

### BID

Issue Details	
Issue price (Rs)	1000/-
Face value (Rs)	1000/-
Issue opens	08-April-19
Issue closes	18-April-19
Tranche 2 Issue size (Rs.)	Base issue size of Rs 500cr with an option to retain over-subscription up to Rs. 500cr
Allotment	First Come First Serve basis
Minimum application	10 NCDs (Rs. 10,000) & in multiple of 1NCD
Listing	BSE/NSE
Issuance and trading	In physical and Demat form
Rating	"ICRA AAA/Stable", CARE AAA/Stable" and IND AAA/Stable

Other Details	
Lead manager	A.K Stockmart Pvt Ltd
Registrar	Link Intime India Pvt Ltd

Category	Allocation
QIB Portion	I
Corporate Portion	II
HNI	III
Retail Individual	IV

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## L&T Finance Ltd

(Public Issue of Secured Non-Convertible Debentures- Tranche 2)

### Company Background:

L&T Finance Ltd is one of the leading private non-banking financial services companies in India in terms of total loans outstanding as of Dec 31, 2018.

Their pan-India operations are spread across 234 branches in 220 cities across 21 states and 2 union territories, as of Dec 31st, 2018. In addition, their micro loans business has 1181 meeting centres covering 275 districts across 14 states in India, as on Dec 2018.

It is a part of the larger L&T group, which is one of the leading business conglomerates in India, with presence across infrastructure, power, heavy engineering, electrical and automation, hydrocarbons, IT and technology services, financial services, project development, metallurgical and material handling, realty, shipbuilding, construction equipment, machinery, and industrial products sectors.

Further, L&T Finance Ltd has 21,177 employees as of December 31, 2018. Each of their businesses is led by senior executives who are, generally, also responsible for certain organizational functions at the group level. Together, they have demonstrated the ability to manage and grow their operations.

### Object of the Issue:

The company proposes to utilize the funds towards onwards lending, financing, and refinancing existing indebtedness of the company.

### Rationale:

"ICRA AAA/Stable", "CARE AAA/Stable" and "IND AAA/Stable"

- L&T Finance Ltd has significant presence across diversified business, which includes rural, wholesale, and housing finance sector. Their customers include farmers, individuals, SME, real estate developers, and large corporate. The company has 14 years of operating experience in rural markets.
- It has a robust risk management framework as risk management forms an integral part of their business. Over the years, the company has developed capabilities in areas such as risk exposure policy, risk evaluation parameters & early warning signals, treasury risk management, and risk adjusted pricing.
- L&T Finance believes that their relationship with L&T provides brand recall and continues to derive significant marketing and operational benefits from their relationship. They believe there are opportunities presented by other businesses of L&T for the growth of their operations.
- In the last five years (FY14-18), the company's loan book has grown at a CAGR of 20.4%. As on Dec 31, 2018, the company's current outstanding loan book stands at Rs. 94711cr with wholesale book contributing 41% while rural and housing constituted 25% each and IDF constituting 8% of the balance loan book.
- In the last five years (FY14-18), the company's net interest income and profitability have grown at a CAGR of 24.1% and 25.2% respectively. During 9MFY19, the company's net interest income was up 33.2% at Rs. 4411cr whereas profit was up 71.9% at Rs. 1679cr.
- As on Dec 2018, the company's net interest margin stands at 5.01% along with gross and net NPA standing at 6.74% and 2.64% respectively. Further, the company's provision coverage ratio increased from 57% to 62%. The company continues to deliver ROE of above 18% since the last few quarters.
- We believe L&T Finance is one of the very few companies that is least impacted by the recent liquidity crisis as the company has a well-diversified sourcing of funds.

- With strong parentage backup, pan India presence along with a benign rate cycle and improving consumer spending, we believe L&T Finance will benefit from pickup in credit growth cycle.
- In the current interest rate scenario, this NCD offers a good opportunity for fixed income investors to diversify their portfolio and add a company with a good credit rating.

### Conclusion:

L&T Finance has a good track record of registering robust profit on YoY basis in the past few years. The company's net profit has increased from Rs. 597cr in FY14 to Rs. 1459cr in FY18. This indicates strong capacity for repayment of interest. We recommend investors to **BID** to the issue.

### Issue Break up:

Category	Allocation	Issue Size (Rs Cr)	
		Base Issue	Total Issue
QIB	10%	50	100
Corporate	10%	50	100
HNI	35%	175	350
Retail Individual	45%	225	450
Total	100%	500	1000

Source : Company, Edelweiss financial

### Effective Yield (P.A.)

Series	I	II	III*	IV	V	VI	VII
Frequency of Interest Payment	Annual	Cumulative	Annual	Monthly	Cumulative	Annual	Monthly
Tenor	3 years	3 years	5 years	5 years	5 years	8 years	8 years
Coupon (% p.a.) for in category I & II	8.70%	NA	8.80%	8.48%	NA	8.85%	8.52%
Coupon (% p.a.) in category III & IV	8.90%	NA	9.00%	8.66%	NA	9.05%	8.70%
Effective Yield (% p.a) Category I, & II	8.69%	8.70%	8.79%	8.81%	8.80%	8.84%	8.86%
Effective Yield (% p.a.) in category III & IV	8.89%	8.90%	8.99%	9.00%	9.00%	9.04%	9.05%
Mode of Interest Payment	Through various mode available						
Amount (Rs/NCD) on Maturity for NCD Holders in Category I&II	Rs 1,000	Rs 1,284.66	Rs 1,000	Rs 1,000	Rs 1,525.27	Rs 1,000	Rs 1,000
Amount (Rs/NCD) on Maturity for NCD Holders in Category III & IV	Rs 1,000	Rs 1,291.77	Rs 1,000	Rs 1,000	Rs 1,539.36	Rs 1,000	Rs 1,000
Put & Call Option	NA	NA	NA	NA	NA	NA	NA

Source : Company, A.K Stockmart Pvt Ltd

\*The Company would allot the Series III NCDs, as specified in the Tranche 2 Prospectus to all valid Applications, where in the Applicants have not indicated their choice of the relevant Series of NCDs

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Union Budget Report	Top Mutual Fund Schemes
Weekly Derivative Synopsis	Portfolio Review
Rollover Snapshot	Equity SIP
Rollover Analysis	

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