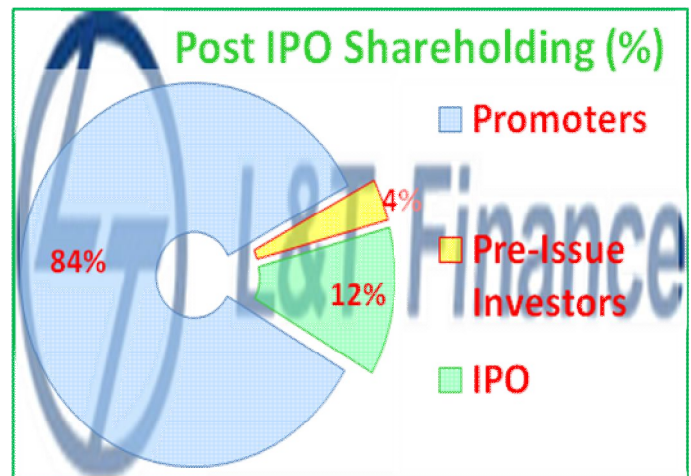




L&T Finance Holdings Ltd IPO (LTFH)

Price ` 51-59 (FV 10)

Sector	Financial (NBFC)
Website	http://www.ltfinance.com
Issue Opens	27-Jul-11
Issue Closes	29-Jul-11
No. of Shares	21.1 Crore (at Upper band)
Aggregating (INR)	1245 Crore
Key Executives	Y. M. Deosthalee, N. Sivaraman R. Shankar Raman, S. Raghvan
Registrar	Sharepro Services
BRLM	JM Financial, CITI Group, Barclays Credit Suisse, HSBC, Equirus
Post IPO Equity (INR)	1688 Crore



Assuming IPO @ Rs.59/Share Upper Band

Company Background

Incorporated in 2008, L&T Finance Holdings is the subsidiary of leading Indian Engineering giant Larson & Tuobro (NSE Code: LT). It 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. LTFH 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.

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.

Objectives of the Issue

The company plans to raise about ` . 1245 Crore (at upper band) from the issue, It plans to utilize issue proceeds as:

Particulars	Rs. Crore
Repayment of intercorporate deposit issued by L&T Ltd (Promoters)	345
Infusion of capital in L&T Finance Limited	515
Infusion of capital in L&T Infrastructure Finance Company Limited	485
Total Rupees Crore	1345

Other than IPO, Company has raised Rs.330 Crore via Pre-IPO Placement. Besides, it plans to meet Corporate Expenses & Issue expenses etc. from the proceeds.

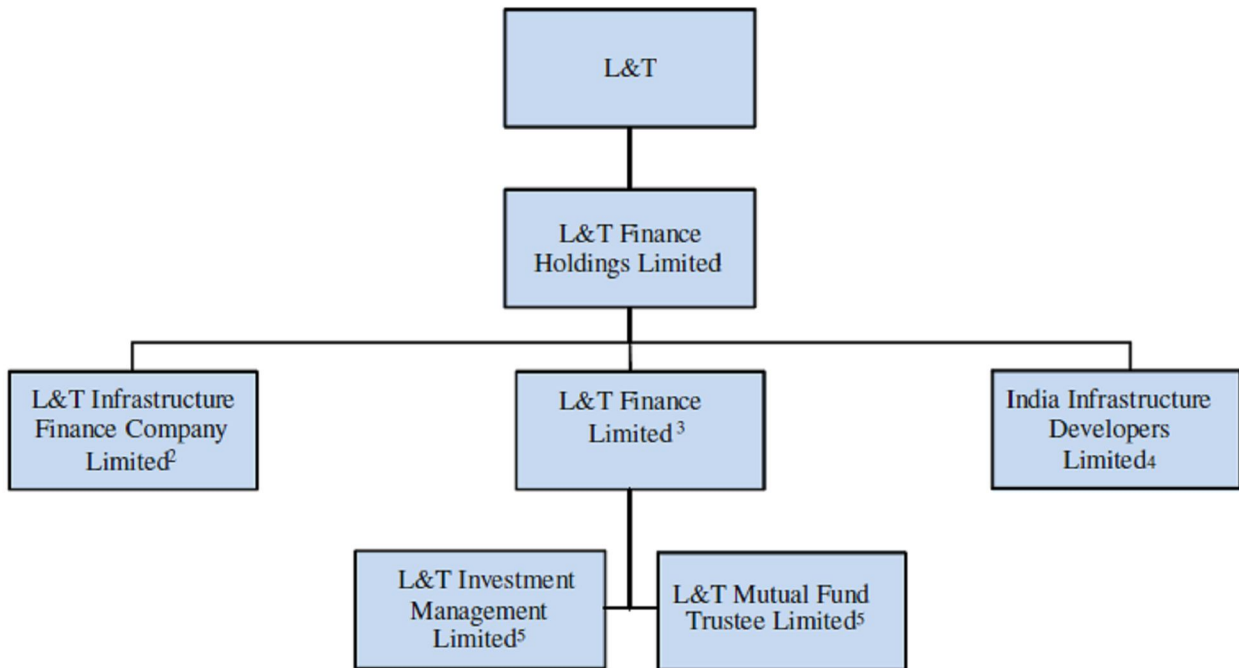


Highlights

- The RBI is the central regulatory and supervisory authority for the Indian financial system. The Board for Financial Supervision ("BFS"), constituted in November 1994, is the principal body responsible for the enforcement of the RBI's statutory regulatory and supervisory functions. SEBI and IRDA regulate the capital markets and the insurance sector respectively.
- A variety of financial institutions and intermediaries, in both the public and private sector, participate in India's financial services industry.
- Non-Banking Finance Companies (NBFCs) are an important component of the overall Indian financial system. NBFCs are a group of institutions which perform the function of financial intermediation in a wide variety of ways, for example, by accepting deposits, making loans and advances and financing leasing and hire purchase transactions. NBFCs typically advance loans to various wholesale and retail traders, small-scale industries and self employed persons, which means that they offer a broad and diversified range of products and services.
- The primary providers of infrastructure finance in India are financial institutions, public sector banks and other public sector institutions, private banks, foreign banks and multilateral development institutions. In February 2010, the RBI introduced Infrastructure Finance Companies (IFCs) as a new category of infrastructure funding entities. IFCs are entitled to various benefits such as a lower risk weight on their bank borrowings, higher permissible bank borrowings, permission to raise external commercial borrowings on lending to the infrastructure sector and permission to have a higher loan exposure than other NBFCs, to a single borrower and a single business group.
- There are tremendous growth opportunities in Indian Infrastructure finance, Consumer Finance, Retail Finance, Automotive Finance, Micro-Finance sector etc.
- Besides, there are huge potentials in under-invested Indian economy. Distribution of financial products is are that holds good promises. Financial products in India are distributed by corporate houses specializing in broking and distribution, as well as by individuals. The key financial products which are distributed in India are investment and risk assurance products, including the following:
 - Equity and Futures and Options, listed on recognized exchanges;
 - Mutual Funds;
 - Life Insurance Policies;
 - Fixed deposits of NBFCs and Corporates;
 - General insurance policies (such as health Insurance and motor insurance).
- According to AMFI, at the end of 2004, there were 29 mutual fund providers managing assets of Rs. 1,531 billion invested in 421 different individual funds. As of March 2011, there were 43 individual registered mutual fund providers, with a total average AUM, for the period of January to March 2011, excluding funds of funds, of Rs 7,005 billion.
- LTFH is 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, through its direct and indirect wholly-owned subsidiaries.
- It is subsidiary of US\$ 10 Billion L&T one of the leading companies in India, with interests in engineering, construction, electrical and electronics manufacturing and services, information technology and financial services.
- It is headquartered in Mumbai, and have a presence in 23 states in India. As at May 31, 2011, it has 837 points-of-presence across India, comprising 117 branch offices, 269 meeting centers, 37 KGSK (Kisan Gaurav Sewa Kendra for Rural India) centers.



- The Corporate structure of the Company is as:



L&T Infra was incorporated in 2006, and is registered with the RBI as an NBFC-ND-SI (Systemically important non-deposit taking NBFC), is classified as an IFC and has been notified as a PFI under Section 4A of the Companies Act. L&T Infra is the entity through which LTHF conducts the operations of Infrastructure Finance.

L&T Finance was incorporated in 1994, and is registered with the RBI as an NBFC-ND-SI and classified as an AFC (Asset Finance Company).

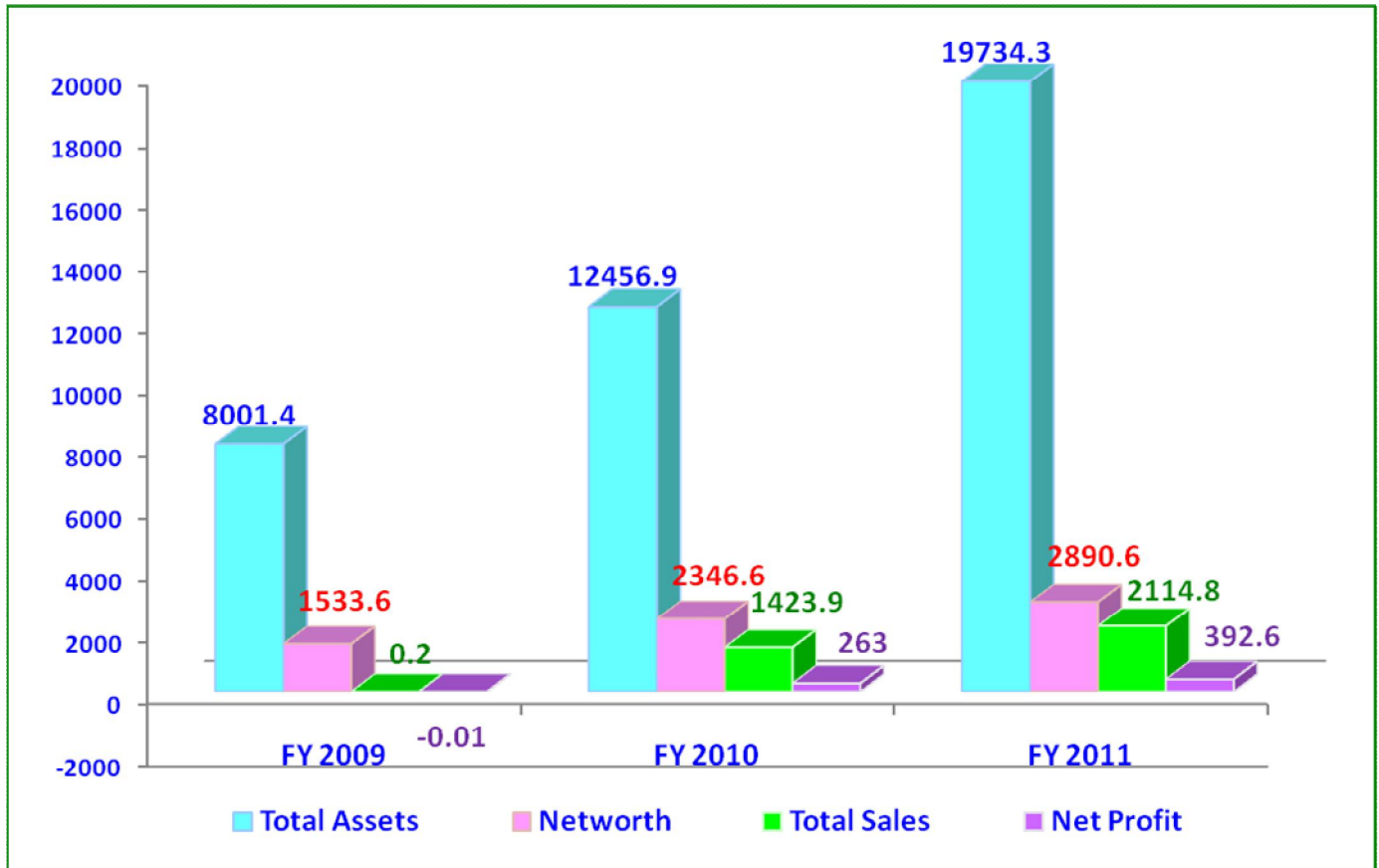
India Infrastructure Developers Limited ("IIDL") was incorporated in 1997, and is registered with the RBI as an NBFC-ND. IIDL was originally established as a special purpose vehicle for financing a captive power plant for Indian Petrochemicals Limited. Currently does not conduct any material financing operations through IIDL, it intend to begin doing so in the course of Fiscal Year 2012. Subject to applicable regulatory approvals, IIDL plans to support the working capital requirements of small and medium enterprises and of other corporate entities.

L&T Investment Management, 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 the operations of Investment Management Group are conducted.

- The Company has strong management team of L&T Group. Besides, it enjoys very high Credit Ratings, which makes raising funds when needed at Competitive rates easily. The IPO itself is given the highest ratings by ICRA & CARE "Grade 5".
- Post IPO, Promoters have over 80% holding in the company and it needs to be reduced. Post listing Equity dilution can be at better rates than IPO, unlocking more value.



- It started operations only during the mid of FY 2009. It has shown good growth in past 2 and a half year of its operations:



(Figures in Rupees Crore)

Financial Highlights (Consolidated)

Rs. Crore	FY 2010	FY 2011	FY 2012 E
Total Income	1423.9	2114.8	2855.0
Operating Expenses	1029.7	1503.2	2027.0
PBT	394.2	611.6	827.9
Exceptional Items	-0.9	6.1	
Tax	134	213	273.2
PAT	261.1	392.5	554.7
Equity (FV 10)	1353.6	1417	1688.0
EPS	1.93	2.77	3.29



Peerset Comparison (FY 2011)

Rs. Crore	LTFH	HDFC	IDFC
Total Income	2114.8	25792.6	4916.73
Net Profit	392.5	4528.41	1281.65
Equity	1417	293	2300.94
Face Value	10	2	10
CMP	59	706	140
PE	21.30	22.84	25.13
M Cap/Total Sales	3.95	4.01	6.55

Risks

- The industry has adverse impact of rising interest rates. And RBI has been constantly raising rates in past 1 year.
- Infra projects take time to come up and gestation period is long. This time lag involves risks for financiers also.
- Mutual Fund business is directly impacted by the condition of capital markets.
- The Company presently has low CRAR of just 4.25%, which is nowhere near RBI guidelines of 12%.
- L&T will have significant influence on the Company, which can impact operations.
- Some of the recent IPOs/FPOs from financial sector have not doing very well post listing, this can have impact on sentiments of investors.

Valuation & Recommendation: Except Wealth Creation in Long term

LTFH is Financial sector subsidiary of leading Indian conglomerate L&T. LTFH has diversified business interests in Financial sector, from retail & rural finance to Mutual Funds and Infra Finance. The valuations look at par with peers. Given the History of L&T and High Credit rating, investor can consider the IPO. Though in long run, it can be expected to reward the investors in a big way.

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Shri Parasram Holdings Pvt. Ltd.

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Shri Parasram Commodities Pvt. Ltd.

FMC Regn. No. -NCDEX/TCM/CORP/0572, MCX/TCM/CORP/0828,

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