98	7.53
Net Interest Margin (NIM) (%)	2.73	2.16	2.34
Operational & Financial Ratios			
Earnings Per Share (Rs)	0.47	1.40	1.85
DPS(Rs)	0.96	1.53	0.00
Book Value (Rs)	32.29	24.24	31.31
Performance Ratios			
ROA (%)	0.17	0.56	0.90
ROE (%)	1.47	5.75	5.88
Financial Stability Ratios			
Total Debt/Equity(x)	7.13	9.35	6.21

Peer Comparison as on March 31, 2019

Particulars (in Bn.)	LTIFL	IIFCL	SREI
Total Income	28.72	39.26	18.93
NII	6.00	12.54	14.35
PAT	2.32	1.07	0.95
Equity	39.30	46.92	29.87
Debt	244.23	337.84	122.76
CRAR (%)	24.30	19.20*	15.57
GNPA (%)	13.32	17.78*	13.25
NNPA (%)	10.01	10.30*	10.61
ROE (%)	7.33	3.00*	3.12
ROA (%)	0.90	0.40*	0.55
Leverage (x)	6.20	7.20	8.10

Source: Company Reports, ACE Equity, Figures are on standalone basis, *H1 FY19 figures

IIFCL: India Infrastructure Finance Company Limited

SREI: SREI Infrastructure Finance Limited

Information Source: Ace Equity, Company Reports, IBEF, NSDL, Prime Database, Bloomberg, Thomson Reuters, Rating Agencies, CRISIL
Note: Long-term/Short-term borrowings and advances numbers may differ as the classification is as per ACE - Equity.

Balance Sheet

Particulars (in Bn.)	FY17	FY18	FY19
EQUITY AND LIABILITIES			
Share Capital	8.92	9.90	12.55
Shareholder's Funds	28.81	24.00	39.30
Long-Term Borrowings	176.81	18.80	19.29
Other Non-Current Liabilities	13.68	-9.77	-9.14
Total Non-Current Liabilities	190.49	9.03	10.14
Other Current Liabilities	26.97	1.92	0.48
Short Term Borrowings	9.39	205.70	224.95
Total Current Liabilities	36.37	207.62	225.43
Total Liabilities	255.66	240.65	274.87
ASSETS	0.00	0.00	0.00
Net Block	0.02	0.03	0.03
Capital Work in Progress	0.00	0.00	0.00
Other fixed assets	0.00	0.04	0.10
Non-Current Investments	17.65	0.00	0.00
Long Term Loans & Advances	223.88	3.24	3.83
Other Non-Current Assets	1.90	1.76	1.71
Total Non-Current Assets	243.44	5.07	5.67
Cash and Bank	1.18	3.72	0.36
Other Current Assets	10.68	24.15	21.41
Short Term Loans and Advances	0.36	207.71	247.42
Total Current Assets	12.22	235.58	269.20
Miscellaneous Expenses not written off	0.00	0.00	0.00
Total Assets	255.66	240.65	274.87

Cash flow Statement

Particulars (in Bn.)	FY17	FY18	FY19
Profit Before Tax	0.19	1.52	4.22
Adjustment	7.37	8.71	3.44
Depreciation	0.01	0.01	0.01
Dividend Received	-0.01	-0.01	0.00
Interest Income	0.00	0.00	0.00
Provision & Written Off	7.38	0.00	0.00
Bad debts irrecoverable written off	0.00	3.56	5.54
Provision for doubtful debts & advances	0.00	0.00	0.00
Other Adjustments	-0.01	5.15	-2.11
Changes In working Capital	-8.73	-21.08	-39.76
Cash Flow after changes in Working Capital	-1.17	-10.85	-32.10
Tax Paid	-1.99	-1.54	-1.47
Extra & Other Item	0.00	0.00	0.00
Cash From Operating Activities	-3.16	-12.39	-33.57
Cash Flow from Investing Activities	-2.10	4.93	-0.89
Purchase of Fixed Assets	-0.01	-0.06	-0.07
Sale of Fixed Assets	0.00	0.00	0.00
Purchase of Investment	-273.55	-594.66	-927.00
Sale of Investments	271.46	599.24	926.19
Investment in Subsidiaries	0.00	0.43	0.00
Dividend Income	0.01	0.01	0.00
Interest Income	0.00	0.00	0.00
Other Investment Activities	0.00	-0.03	0.00
Cash from Financing Activities	5.87	9.98	31.10
Net proceeds from borrowings & pref. shares	3.70	6.58	19.93
Net proceeds Equity Share Capital	2.20	4.50	13.00
Other Financial Activities	-0.03	-1.10	-1.84
Net Cash Inflow / Outflow	0.61	2.52	-3.36
Opening Cash & Cash Equivalents	0.57	1.07	3.58
Closing Cash & Cash Equivalent	1.18	3.58	0.22

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