

BID

Issue Details	
Issue price (Rs)	1000
Face value (Rs)	1000
Issue opens	16-December-19
Issue closes	30-December-19
Issue size (Rs.)	Base issue size of Rs 500cr with an option to retain over-subscription up to Rs. 1000cr
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. Capital Services Limited, Edelweiss Financial Services Ltd, JM Financial Ltd & Trust Investment Advisor Pvt Ltd
Registrar	Link Intime India Pvt Ltd

Category	Allocation
QIB	I
Corporate	II
HNI	III
Retail	IV

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L&T Finance Ltd

(Public Issue of Secured Non-Convertible Debentures)

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 September 30, 2019.

Their pan-India operations are spread across 225 branches across 21 states and 2 union territories, as of September 30, 2019. In addition, their micro loans business has 1337 meeting centers covering 275 districts across 14 states in India, as on September 2019.

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 23,580 employees as of September 30, 2019. 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 (FY15-19), the company's loan book has grown at a CAGR of 20%. As on September 30, 2019, the company's current outstanding loan book stands at Rs.99,121cr with wholesale book contributing 39% while rural and housing constituted 26% each and IDF constituting 9% of the balance loan book.
- In the last five years (FY15-19), the company's Total revenue and profitability have grown at a CAGR of 19% and 27% respectively. During September 2019, the company's net profit was up 16% at Rs. 647cr
- As on September 2019, the company's net interest margin stands at 5.11% along with gross and net NPA standing at 5.98% and 2.83% respectively. The company continues to deliver ROE of above 16% 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.2226cr in FY19. 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 prospectus

The Specific Terms of Each Option of NCD

Series	I	II	III	IV*	V	VI
Frequency of Interest Payment	Annual	NA	Monthly	Annual	Monthly	Annual
Tenor	3 years	3 years	3 years	5 years	5 years	7 years
Coupon (% p.a.) for in category I & II	8.25%	NA	7.96%	8.45%	8.15%	8.50%
Coupon (% p.a.) in category III & IV	8.45%	NA	8.15%	8.60%	8.29%	8.65%
Effective Yield (p.a) Category I, & II	8.24%	8.25%	8.25%	8.44%	8.45%	8.49%
Effective Yield (p.a) Category III & IV	8.44%	8.45%	8.45%	8.59%	8.60%	8.64%

*The Company would allot the Series IV NCDs, as specified in this Tranche I Prospectus to all valid Applications, wherein the Applicants have not indicated their choice of the relevant Series of NCDs.

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Market Watch	Smart Delivery Calls
Investor First Magazine	Investment Ideas
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Market Pulse	Master Trades Medium Risk
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Asit C. Mehta

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