

L&T Finance Holdings

Issue Details :

Issue Price	: Rs. 51 - 59
No of Shares (FV Rs. 10)	: 211 million -- 244 million shares
Issue Size	: Rs. 12,450 million
Issue opens-closes	: 27th July 2011 - 29th July 2011
Listing	: BSE and NSE

Post Listing Details :

Pre-Issue Promoter and Promoter Group Holding : 95.94 per cent

Post Issue Promoter and Promoter Group Holding	: 82.33 per cent
Post Issue Equity Capital	: Rs. 16880 million - Rs 17211 million
Post Issue Equity Shares (nos)	: 1688 million - 1721 million shares
Market Cap	: Rs 87,778million - Rs 99,594 million

Background :

- Promoted by the engineering and construction major, Larsen and Toubro and formerly known as L&T Capital Holdings Ltd
- Holding company with a NBFC-ND -SI (Systemically Important Non-Deposit taking Non-Banking Financial Companies) status.
- Offers a range of financial products and services across the corporate, retail and infrastructure finance sectors including mutual fund products and investment management services, through its direct and indirect wholly-owned subsidiaries.
- Holding company for L&T Infrastructure Finance Company (infrastructure financing business), L&T Finance (operates the retail and corporate finance business) and L&T Investment Management (indirect subsidiary, mutual fund business acquired from DBS Cholamandalam, under its arm L&T Finance).
- L&T Finance Holdings also owns
 - Less than 5 per cent stake in Federal Bank Ltd and City Union Bank Ltd.
 - 8.9 per cent stake in Invent Asset Reconstruction Company
 - 30 per cent in NAC Infrastructure & Equipment Ltd (joint venture between India Infrastructure Equipment Limited, the National Academy of

Construction, Nagarjuna Construction Company Limited and L&T Finance), which provides equipment leasing and financing for equipment acquisition.

- The firm also plans to start providing non-asset-backed financing through India Infrastructure Developers Ltd (originally established as a special purpose vehicle for financing a captive power plant for Indian Petrochemicals Limited).
- Notably, L&T Infra. has very recently been accorded the status of a Public Financial Institution (PFI) from the Government of India.

Why is the Company making the IPO?

While the company intends to raise Rs 12,450 million for the IPO, it has also raised Rs 3300 million from Pre-IPO placement at Rs 55 per share to the US private equity fund Capital International. Proceeds of the issue will be utilized to:

- Repay the inter-corporate deposit (Rs 3,450 million) issued by its Promoter to the company
- Augment the capital base of L&T Finance (Rs 5,150 million) and L&T Infra (Rs 4,850 million)
- Meeting capital adequacy requirements

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- The financials of the company are not directly comparable for FY 2009 and FY 2010 as the company acquired L&T Finance (together with its subsidiaries) and L&T Infra as on March 31, 2009. Prior to that, the company had minimal operations as it was incorporated in May 2008.
- For the periods FY 2010 and FY 2011, total income increased by almost 50 per cent primarily on account of an increase in the operating income of its subsidiaries, L&T Finance and L&T Infra whose incomes increased by 45 per cent and 56 per cent respectively. The resultant impact was also seen in the bottomline of the parent (LTFH).
- The average yield on loans to cost of funds for L&T Finance and L&T Infra for FY 2011 was 15.19 per cent to 8.40 per cent and 11.56 per cent to 8.06 per cent respectively.

Thus, the net margin for the companies was over 6 per cent and 3.5 per cent for the period under review.

- The debt to equity ratio is around 5 times for FY 2011. Post-issue the ratio will drop to under 4 .
- Overall cash flow from operations has been negative as the company (read as subsidiaries) continue to meet their capital requirement from financing activities. Notably, the net cash flow from operations for FY 2011 and FY 2010 was negative Rs 59,020 million and Rs 39,140 million respectively.
- The net NPA's are less than 1 per cent for Infrastructure Finance Group and Retail and Corporate Finance Groups.
- Pursuant to a trademark license agreement with its promoter, L&T Finance, L&T Infra and other subsidiaries (of ultimate parent) were granted a global non-exclusive, non-transferrable license to use the "L&T" trademark and logo for a consideration payable by each of the licensees of up to 0.15 per cent of the assets, or 5 per cent of the PAT of each of the licensees, whichever is lower, plus service tax. This becomes applicable from the fiscal year 2012 onwards
- The company's exposure to the micro-finance sector has led to additional provisioning.
- At the upper end of the band, the the IPO is priced at a Price-to-Book ratio of of 2 times and a Price to Earnings of over 20 times its forward earnings estimate.